

## Tax system in Croatia

### DOUBLE TAXATION AGREEMENTS

#### Double taxation agreements

The right to taxation in the event of a sale of interests in property companies is subject to differing provisions. In accordance with the OECD Model Agreement, for those countries for which there is a “yes” in the real estate clause column, the right to taxation lies generally not with the country of residence of the seller but with the country in which the property is situated.

As regards withholding tax rates, a possible reduction must be taken into account when EU Directives (Parent-Subsidiary Directive, Interest and Royalties Directive) are applicable.

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Albania	01.01.1998	yes	10	10	10
Armenia	01.01.2011	yes	0/10	10	5
Austria	01.01.2002	no	0/15	5	0
Azerbaijan	01.01.2014	no	5/10	10	10
Belarus	01.01.2005	no	5/15	10	10
Belgium	01.01.2005	no	5/15	10	0
Bosnia and Herzegovina	01.01.2006	yes	5/10	10	10
Bulgaria	01.01.1999	no	5	5	0
Canada	01.01.2000	yes	5/15	10	10

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Chile	01.01.2005	yes	5/15	5/15	5/10
China	01.01.2002	yes	5	10	10
Czech Republic	01.01.2000	no	5	0	10
Denmark	01.10.2010	yes	5/10	5	10
Estonia	01.01.2005	no	5/15	10	10
Finland	08.10.1991	no	5/15	0	10
France	01.01.2006	yes	0/15	0	0
Germany	01.01.2007	yes	5/15	0	0
Georgia	01.01.2014	yes	5	5	5

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Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Greece	01.01.1999	no	5/10	10	10
Hungary	01.01.1999	no	5/10	0	0
Iceland	01.01.2012	yes	5/10	10	10
India	01.01.2016	yes	5/15	10	10
Indonesia	01.01.2013	no	10	10	10
Iran	01.01.2009	yes	5/10	5	5
Ireland	01.01.2004	yes	5/10	0	10
Israel	01.01.2007	yes	5/10	5/10	5
Italy	01.01.2010	no	15	10	5

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Japan	01.01.2020	yes	5/10	5	5
Jordan	01.01.2007	yes	5/10	10	10
Kazakhstan	01.01.2020	yes	5/10	10	10
Korea	01.01.2007	no	5/10	5	0
Kosovo	01.01.2018	yes	5/10	5	5
Kuwait	01.01.2004	no	0	0	10
Latvia	01.01.2002	no	5/10	10	10
Lithuania	01.01.2002	no	5/15	10	10
Luxembourg	01.01.2017	yes	5/15	10	5

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Malaysia	01.01.2005	no	5/10	10	10
Malta	01.01.2000	yes	5	0	0
Mauritius	01.01.2004	no	0	0	0
Macedonia	01.01.1997	yes	5/15	10	10
Moldova	01.01.2007	yes	5/10	5	10
Montenegro	01.01.2005	yes	5/10	10	10
Morocco	25.12.2012	yes	8/10	10	10
Netherlands	01.01.2002	no	0/15	0	0
Norway	08.10.1991	no	15	0	10

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Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Oman	01.01.2012	no	0	5	10
Poland	01.01.1997	yes	5/15	10	10
Portugal	01.01.2016	no	5/10	10	10
Qatar	01.01.2010	no	0	0	10
Romania	01.01.1997	yes	5	10	10
Russia	01.01.1998	yes	5/10	10	10
San Marino	01.01.2006	no	5/10	10	5
Serbia	01.01.2005	yes	5/10	10	10
Slovakia	01.01.1997	no	5/10	10	10

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Slovenia	01.01.2006	no	5	5	5
South Africa	01.01.1998	no	5/10	0	5
Spain	01.01.2007	no	0/15	8	8
Sweden	08.10.1991	no	5/15	0	0
Switzerland	01.01.2000	yes	5/15	5	0
Syria	01.01.2010	no	5/10	10	12
Turkey	01.01.2001	no	10	10	10
Turkmenistan	01.01.2016	yes	10	10	10
UAE	01.01.2019	no	5	5	5

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Ukraine	01.01.2000	yes	5/10	10	10
United Kingdom	01.01.2016	yes-partially	5/10	5	5
Vietnam	01.01.2020	yes	10	10	10

Status as at January 1st, 2022 according to the Austrian Ministry of Finance (BMF)

Signed but not yet effective are DTAs with Libya, Syria and Argentina.

\* For details of effective dates of application, see the provisions of the applicable DTA.

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## TYPES OF ORGANISATIONS

### Types of organisation

	Name in local language	Registrable in commercial register / legal entity	Minimum capital	Sole shareholder company
<b>Limited liability company</b>	društvo s ograničenom odgovornošću (d.o.o.)	yes / yes	EUR 2,500.00	yes
<b>Joint stock company / European Company</b>	dioničko društvo (d.d.)	yes / yes	EUR 25,000.00	yes
<b>Cooperative (with limited liability)</b>	zadruga (no abbreviation)	yes / yes	no	minimum of three members
<b>General partnership</b>	javno trgovačko društvo (j.t.d.)	yes / yes	no	generally no
<b>Limited partnership</b>	komanditno društvo (k.d.)	yes / yes	no	no
<b>Registered branch office</b>	podružnica (no abbreviation)	yes / no	no	n / a
<b>Permanent establishment</b>	stalna poslovna jedinica (no abbreviation)	no / no	no	n / a

	Capital tax / Registration fees	Written form / notarisation	Tax transparency	Registration with tax authorities	Statutory audit (necessary if large or medium company; or if it exceeds two of the following three criteria: 1. revenue > HRK 30 million (EUR 4 million); 2. total assets > HRK 15 million (EUR 2 million); 3. average number of employees ≥ 25)
<b>Limited liability company</b>	no / registration in commercial register	yes / yes	no	yes	if above statutory thresholds are exceeded accordingly
<b>Joint stock company / SE</b>	no / registration in commercial register	yes / yes	no	yes	mandatory
<b>Cooperative (with limited liability)</b>	no / registration in commercial register	yes / yes	no	yes	if above statutory thresholds are exceeded accordingly
<b>General partnership</b>	no / registration in commercial register	yes / yes	no	yes	if above statutory thresholds are exceeded accordingly
<b>Limited partnership</b>	no / registration in commercial register	yes / yes	no	yes	if above statutory thresholds are exceeded accordingly
<b>Registered branch office</b>	no / registration in commercial register	yes / yes	no	yes	as part of any audit of the parent company
<b>Permanent establishment</b>	n / a	n / a	n / a	yes	as part of any audit of the parent company

## MERGERS & ACQUISITIONS

<sup>i</sup> \* Under the provisions of the Croatian Accounting Act, the application of Croatian financial reporting standards (HSFI) is mandatory for all businesses, with the exception of large businesses and businesses whose shares or bonds are listed on the stock exchange, or where stock exchange listing is being prepared, in which case International Financial Reporting Standards (IFRS) must be applied.

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## Financing

### Financial assistance by the subsidiary

In general, permissible only for limited liability companies.

### Subordinate debt (mezzanine capital)

The use of subordinate debt is allowed.

### Interest expenses for acquisition financing

Interest is tax deductible if the loans are used for business purposes, i.e. for creating income.

### Interest expense on subordinate debt

For interest on subordinate debt, thin capitalization rules and maximum tax deductible interest rate should be considered as follows: Interest on subordinate debt from a foreign shareholder holding 25 % or more of the company's share capital or voting rights, is non-deductible for the amount of the loan exceeding four times the shareholder's share in the equity of the borrower at any time during the tax period. The same applies also for all related parties.

## EU interest barrier

An interest surplus (excess of tax-deductible interest expense over taxable interest income of a financial year), is only deductible to the extent of 30% of the tax EBITDA. An allowance of EUR 3 million is applicable.

## Squeeze-out options

### Buy-out of minority shareholders (squeeze-out)

Upon request of a shareholder holding at least 95 % of the share capital, the shareholders' assembly is entitled to carry out the transfer of shares of the minority shareholder with the obligation of paying severance pay to the minority shareholder (applicable only to a joint stock company). The principal shareholder determines the amount of the payment to be paid to minority shareholders for their shares. The adequacy of the consideration must be reviewed by one or more auditors appointed by the court.

## Capital gains - corporations and partnerships

### Sale of shares in a joint stock corporation

No special capital gains tax is applicable. If a seller is not a Croatian tax resident no tax consequences in Croatia. Capital gains realized by a Croatian corporation subject to corporate income tax are included in the taxable income and taxed at a rate of 18 % or 10 %.

### Sale of shares in a limited liability company

No special capital gains tax is applicable. If a seller is not a Croatian tax resident no tax consequences in Croatia. Capital gains realized by a Croatian corporation subject to corporate income tax are included in the taxable income and taxed at a rate of 18 % or 10 %.

### Sale of interest in a partnership

No special capital gains tax is applicable. If a seller is not a Croatian tax resident no tax consequences in Croatia. Capital gains realized by a Croatian corporation subject to corporate income tax are included in the taxable income and taxed at a rate of 18 % or 10 %.

### International participation exemption

There is no additional capital gains tax in Croatia. Capital gains realized by a Croatian corporation subject to corporate income tax are included in the taxable income and subject to CIT at the regular rate of 18 % or 10 %.

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## Sale of business

### Definition

#### Sale of business units:

The sale of business units (or parts of businesses) is possible. It is important for all assets, receivables, claims and liabilities involved in a particular business activity to be included in the business unit that is being transferred.

#### Sale of shares in a company:

The sale of shares in a company – a share deal – is possible.

### Valuation

#### Sale of business units:

The correct accounting treatment of business units is set out in IFRS 3, Business Combinations.

At the time of the sale, all identifiable assets and liabilities are to be valued at fair value. In HSFI\*, the terms 'business unit' and 'business combinations' are not explicitly defined, however it is to be assumed that they are to be treated in the same way.

The transfer of a business unit is not subject to VAT, provided the unit is transferred as a complete entity, and provided that the acquiring entity is entitled to input VAT deduction.

#### Sales of shares in a company:

The sale of shares in a company is valued in the same way under IFRS and HSFI, depending on the size of the interest being transferred. Sales of shares in companies are not subject to VAT.

### Goodwill

#### Sale of business units:

Goodwill (purchase price less the fair values of assets and liabilities taken over) is initially valued at cost of acquisition.

#### Sales of shares in a company:

N/A

## Mergers and demergers

### Types of mergers described by commercial law

Absorption of one or more public limited companies by another public limited company, absorption of one or more public limited companies by a private limited liability company, absorption of one or more private limited liability companies by another private limited liability company  
absorption of one or more private limited liability companies by another public limited company.

### Valuation

Adjustments to fair values in accordance with IFRS are required. Deferred taxes must be recognised under IAS 12, and also under CFRS (Croatian financial reporting standards).

### Valuation in financial accounting

Under carrying value (2 entities allowed to be merged according to historical values) otherwise according to purchase price allocation (PPA). According to PPA identifiable assets acquired and identifiable liabilities are measured at their fair values on the date of acquisition. According to IFRS 3, fair value is the basis of valuation for PPA purposes and is defined as the price that would be realized by selling an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

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### **Goodwill amortization**

Where a business combination is subject to IFRS, goodwill arising from the combination must be reviewed for impairment. Any loss in value of goodwill is deductible for tax purposes.

Where a business combination is subject to HSFI, goodwill should be amortised over its expected useful life, or a maximum of five years.

Amortisation or impairment of goodwill arising from business combinations is not deductible for tax purposes.

### **Tax treatment of revaluation**

Adjustments to fair values are generally not subject to tax. The revaluation reserve does not affect the tax basis of assessment as long as it is included under equity. In this situation the revaluation reserve becomes taxable when realised. If the revaluation reserve is recognised as income, then it is taxable in the period in which it arises.

## **Contributions (transfer of assets into the capital of a company)**

### **Contributions in kind**

Contributions in kind are permissible. The assets introduced are recognised at market values as established by expert valuation, or at their carrying value in the accounts of the investor (but not higher than market value).

### **Tax treatment**

The gain of the company from the increase in fair values of the assets introduced is taxed if the assets are recognised at market values.

Contributions in kind, with the exception of business units and shares in companies, are as a general rule subject to VAT.

### **Goodwill amortisation**

N/A

## **VAT**

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### **Tax rates**

Standard VAT rate: 25 %

Reduced rate 13 % for

- accommodation services
- periodicals
- supply of water except bottled water
- preparing and serving meals and desserts in and out of restaurants
- services and related copyrights of writers, composers and artist performers and holders of phonogram rights
- children car seats and babies' napkins, menstrual (women needs) supplies
- supply of electricity, natural gas, district heating services, fuel wood, pellets, briquettes and chipped wood

Reduced rate 5 %, e.g. for

- daily newspapers, cinema tickets, concert tickets, tickets for sport and cultural events
- books, scientific publications
- certain pharmaceuticals
- all types of bread and milk,
- children's food, edible oils and fats
- supply of live animals, fish, vegetables, fruits, nuts, eggs etc,

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- plants and seeds, agrochemical products

## Supply of goods

### Place of supply of goods

The place of supply of goods not dispatched or transported shall be the place where the goods are located at the moment of supply (static supply).

The place of supply of goods dispatched or transported by the supplier, buyer or a third person shall refer to the place where the goods are located at the beginning of the dispatch or transport to the buyer (moving supply).

Importation from third country: The place of import of goods is the Member State on whose territory the goods are located at the time of entry into the European Union.

Special provisions for chain and triangular transactions.

- Current distance sales thresholds are replaced with an annual threshold of EUR 10,000, and once the threshold EUR 10,000 is reached the distance sale supplies will be taxed in the Member State in which the non-taxpayer recipient of goods has residence.
- Special taxation procedure for the distance sale of goods within the European Union, for supplies of goods within a Member State which provide electronic interfaces enabling such supplies and for services supplied by taxable persons established within the European Union but not established in the Member State of consumption.
- If the distance sale of goods is enabled through an electronic interface and the goods are imported from third territories or third countries in parcels which have a value of not more than EUR 150 or if the distance sale of goods within the European Union is conducted by a taxpayer without residence in the European Union, the supplier is deemed to be the taxpayer, which enables the sale through its electronic interface.

## Supply of services

Supply of services and private use / supply of services without consideration (self-supply) are taxable

### Place of supply of services

Differentiation is made between services rendered

- to taxable persons ("Business to Business", "B2B") or
- to non-taxable persons ("Business to Customer", "B2C").

A taxable person who also carries out activities or transactions that are not considered to be taxable supplies of goods or services in accordance with Article 4(1) shall be regarded as a taxable person in respect of all services rendered to him. A non-taxable legal person who is identified for VAT purposes shall also be regarded as a taxable person.

- to non-taxable persons

### Basic rule

B2B	B2C
Place of recipient  (Place where the recipient of services has established his business)	Place of supplier  (Place where the supplier of services has established his business)

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### Special cases

	B2B	B2C
Supplies of services by intermediaries	Basic rule	Place of the underlying transaction
Property services	Place of the property	Place of the property
Cultural, artistic, scientific, educational, sports, entertainment or similar services, like services in connection with fairs and exhibitions including services of the respective organizers; not applicable to admission and related services	Basic rule	Where the services are physically carried out
Admission and other relating services for events like fairs and exhibitions	Where the services are physically carried out	Where the services are physically carried out
Passenger transport	Distances covered	Distances covered
Transportation of goods (without intra-Community goods transportation)	Basic rule	Distances covered or place of departure of the transport (for intra-community goods transportation)
intra-Community goods transportation	Basic rule	Place of departure
Ancillary transport services	Basic rule	Where the services are physically carried out
Appraisal and processing of movable tangible objects	Basic rule	Where the services are physically carried out
Restaurant and catering services	Where the services are physically carried out	Where the services are physically carried out
Restaurant and catering services in connection with intra-Community passenger transport	Where the services are physically carried out	Where the services are physically carried out
Renting of means of transport for up to 30 days	Where the means of transport is actually put at the disposal of the customer	Where the means of transport is actually put at the disposal of the customer
Renting of means of transport for over 30 days	Basic rule	Place of recipient Special regulations for renting pleasure boats
“Listed services” to third country customers <sup>1)</sup>	Basic rule	Basic rule (place of recipient if established outside the EU)
“Listed services” to customers in the EU	Basic rule	Place of recipient
Electronically supplied services, such as telecom, radio and TV services <sup>2)</sup>	Basic rule	Place of recipient

### Mini-One-Stop-Shop (MOSS) / One-Stop-Shop (OSS)

The special regulation can then be applied to all supplies of services which are provided to consumers, if certain conditions are met. Additionally, the MOSS system is applicable for intra-community supplies to consumers, supplies of goods facilitated by electronic platforms and imports of up to EUR 150.

### Reverse charge (reversal of tax liability)

For all supplies of services and work supply

#### Requirements

Supplier is a foreigner (no residence, no place of business or permanent establishment in Croatia involved in providing the service).

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Customer is an entrepreneur (even with non-taxable activities) or tax-exempt legal entity holding a VAT identification number, or a legal entity under public law

#### **Consequences**

Invoice without VAT  
The recipient owes the VAT

#### **Application also**

N/A

## **Tax reliefs**

### **Exemption (Input VAT deductible even though no VAT chargeable on supply of goods and services)**

- Granting and administration of loans, insurance activities
- Postal services
- Services of hospitals and nursing institutions
- Sales of doctors, dentists, midwives etc.
- Small businesses (total net sales not exceeding EUR 40,000)

### **Zero rates (non-genuine tax exemption) (Input VAT is not deductible)**

- Exports of goods
- Cross-border goods transportation
- Cross-border passenger transport by boat and aircraft
- Mediation of the above transaction
- Supply and installation of solar panels on private residential buildings, residential premises and public and other buildings used for activities of public interest, as well as the supply and installation of solar panels near such buildings and premises

## **Deductible input VAT**

VAT invoiced to the business for the supply of goods and services for business purposes.

## **Input VAT correction**

If conditions that were relevant for input tax deduction in the calendar year in which an economic good was acquired or manufactured change in relation to that economic good within five years including the calendar year of acquisition or manufacture, input tax correction shall be made for the period after the change. A change in conditions relevant for input tax deduction shall refer to a subsequent change in those conditions that led to greater or lesser right to input tax deduction compared to the year in which the good was acquired or manufactured. A ten-year period shall apply instead of the five-year period for real estate.

Input tax correction shall not be necessary if the input tax to be corrected amounts to less than EUR 135 per one economic good.

## **Real estate**

### **Rentals**

Renting of immovable property is subject to VAT.

### **Exception:**

Renting for residential purposes is tax exempt.

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### **Sales**

Principally: revenues from the sale of buildings are subject to 25 % VAT. Sale of property (buildings and associated land), if not used within two years from the acquisition or construction or option was executed

## **Refund of input VAT or Croatian taxable persons within the EU**

Via electronic system for VAT refund.

## **Foreign taxable persons**

Taxable persons without domicile or permanent establishment in Croatia.

### **Registration**

Registration required if place of supply is in Croatia and reverse charge is not applicable.

### **Refund of input VAT for taxable persons domiciled in the EU**

Via electronic system for VAT refund, filed by 30 September of the following year.

### **Refund of input VAT for taxable persons not domiciled in the EU**

If no sales are made in Croatia, refund must be applied via home-country tax office by 30 June of the following year at the latest.

Original invoices, certificate of domicile for VAT purposes

Minimum refundable input VAT amount: EUR 50

## **GENERAL MANAGERS**

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### **Civil law**

Employment contract, service contract, contract for services, etc.

### **Social insurance**

Yes, minimum contribution base is EUR 1.014 per month.

### **Income tax**

Income tax on wages and salaries, including all fringe benefits (depending also on relevant DTA).

### **VAT**

Only in case of contract for services.

### **Work permit**

Needed for certain EU countries as well as for third countries. Work and residence permit required for longer stays in Croatia (longer than 90 days), easier conditions for key personnel

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## Residence permit / Settlement permit

Needed for certain EU countries as well as for third countries. Work and residence permit required for longer stays in Croatia (longer than 90 days), easier conditions for key personnel.

## Liability

In case of negligence

## Minimum remuneration

N/A

## SOCIAL INSURANCE AND NON-WAGE LABOR COST

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### Social insurance

Statutory health and pension insurance for all gainfully employed persons.

### Contribution rates and maximum contributions

The contribution rates and the maximum basis of contribution vary, depending on the nature of the employment.

Maximum basis of annual contribution: EUR 112,320 in 2023

### Self-employed persons

#### Health insurance

16.50 %

#### Pension insurance

First pillar: 15 %

Contribution base minimum

EUR 592.80 per month.

Second pillar: 5 %

#### Accident insurance

N/A

#### Maximum contribution

Contributions limited to a maximum of EUR 9,360 per month.

### Employed persons

#### Health and accident insurance

N/A

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**Pension insurance**

First pillar: 15 % (employee)

Contributions limited to a maximum of EUR 9,360 per month.

Second pillar: 5 %

**Maximum contribution**

Contributions limited to a maximum of EUR 9,360 per month

**Others**

Subsidies for young employees and disabled persons.

**Severance fund**

N/A

**Non-wage labor cost**

N/A

## IMMOVABLE PROPERTY

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**Tax depreciation****Straight-line**

Straight-line depreciation over the expected useful life of the asset.

**Additional**

Depreciation must be the same for tax and accounting purposes.

**Depreciation categories****Land**

No depreciation

**Buildings**

5 %

Longer or shorter useful lives may be used

**Tax base for buildings**

The market value of the real estate at the time of tax liability.

**Special depreciation**

Possible doubling of depreciation rates

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## Write-ups

None

## Real estate income tax

### Object of taxation

Income from property and property rights is considered to be the difference between receipts based on rent, renting apartments, rooms and beds to travelers and tourists, special receipts from the time-limited assignment of copyrights, industrial property rights and other property rights in accordance with regulations, receipts from the alienation of real estate and property rights and expenses incurred by the taxable person in the tax period in connection with these receipts.

### Tax rate

12% for income from rent;

24% for income from property rights;

lump sum for income from renting of apartments, rooms and beds to travellers and tourists (from EUR 19,91 to EUR 199,08 per bed.)

### Tax collection

N/A

### Exemptions

N/A

## Property transfer tax

### Object of taxation

Object of taxation are real estate transactions that are not subject to VAT.

### Basis of assessment

Market value of the property at the moment of acquisition, or the market value that could be obtained at the moment of acquisition (e.g. if the property is transferred without consideration).

### Tax rate

Real estate transfer tax is paid at the rate of 3%.

## Property-related taxes

N/A

## Property tax

Tax on holiday homes

### Objects of taxation

Square meter of usable area of holiday home. The amount of the holiday home tax is prescribed by the decision of the representative body of the local self-government unit.

Amount from 0.60 to 5.00 euros/m<sup>2</sup>.

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## Real estate funds

### Owner of the fund assets

The fund management company, so that for the investor there is no entry in the Land Register and no property transfer tax

### Annual valuation

Prior to purchase by a certified court expert.

### Borrowing

At least 50 % of net fund assets to be invested in property in Croatia

### Diversification of risk

Value of any individual property not to exceed 20 % of total fund assets

### Tax liability

Property fund management company (18 % or 10 %; see Corporate income tax)

## TAX CONCESSIONS

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### Direct

N/A

### Indirect

#### Income tax concessions, e.g.

The amount of personal allowance is EUR 560

The generated income of the taxable person shall be reduced by the basic personal allowance in the amount of EUR 6,720 (annually).

Personal allowance can be increased for supported family members, degree of disability etc.

#### Tax credits

##### Family Bonus Plus:

N/A

##### Children surplus:

N/A

##### Sole earner deduction pa.:

The generated income of the taxable person shall be reduced by the basic personal allowance in the amount of EUR 6,720 (annually)

##### Single parent deduction pa.:

N/A

##### Child deduction:

(annually allowance)

EUR 3,360 for the first child

EUR 4,704 for the second child

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EUR 6,720 for the third child  
EUR 9,408 for the fourth child  
etc.

**Alimony deduction:**

N/A

**If in employment / pension income p.a.:**

In case that the pensioner is employed no additional tax concessions (other than personal allowance) are applied.  
Personal income tax is calculated on the pension amount. Personal income tax on pension is paid reduced by 50% of the calculated amount of tax liability.

**Allowances and exemptions**

**Profit allowance:**

N/A

**Investment allowance:**

N/A

**Government subsidies**

Government subsidies for home loan and retirement savings.

**OTHER TAXES**

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**Business tax**

None

**Wealth tax**

none

**Inheritance and gift tax**

Inheritance and gift tax is paid at a rate of 4% on cash, monetary claims, securities and on movable property if the individual market value of the movable property is greater than EUR 6,700 on the day the tax liability is being determined and after deduction of debts and costs related to the property on which the tax is paid.

**Property transfer tax**

The subject of taxation are real estate transactions. Acquisition of real estate, on which VAT is paid is not considered as real estate transaction.  
A taxpayer is the person who acquired the real estate in Croatia.

The tax base is the market value of the real estate at the time of the tax liability. Property transfer tax is paid at a rate of 3%.

**Capital duties and fees**

N/A

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**Contract duties**

N/A

**Registration fees**

N/A

**Capital duty**

N/A

## FILING DATES AND DEADLINES

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### Annual tax returns

Corporate income tax: Deadline for filing: 4 months after the end of business year; in special cases in 30 or 8 days after ending the business; tax liability due date is on the last day of the submission deadline

Annual Income tax calculation: Deadline for filing: 28 February of the following year ; tax liability due date is on the last day of the submission deadline

### VAT interim returns

Quarterly for turnover of up to EUR 110,000 otherwise monthly obligatory, if having Intra-Community supplies and for foreign taxable persons. Returns due until 20th of the following month, except for special procedures for which the due is by the end of the month.

### European Sales Listing

Report for the acquisition of goods and received services from other European Union Member States has to be submitted by the 20th day of the month following the end of the taxation period.

Recapitulative Statement for the supply of goods and services to other European Union Member States has to be submitted no later than on the 20th day of the month following the end of the taxation period.

## INCOME TAXES

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### Tax rate

Local self-government units prescribe the lower and higher income tax rates for annual taxes

Lower rate : EUR 0 - 50,400

Higher rate: over EUR 50,400

### Special tax rates

Income from capital: 12%

Income from property and property rights: 24%

Income from alienation of real estate and property rights: 24%

Rental income: 12%

Other income: 24%

Income from capital based on withdrawal of assets and utilisation of services: 36%

Other income based on the difference in the value of assets and the amount of funds with which they were acquired: 36% increased by 100%

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## Tax liability

Unlimited liability on worldwide income (except where DTA restricts the right to assess tax)

**Unlimited**  
residents

**Limited**  
non-residents

## Tax assessment period

Calendar year

## Income categories

Income from

1. Self employment
2. Employment
3. Capital
4. Property and property rights
5. Other income (including non-reported income)

## Accounting

Double-entry bookkeeping

Small businesses and the self employed: receipts and payments accounting (cash basis accounting) permitted

## Loss set-offs

Not possible

## Loss carryback

N/A

## Loss carryforward

for a limited period only (five years)

## Operating expenses

Expenses of the business

## Tax allowable expenses

Expenses incurred to procure, secure or maintain taxable income.

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## Lump sum option

The income and income tax of a taxable person who acquires income from the independent small business activities and independent activities of agriculture and forestry may be determined as a lump sum, provided that they are not registered for the VAT purposes and that their receipts do not exceed EUR 40,000.

## Motor vehicles

As for corporate income tax

## Social insurance

Statutory health and pension insurance

## Withholding tax

### Interest

10%

### Royalties

20%

### Dividends

10%

## CORPORATE INCOME TAXES

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### Object of taxation

Income

### Tax rate

18 %; 10 % for enterprises with annual revenue below EUR 1,000,000

### Tax liability

#### Unlimited

The tax base of a resident taxpayer consists of profit generated domestically and abroad.

#### Limited

The tax base of a non-resident consists only of profit generated domestically, and is determined pursuant to the provisions of CIT Act.

### Financial year

Calendar year, change only permissible if authorised by tax administration.

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## Accounting

Double-entry bookkeeping

## Loss carryback

N/A

## Loss carryforward

for a limited period only (five years)

## Shell company purchase

Under certain circumstances, loss carryforwards may be lost in case of acquisition of shares and restructuring.

## Operating expenses

Expenses of the business:

### Transfer prices

Arm's-length basis, documentation required if requested by tax administration.

### Interest on debt financing of acquisition of shares

Deductible provided the investment constitutes assets of the business.

### Debt / equity

Maximum debt / equity ratio of 4:1, for 25 % shareholders and other related parties

### Tax depreciation

Depreciation: straight-line. Depreciation for tax and accounting purposes must be the same.

Annual depreciation

Possible doubling of depreciation rates

### Provisions

Provisions are not recognized as an expense, unless created for specific purposes: for risks and costs in accordance with the law or other regulations and provisions stemming from agreements (severance provisions, provisions for costs of renewing natural resources, provisions for guarantee period costs and provisions for costs of started legal proceedings).

Provisions for unused annual leave pursuant to accounting regulations.

### Motor vehicle expenses

Depreciation over five years.

Depreciation for personal vehicles and other means of personal transportation is recognised up to costs of EUR 54,000 for procurement of one vehicle.

50 % of motor vehicle expenses not deductible if no benefit in kind is calculated (in that case 100%)

## Non-deductible expenses

Expenses that are not directly related to profit earning, illegal gifts and donations, etc. 50% of entertainment expenses.

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## Interest barrier

Interest surplus which exceeds 30% of the EBITDA or EUR 3 million (interest barrier) with rules for loss carryforward.

## Interest and royalties to intra-group companies

If any foreign related party provides debt financing to a Croatian company, any interest charged in excess of the current 3.25% (for 2024) per year will not be a tax-deductible expense for the Croatian company.

## Withholding taxes

Generally at 15 %. A lower rate may be provided in the applicable double taxation agreement (DTA).

Withholding tax is not paid on tax advisory services, business consulting services and market research services

### Interest

15 % (a lower rate may be provided in the applicable DTA) Interest and royalties paid to EU and EEA parents are not subject to withholding tax if:

- minimum direct holding 25 % for at least two years (alternatively bank guarantee)

### Royalties

15 %

(a lower rate may be provided in the applicable DTA)

Interest and royalties paid to EU and EEA parents are not subject to withholding tax if:

- minimum direct holding 25% for at least two years (alternatively bank guarantee)

### Dividends

10 % on payments of dividends and shares in profits paid to foreign legal entities (a lower rate may be provided in the applicable DTA)

Dividends paid to EU and EEA parents are not subject to withholding tax if:

- minimum holding 10% for at least two years (alternatively bank guarantee)

## Controlled foreign corporation (CFC) rules

Taxation of certain income of foreign corporations/permanent establishments at the level of the controlling Croatian company. Controlled foreign company of a taxpayer is any subject situated in another country whose income is subject to taxation in that country:

1. in the case of an entity, if the taxpayer alone or together with associated parties, participates directly or indirectly with more than 50% of voting rights or owns directly or indirectly more than 50% of capital or is entitled to receive more than 50% of the profits of that entity;
2. the actual profit tax paid in another member state is lower than the difference between the corporate profit tax that would be charged to the entity or PE according to the CIT Act and the actual CIT paid by the entity or PE.

Where an entity or PE is treated as a CFC, the taxpayer shall include in the tax base the non-distributed profit of an entity or PE arising from the following revenue categories:

1. interest or other revenue arising from assets,
2. royalties or any other revenue from intellectual property,
3. dividends, carried interests and revenue from disposal of stocks or shares,
4. financial leasing,
5. insurance, banking and other financial activities,
6. from sales and services, arising from goods and services acquired from associated companies and sold to associated companies with little or no added economic value.

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The CFC rule will not apply if the controlled foreign company performs a substantive economic activity (supported by staff, equipment, assets and premises), or to a CFC whose specific categories of income comprise one-third or less of total income.

### Hybrid mismatches

The hybrid mismatch rules prevent entities that are liable to income tax in Croatia from being able to avoid income taxation or obtain a double non-taxation benefit by exploiting differences between the tax treatment of entities and instruments across different countries. If a mismatch arises, it is neutralized by:

- disallowance of deduction of expenditure under the hybrid arrangement to the extent that the corresponding income is not included in the tax base or is deducted twice; and
- inclusion of the income arising from the hybrid arrangement as taxable income to the extent that it is deductible for the payer.

### National parent- subsidiary exemption

No qualifying period / no minimum holding. Dividends are tax free.

Gains on disposal are tax free.

### International investments

N/A

### International parent- subsidiary exemption and portfolio investments

No qualifying period / no minimum holding. Dividends are tax free

Gains on disposal are taxable, unless DTA provide tax exemption

### Goodwill amortisation

In accordance with Croatian accounting standards

### Group taxation / pooling

N/A

#### Tax groups

N/A

#### Pooling

N/A

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