



Crowe

# Doing Business in Croatia

**Edition 2019**

Audit / Tax / Advisory

Smart decisions. Lasting value.

# Welcome

## to Doing Business in Croatia

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Doing Business in Croatia has been prepared by the Crowe Global member firm in Croatia in order to provide general information for persons planning to do business with or in the country concerned and/or individuals intending to live and work in Croatia temporarily or permanently.

This Guide includes relevant information about business operations and taxation matters. It is intended to assist organizations that are considering establishing a business in Croatia either as a separate entity or as a subsidiary of an existing foreign company. It will also be helpful to anyone planning to come to Croatia to work and live here either on secondment or as a permanent life choice.

Unless noted otherwise, the information contained in this Guide is believed to be accurate as of 1 January 2019. However, general publications of this nature cannot be used and are not intended to be used as a substitute for professional guidance specific to the reader's particular circumstances.

Crowe was incorporated in Croatia in 2005. Known as one of the leading consulting firms in Croatia, company has more than 40 multilingual professionals employed to support over 300 clients with various professional services such as Tax, Audit, Accounting and Advisory services. In almost fifteen years of steady growth, company continued to provide first-rate services with its one-stop-shop concept.

All Crowe Global member firms are driven by a single purpose – to help their clients to succeed in whatever markets they operate in with smart decisions and lasting values.

Crowe Croatia 2019

*All lasting business is built on friendship.*

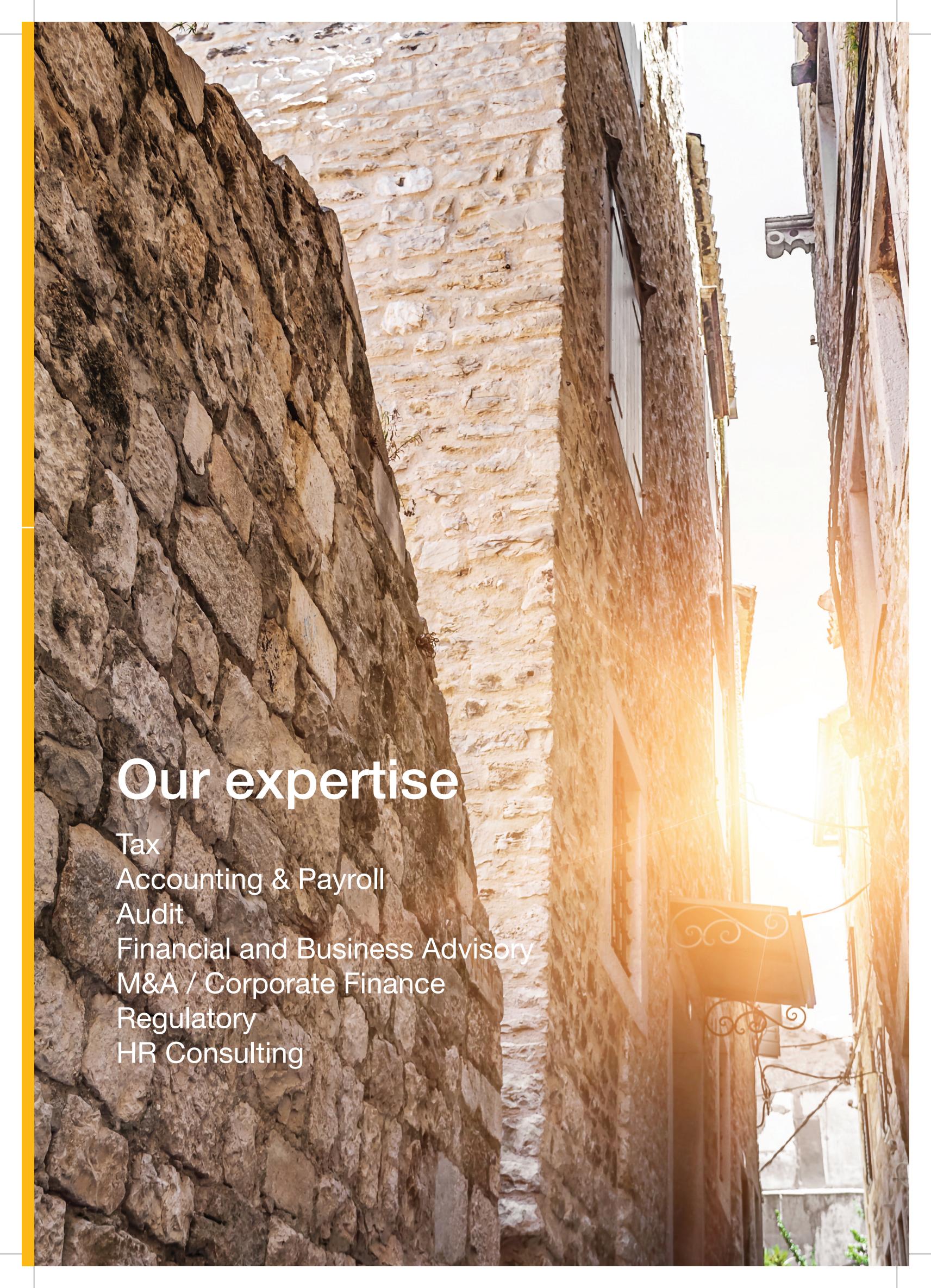
*Alfred A. Montapert*



## About Crowe Global

Crowe Global is ranked among the top 10 global accounting networks with more than 220 independent accounting and advisory services firms in about 130 countries around the world. Crowe Global's member firms are committed to impeccable quality service, highly integrated service delivery processes and a common set of core values that guide decisions daily.

Each firm is well-established as a leader in its national business community and is staffed by nationals, thereby providing the knowledge of local laws and customs which is important to clients undertaking new ventures or expanding into other countries. Crowe Global member firms are known for their personal service to privately and publicly held businesses in all sectors and have built an international reputation in the areas of audit, tax and advisory services.



# Our expertise

Tax  
Accounting & Payroll  
Audit  
Financial and Business Advisory  
M&A / Corporate Finance  
Regulatory  
HR Consulting

## We provide our clients with comprehensive solutions

The current developments in Croatia are accompanied by ongoing changes in tax and regulatory system. For investors, this means new developments to take into account.

Crowe Croatia gives an overview of the business environment and the most important new developments, including:

- Different types of business organisations, and their most important features
- Key details of corporate profit tax, personal income tax and VAT
- Tax allowances, reliefs and concessions
- Core provisions of double taxation agreements

The information contained herein is based on the present legal situation and current administrative practice and is, therefore, subject to change. The information is general in nature, and of necessity abridged. This Guide is not a substitute for individual, specific advice.

For detailed information and updates, visit our website - [www.crowe.hr](http://www.crowe.hr) or contact us directly at [office@crowe.hr](mailto:office@crowe.hr)

Our experts will be happy to answer your questions in more detail.

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# 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	HRK 20,000 (EUR 2,703)	yes
<b>Simple limited liability company</b>	jednostavno društvo s ograničenom odgovornošću (j.d.o.o.)	yes / yes	HRK 10 (EUR 1.3)	yes
<b>Stock company</b>	dioničko društvo (d.d.)	yes / yes	HRK 200,000 (EUR 27,027)	yes
<b>Cooperative</b>	zadruža (no abbreviation)	yes / yes	no	minimum of 7 members
<b>General partnership</b>	javno trgovačko društvo (j.t.d.)	yes / yes	no	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



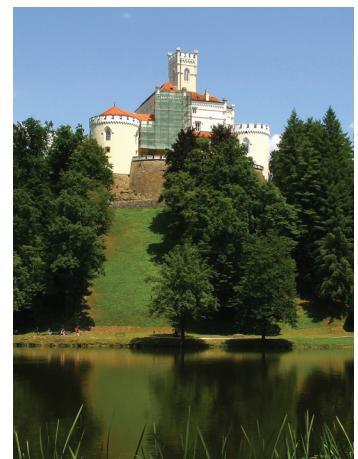
	Capital tax / Registration fees	Written form / notarisation	Tax transparency	Registration with tax authorities	Statutory audit
<b>Limited liability company</b>	no/ registration in commercial register	yes / yes	no	yes	If medium or large companies, or if exceeding at least two of the following conditions: - revenue exceeds HRK 30m (app. EUR 4m) - total assets: HRK 15m (app. EUR 2m) - average number of employees: 25
<b>Simple limited liability company</b>	no/ registration in commercial register	yes / yes	no	yes	If medium or large companies, or if exceeding at least two of the following conditions: - revenue exceeds HRK 30m (app. EUR 4m) - total assets: HRK 15m (app. EUR 2m) - average number of employees: 25
<b>Stock company</b>	no/ registration in commercial register	yes / yes	no	yes	If listed on the stock exchange or if medium or large companies or if exceeding at least two of the following conditions: - revenue exceeds HRK 30m (app. EUR 4m) - total assets: HRK 15m (app. EUR 2m) - average number of employees: 25

	Capital tax / Registration fees	Written form / notarisation	Tax transparency	Registration with tax authorities	Statutory audit
<b>Non-profit organisations</b>	no/ registration in commercial register	yes / yes	no	yes	Revenue exceeding HRK 10m (EUR 1.35m) Revenue from HRK 3m (EUR 0.4m) to HRK 10m (EUR 1.35m) - financial statements subject to a review
<b>General partnership</b>	no/ registration in commercial register	yes / yes	no	yes	If medium or large companies
<b>Limited partnership</b>	no/ registration in commercial register	yes / no	no	yes	If medium or large companies, or if exceeding at least two of the following conditions: - revenue exceeds HRK 30m (app. EUR 4m) - total assets: HRK 15m (app. EUR 2m) - average number of employees: 25
<b>Registered branch office</b>	no/ registration in commercial register	n / a	no	yes	
<b>Permanent establishment</b>	no / no	n / a	n / a	yes	If medium or large companies

Registration of companies and other types of organisations is possible within 5 days.  
Liquidation/ dissolution of companies and other types of organisations is in principle possible within 1 month.

# Corporate profit tax

<b>Accounting rules</b>	Double entry bookkeeping Application of Croatian accounting standards (i.e. Croatian Financial Reporting Standards (HSFI)) is mandatory for all entities, except for so called large entities, public interest entities and entities whose shares or bonds are listed on the stock exchange, or where stock exchange listing is being prepared, which must apply International Financial Reporting Standards (IFRS)
<b>Tax rate</b>	12% for taxpayers with annual revenue up to HRK 3m (EUR 0.4m) and 18% for all other taxpayers
<b>Tax base</b>	Accounting profit/ loss determined in accordance with the applicable accounting standards (International Financial Reporting Standards or Croatian Financial Reporting Standards)
<b>Tax assessment period</b>	Calendar year, change only permissible if authorised by the tax authorities
<b>Loss set-offs/ carry forwards</b>	5 years, no tax losses carry back
<b>Tax/ accounting depreciation</b>	Straight-line depreciation. Depreciation for tax and accounting purposes must be the same. Possible doubling of depreciation rates for tax purposes if the same are used for accounting purposes
<b>Tax deductibility of interest</b>	
<i>Profit shifting rule</i>	Interest and other borrowing costs related to borrowings received from abroad are tax deductible up to EUR 3,000,000 or 30% of EBITDA, whichever is higher. This rule is not applicable for financial undertakings and standalone taxpayers (i.e. those that are not part of a consolidated group, are not obliged to prepare consolidated financial statements, have no associated enterprise or permanent establishment and do not approve or receive loans from their shareholders)
<i>Excessive interest rate rule</i>	Interest on loans granted by related parties is deductible up to the rate of 3.96% per annum, which is considered as market interest rate (for 2019)
<i>Thin capitalisation rule (debt/ equity)</i>	Maximum debt/ equity threshold for loans provided by foreign related parties and loans guaranteed by the direct shareholder holding more than 25% of shares: 4:1. This rule does not apply to loans provided by financial undertakings
<b>Controlled Foreign Company (CFC) rule</b>	If a foreign company is considered to be a controlled foreign company of a Croatian company and is not subject to tax or is exempt from tax in foreign jurisdiction, the Croatian company must include in its tax base profits of the controlled foreign company arising from the following categories of income: interest or financial assets income, royalties or intellectual property fees, dividends, financial leasing, insurance, banking, etc.





<b>Provisions deductible for tax purposes</b>	Provisions for potential losses based on law or contractual obligations (severance payments, renewing of natural resources, costs in guarantee periods, court proceedings and unused annual leave)
<b>Motor vehicle expenses</b>	50% of motor vehicle expenses not tax deductible for CPT (and VAT) purposes Depreciation over 4 year-period (depreciation rate: 25% per annum) Maximum allowable depreciation cost: HRK 400,000 (EUR 54,054)
<b>Other non-deductible expenses</b>	Value adjustment of shares (unrealised losses), depreciation above prescribed rates, 50% of entertainment expenses, amortisation/ impairment of goodwill, 50% of personal car related expenses, shortages exceeding the amounts prescribed by the Croatian Chamber of Commerce/ the Croatian Chamber of Crafts and Trades, general allowance for inventory and financial assets, value adjustment and write-off of receivables (until certain criteria is not satisfied), costs related to forced collection of tax and other levies, fines imposed by the competent bodies, penalty interest charged by related parties, donations exceeding prescribed amounts, expenditures determined during tax audit procedure, including the applicable value added tax, personal income tax and mandatory social security contributions, incurred in relation to the hidden profit distribution, any other non-business related expenses, etc.
<b>Transfer pricing</b>	Prices charged between related parties
<i>Related parties</i>	Where: A company participates directly or indirectly in the management, control or capital of another company (subsidiary), or The same persons participate directly or indirectly in the management, control or capital of both companies (sister company). Companies with mutual shares, having more than 25% of shares in another company and companies connected by entrepreneurial agreements (company's business management, contracts on profit transfer and other entrepreneurial agreements entered into the court registry
<b>Transfer prices and transfer pricing documentation</b>	Arm's length basis Transfer pricing documentation prepared in line with the OECD Guidelines and readily available on the Tax Authorities' request Large taxpayers must submit transfer pricing documentation along with the annual CPT return Advance Pricing Agreements with the Tax Authorities possible
<b>Withholding tax</b>	
<i>Interest</i>	15% (a lower rate/elimination may be provided in accordance with the applicable DTT) Based on EU Interest-Royalty Directive, interest paid to the EU parent company or to a company in which parent company holds at least 25% of shares is not subject to withholding tax if: minimum holding of 25% for at least 2 years
<i>Royalties</i>	15% (a lower rate/elimination may be provided in accordance with the applicable DTT) Based on EU Interest-Royalty Directive, royalties paid to the EU parent company or to a company in which parent company holds at least 25% of shares are not subject to withholding tax if: minimum holding of 25% for at least 2 years

<i>Dividends</i>	Based on EU Parent-Subsidiary Directive, 12% on payments of dividends paid to foreign shareholders/ legal entities (a lower rate/elimination may be provided in the applicable DTT) Dividends paid to EU parent companies are not subject to withholding tax if: minimum holding 10% for at least 2 years
<i>Services</i>	15% on market research services, tax and business consulting services and audit services paid to non-residents legal entities (0% based on the applicable DTT)
Interest, royalties, dividends and all service fees paid to the companies listed on the EU list of non-cooperative jurisdictions for tax purposes are subject to withholding tax rate at the rate of 20%	
<b>Goodwill impairment/ amortisation</b>	Not deductible
<b>Group taxation</b>	No group taxation
<b>Deadline for filing of the CPT return</b>	30 April of the following year for the preceding year

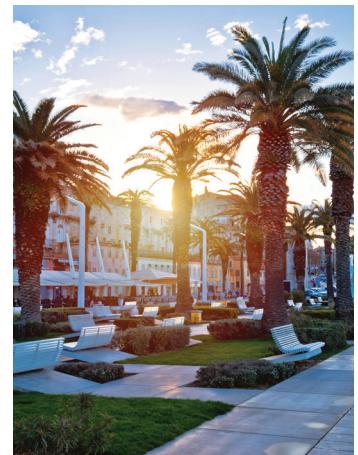
## Special tax incentives

<b>City of Vukovar</b>	CPT rate: 0%
<b>Special state care areas</b>	CPT rate: 6% / 9%
<b>Investment incentives</b>	CPT rate: 0% to 6% / 9% for up to 10 years
<b>Young employees, elderly employees</b>	Special employment incentives (the State is financing certain percentage of employee's salary for a year) and reduced social security contributions (for employees under 30 employed for an indefinite time period)
<b>Educational incentives</b>	Double dip for qualifying education expenses for CPT purposes
<b>R&amp;D incentives</b>	Double dip for qualifying R&D expenses for CPT purposes

# VAT

<b>Tax rates</b>	<p>Standard VAT rate: 25%</p> <p>Reduced VAT rate of 13% applies to: accommodation services, periodicals and newspapers, edible oils and fats, children's seats, children diapers and children's food, water supply except bottled water, tickets for concerts, electricity supply, municipal waste collection, urns and coffins, seeds, fertilizers, pesticides and other agrochemicals, animal food other than pet food, live animals, fresh or cooled meat and entrails, fresh or cooled sausages and similar products, live, fresh or cooled fish, crabs, seafood, fruits and vegetables, nuts; eggs and services and related copyright of writers, composers and artists.</p> <p>Reduced VAT rate of 5% applies to, among others: certain daily newspapers, books, scientific publications, cinema tickets, drugs that have an approval of the competent authority, regardless of whether they are issued on prescription or not and some medical equipment, all types of bread and milk</p>	
<b>Supply of goods</b>	<p>Supply of goods and withdrawal for private purposes</p>	
<b>Place of supply of goods</b>	<p>The place where the goods are located at the moment of supply (supply of goods without transport or static supply)</p> <p>In case of goods dispatched/ transported by the supplier or purchaser: the place where dispatch/ transportation begins (moved supply)</p> <p>Optionally, under certain conditions, in case of supply of goods dispatched or transported by the supplier, buyer or a third person from one Member State to another Member State: the place where the dispatch or transport ends</p> <p>Import from third countries: Member State on whose territory the goods are located at the time of entry into the European Union</p>	
<b>Supply of services</b>	<p>Supply of services and private use/ supply of services without consideration (self-supply)</p>	
<b>Place of supply of services (general rule)</b>	B2B: Place of the service recipient	B2C: Place of the service provider
<b>Special provisions (exemptions to the general rule)</b>	<b>B2B</b>	<b>B2C</b>
Supplies of services by intermediaries	General rule	Place of the underlying transaction
Real estate related services	Place of the real estate	Place of the real estate

<i>Culture, art, sports, science, education and entertainment – admission to events</i>	Where the event takes place	Where the services are physically carried out	
<i>Culture, art, sports, science, education and entertainment – organisation and ancillary services</i>	General rule	Where the services are physically carried out	
<i>Passenger transportation services</i>	Where the transport takes place, proportionate to the distances travelled	Where the transport takes place, proportionate to the distances travelled	
<i>Transport of goods</i>	General rule	<p>Non-EU: where the transport takes place, proportionate to the distances travelled</p> <p>EU: the place where transportation started</p>	
<i>Auxiliary transportation services</i>	General rule	Where the services are physically carried out	
<i>Evaluation and processing of movable tangible goods</i>	General rule	Where the services are physically carried out	
<i>Transfer and assignment of copyright, patents, licenses, trademarks and similar rights</i>	General rule	Place of service recipient (if established outside the EU; otherwise general rule applies)	
<i>Advertising services</i>	General rule	Place of service recipient (if established outside the EU; otherwise general rule applies)	
<i>Activities of consultants, lawyers, accountants, translations and other similar consulting services</i>	General rule	Place of service recipient (if established outside the EU; otherwise general rule applies)	





<i>Data processing services</i>	General rule	Place of service recipient (if established outside the EU; otherwise general rule applies)
<i>Provision of information</i>	General rule	Place of service recipient (if established outside the EU; otherwise general rule applies)
<i>Banking, financial and insurance services</i>	General rule	Place of service recipient (if established outside the EU; otherwise general rule applies)
<i>Personnel provision</i>	General rule	Place of service recipient (if established outside the EU; otherwise general rule applies)
<i>Renting of movable tangible assets (other than means of transport)</i>	General rule	Place of service recipient (if established outside the EU; otherwise general rule applies)
<i>Refrain from exercising, in whole or in part, certain economic activity or rights listed above</i>	General rule	Place of service recipient (if established outside the EU; otherwise general rule applies)
<i>Telecom, radio, TV services</i>	General rule	Place of service recipient
<i>Electronically supplied services</i>	General rule	Place of service recipient
<b>Reverse-charge on local supplies</b>	Applies to: All supplies of goods and services performed by non-established taxpayer without Croatian VAT ID number to the local taxpayer Construction work and services performed between two local taxpayers Sale of property (construction land and buildings with the associated land) for which VAT option is chosen	
<b>Consequences</b>	Invoice is issued without VAT. The VAT is charged and paid by the recipient	
<b>Tax exemption</b>	Important differentiation concerning input VAT deduction	
<i>Zero rated (Input VAT deduction is applicable in spite of VAT-free supply of goods and services)</i>	Applies to: Exports of goods Cross-border transportation of goods Cross-border passenger transport by boat and aircraft Mediation in respect of the above transactions	

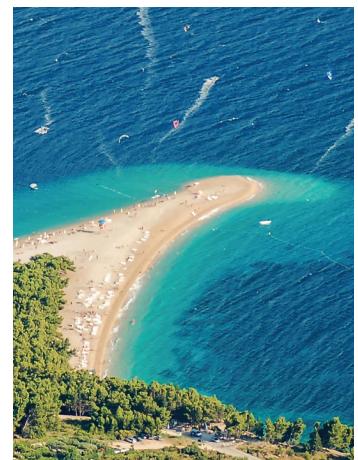
<i>VAT exemption (Input VAT deduction is not applicable)</i>	Granting and administration of loans, insurance activities, postal services, services of hospitals, nursing and dental institutions, certain supplies by dental technicians and doctors, education, etc. Small businesses (total net sales not exceeding HRK 300,000 (EUR 40,540) per annum)
<b>Real Estate</b>	
<i>Rent</i>	Renting of immovable property is subject to VAT. Exception: Renting for residential purposes is VAT exempt
<i>Sale</i>	The sale of new property is subject to 25% VAT. The sale of new property is considered to be the sale of buildings, associated land and construction site, if 2 years have not expired from the first use
<i>Financial leasing</i>	Supply of goods
<i>Operating Leasing</i>	Supply of services
<b>Input VAT refund for Croatian taxable persons within the EU</b>	Via the Tax Authorities' electronic system for VAT refund
<b>Foreign taxable persons</b>	Taxable persons without domicile or permanent establishment in Croatia
<i>VAT Registration</i>	VAT registration is required if supply is affected in Croatia to individuals
<i>Input VAT refund for taxable persons from other Member States</i>	Via the Tax Authorities' electronic system for VAT refund. Deadline for submission of VAT refund request is 30 September of the following year for the previous year VAT refund
<i>Input VAT refund for taxable persons from third countries</i>	If no supplies are performed in Croatia, VAT refund request must be submitted to the relevant Croatian Tax Authorities' via tax representative by 30 June of the following year at the latest Official forms, along with original invoices, certificate of residency must be submitted for VAT refund purposes Minimum refundable amount: HRK 400 (EUR 54)
<b>VAT returns</b>	Quarterly for turnover of up to HRK 800,000 (EUR 108,108), otherwise monthly. Returns due by the 20th of the month following the end of the assessment period

# Immovable property

<b>Tax depreciation</b>	Straight-line depreciation over the expected useful life of the asset. Depreciation must be the same for tax and accounting purposes
<b>Depreciation categories</b>	
<i>Land</i>	No depreciation
<i>Buildings</i>	Tax deductible depreciation period: up to 20 years (depreciation rate: 5% per annum)
<i>Tax base</i>	Acquisition cost
<b>Special depreciation</b>	Double depreciation rates can be used for tax purposes if used for accounting purposes as well
<b>Real estate transfer tax</b>	
<i>Subject to taxation</i>	Transfer of ownership over land, rights to use the land and ownership of property if not subject to VAT (for details see below)
<i>Tax base</i>	Market/ purchase value, which under certain circumstances may be assessed by the tax authorities
<i>Tax rate</i>	3% Exceptionally, sale of buildings and associated land and construction sites is subject to 25% VAT, if used for less than 2 years
<b>Property tax</b>	
<i>Subject to taxation</i>	Holiday homes in Croatia
<i>Tax base</i>	m2
<i>Tax rate</i>	Fixed amount per m2 prescribed by the local self-government unites
<b>Real estate funds</b>	
<i>Owner of the fund assets</i>	The fund management company, so that for the investor there is no entry in the Land Register and no real estate transfer tax
<i>Valuation</i>	In principle, by the certified expert or the fund management company
<i>Investment</i>	In principle, 70% of net fund assets to be invested in property in Croatia and other EU Member States. Exceptions may exist for non-EU countries
<i>Risk diversification</i>	Value of any individual property not to exceed 20% of total fund assets
<i>Tax liability</i>	Property fund management company (18% or 12%)

# Personal income tax

<b>Taxable income</b>	Resident taxpayers: world-wide income Non-resident taxpayers: income realised in Croatia (depending on provisions of DTT)
<b>Income categories</b>	Income from: 1. Income from employment 2. Income from self-employment 3. Income from property and property rights 4. Income from capital 5. Other income
<b>Income from employment/ self-employment</b>	Self-employment income includes income from a small business (crafts) and similar activities, income from independent professions and income from agriculture and forestry
<b>Tax rate</b>	24% on a tax base up to HRK 360,000 (EUR 48,649) per annum 36% on a tax base above HRK 360,000 (EUR 48,649) per annum
<b>Tax-free allowance</b>	Basic personal allowance HRK 45,600 (EUR 6,162) per annum  Child allowance: HRK 21,000 (EUR 2,838) per annum for the first child HRK 30,000 (EUR 4,054) per annum for the second child HRK 42,000 (EUR 5,676) per annum for the third child
<b>Tax assessment period</b>	Calendar year
<b>Accounting (self-employment)</b>	Small businesses and the self-employed are required to keep business books based on receipts and payments made (cash basis accounting)
<b>Tax base</b>	Generally, difference between income/ receipts and expenses
<b>Loss set-offs / carry forwards (self-employment)</b>	5 years, no tax losses carry back
<b>Income from property and property rights</b>	Leases, rentals, renting of flats, rooms and beds to travellers and tourists and organising camps, temporally limited cession of copyright, industrial property rights and other property rights, alienation of property and property rights
<b>Tax rate and tax base</b>	Leases and rentals: 12%; income from leasing/ renting decreased for 30% deemed expenses Renting to travellers/ tourists: fixed amount/ bed, or 12% (flat rate) or, as self-employment activity (in case HRK 300 thousand limit exceeded) Property rights: 24% out of the market/ sales value Sale of property and property rights: 24% out of the difference between market/ sales value and purchase/ acquisition cost
<b>Income from capital</b>	Interest, withdrawals, capital gains, share based payments and stock options, dividends/ shares in profit





<b>Tax rate and tax base</b>	Interest and dividends/ shares in profit: 12% out of the gross amount Capital gains: 12% out of the difference between market/ sales value and purchase/ acquisition cost Share based payments and stock options: 24% out of the market value Withdrawals: 36% out of the market value
<b>Other income</b>	
<b>Tax rate</b>	24%
<b>Withholding tax</b>	
<b>Interest</b>	12%
<b>Royalties</b>	24%
<b>Dividends</b>	12%
<b>Capital gains</b>	12%, if sold within 2 years from acquisition, 0% if sold after 2 years
<b>Deadline for filing of the annual PIT return</b>	28 February of the following year for the preceding year

## Social insurance

<b>Social insurance</b>	Statutory health insurance and pension insurance for all employed individuals
<b>Contribution rates and maximum contribution</b>	Contribution rates and maximum basis for contribution depend on the nature of the employment. Maximum basis for pension insurance contribution for 2019: HRK 608,256 (EUR 82,197)
<b>Self-employed individuals</b>	Minimum basis for insurance contributions: generally, 8,448.00 (EUR 1,142) (if CPT payer: HRK 9,292.80 (EUR 1,256))
<b>Pension insurance</b>	First pillar: 15% (generally, contributions are limited to a maximum of HRK 7,603 (EUR 1,027) per month)  Second pillar: 5%
<b>Employed individuals</b>	
<b>Pension insurance</b>	First pillar: 15% (generally, contributions are limited to a maximum of HRK 7,603 (EUR 1,027) per month)  Second pillar: 5%
<b>Health insurance</b>	16.5%

# Directors and management board members

<b>Type of engagement</b>	Employment contract, service contract, possibility to register self-employment activity etc.
<b>Income tax</b>	Income tax on wages and salaries, including all fringe benefits (in case of foreigners and expats, depending on relevant DTT)
<b>Social insurance</b>	Employment contract (employment income): Pension insurance contributions: 20% Health insurance contributions: 16.5% Minimum basis for insurance contributions: HRK 5,491.20 (EUR 742)  Service contract (other income): Pension insurance contributions: 10% Health insurance contributions: 7.5%  Totalisation Agreements should be taken into consideration in case of foreigners and expats
<b>VAT</b>	Only in case of service contract under certain conditions
<b>Work and residence permit</b>	Work and residence permit required for longer stays in Croatia (longer than 90 days), easier conditions for key personnel and EU citizens
<b>Work certificate</b>	Work certificate applicable for period up to 90 days (key personnel)
<b>Liability</b>	In case of negligence

# Other taxes

<b>Business tax</b>	None
<b>Wealth tax</b>	None
<b>Capital transfer tax</b>	None
<b>Inheritance tax</b>	3% (certain categories are exempt, e.g. spouses, vertical line of relatives)

# Tax regulations

<b>Binding opinion</b>	Yes, for future transactions
<b>Penalties for late payment of tax</b>	Penalty interest on late payments: 6.54% per annum (for the period from 1 January 2019 to 30 June 2019) i.e. 6.30% per annum (for the period from 1 July 2019 to 31 December 2019)
<b>Tax misdemeanour provisions</b>	Fines up to HRK 500,000 (EUR 67,568), i.e. for repeated offenses up to HRK 700,000 (EUR 94,595)
<b>Criminal provisions</b>	Criminal penalties for tax fraud
<b>Piercing the corporate veil</b>	Personal liability of company's owners, directors and related parties for misuse of their powers

# Mergers & Acquisitions

<b>Financing</b>	
<i>Financial assistance by the subsidiary</i>	In general, permissible only for limited liability companies
<i>Subordinated debt (mezzanine capital)</i>	The use of subordinated debt is allowed
<i>Interest expense for acquisition financing</i>	In general, deductible (subject to excessive interest rate rule, thin capitalisation rule and profit shifting rule)
<i>Interest expense on subordinated debt</i>	In general, deductible (subject to excessive interest rate rule, thin capitalisation rule and profit shifting rule)

<i>Acquisition debt push down (debt is transferred to the subsidiary after the acquisition by the way of merger)</i>	Generally, interest is tax deductible only if the loan is used for business purposes, i.e. creating income
<b>Squeeze-out options</b>	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 shareholders with the obligation of paying severance payment to the minority shareholders (applicable only to a joint stock company)
<b>Share deal</b>	
<i>Capital gains</i>	No special capital gains tax applies. Generally, capital gains realised by a foreign tax resident corporation are not taxable in Croatia. Capital gains realized by a Croatian corporation are included in its taxable profit and are subject to CPT at the rate of 18%/ 12%. For taxation of capital gains realised by an individual, please see Personal income tax section
<i>International participation exemption</i>	N/A
<b>Sale/ purchase of a business unit</b>	Business unit considers all assets and liabilities which in economic and organisational sense form an independent subject, i.e., a subject that is capable of an independent undertaking of business activities
<i>Accounting treatment</i>	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
<i>Tax treatment</i>	The transfer of a business unit is in principle not subject to VAT, provided the unit is transferred as a complete subject
<b>Mergers</b>	Merger is a type of business combinations in which separate entities or operations of entities are merged into one reporting entity. Mergers occur when two or more corporations become one. In a typical merger, the assets and liabilities of one company are transferred to another and the two companies no longer operate independently





<i>Accounting treatment</i>	Mergers are recognised under the purchase method. The purchase price and costs of the acquisition are allocated to the identified assets that are acquired, whether tangible or intangible, and to any liabilities that are assumed based on the current fair market value of the assets and liabilities. If the purchase price exceeds the fair value of the purchased company's net assets, the excess is recorded as goodwill
<i>Tax treatment of fair value adjustments</i>	Generally, fair value adjustments are subject to tax. However, revaluation reserve does not affect the tax basis of assessment as long as it is included under equity. 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. EU Merger Directive enables mergers covered by the EU Merger Directive to be effected in a tax neutral way so that any gains would not be taxable, any losses would not be tax deductible and the increases in carrying value of the transferred assets, if any, could not be depreciated for tax purposes
<b>Goodwill</b>	Goodwill is recognised when purchase price exceeds the fair value of the purchased company's net assets (purchase price less fair value of net assets taken over) and it is initially valued at date of acquisition
<i>Impairment/amortisation of goodwill</i>	Where a business combination is subject to IFRS, goodwill arising from the business combination must be reviewed for impairment. Any loss in value of goodwill is not deductible for tax purposes. Where a business combination is subject to HSFI, goodwill should be amortised over its expected useful life but a maximum of five years. Amortisation of goodwill arising from business combinations is not deductible for tax purposes
<b>Contribution in kind</b>	A contribution in kind is a capital increase that is not in cash; e.g. incorporation of liabilities in equity, contribution of assets or of a business and which is remunerated by issuance of new shares (either at incorporation of a new company or an increase in share capital)
<i>Accounting treatment</i>	Contributions in kind are permissible. The assets contributed are recognised at fair value based on the expert valuation or at their carrying value in the accounts of the investor (but not higher than market value)
<i>Tax treatment</i>	Contribution of asset into the company's share capital is not subject to VAT and RETT

Exchange rate applied: EUR 1 = HRK 7.4 (rounded)

# Double taxation agreements

	Effective date	Real estate clause*	Dividends %**	Interest %	Royalties %
Albania	01.01.98	yes	10	10	10
Armenia	01.01.11	yes, partially	0 <sup>2</sup> /10	10	5
Austria	01.01.02	No	0 <sup>3</sup> /15	5	0
Azerbaijan	01.01.14	yes, partially	5 <sup>10</sup> /10	10	10
Belarus	01.01.05	No	5 <sup>1</sup> /15	10	10
Belgium	01.01.05	no	5 <sup>3</sup> /15	10	0
Bosnia and Herzegovina	01.01.06	yes	5 <sup>1</sup> /10	10	10
Bulgaria	01.01.99	no	5	5	0
Canada	01.01.00	yes, partially	5/15	10	10
Chile	01.01.05	yes, partially	5 <sup>7</sup> /15	5/15	5/10
China	01.01.02	yes	5	10	10
Czech Republic	01.01.02	no	5	0	10
Denmark	01.01.10	yes, partially	5 <sup>2</sup> /10	5	10
Estonia	01.01.05	no	5 <sup>3</sup> /15	10	10
Finland	08.10.91	no	5 <sup>2</sup> /15	0	10
France	01.01.06	yes, partially	0 <sup>3</sup> /15	0	0

	Effective date	Real estate clause*	Dividends %**	Interest %	Royalties %
Georgia	01.01.14	yes, partially	5	5	5
Germany	01.01.07	yes	5 <sup>3</sup> /15	0	0
Greece	01.01.99	no	5 <sup>2</sup> /10	10	10
Hungary	01.01.99	no	5 <sup>1</sup> /10	0	0
Iceland	01.01.12.	no	5/10	10	10
India	01.01.16	yes	5 <sup>3</sup> /15	10	10
Indonesia	01.01.13.	yes	10	10	10
Iran	01.01.09	yes	5 <sup>2</sup> /10	5	5
Ireland	01.01.04	yes	5 <sup>5</sup> /10	0	10
Israel	01.01.07	yes	5 <sup>2</sup> /10 <sup>9</sup> /15	5/10	5
Italy	01.01.10.	no	15	10	5
Jordan	01.01.07	yes	5 <sup>1</sup> /10	10	10
Korea	01.01.07	no	5 <sup>1</sup> /10	5	0
Kosovo	01.01.18	yes, partially	5 <sup>2</sup> /10	5	5
Kuwait	01.01.04	no	0	0	10
Latvia	01.01.02	no	5 <sup>2</sup> /10	10	10
Lithuania	01.01.02	no	5 <sup>1</sup> /15	10	10
Luxembourg	01.01.17	yes, partially	5 <sup>3</sup> /15	10	5
Macedonia	01.01.97	yes	5 <sup>1</sup> /15	10	10
Malaysia	01.01.05	no	5 <sup>3</sup> /10	10	10

	Effective date	Real estate clause*	Dividends %**	Interest %	Royalties %
Malta	01.01.00	yes	5 <sup>4</sup>	0	0
Mauritius	01.01.04	no	0	0	0
Moldova	01.01.07	yes	5 <sup>1</sup> /10	5	10
Montenegro	03.06.06.	yes	5 <sup>1</sup> /10	10	10
Morocco	01.01.13.	yes	8 <sup>1</sup> /10	10	10
Netherlands	01.01.02	no	0 <sup>3</sup> /15	0	0
Norway	08.10.91	no	15	0	10
Oman	01.01.12	no	0	5	10
Poland	01.01.97	yes	5 <sup>2</sup> /15	10	10
Portugal	01.01.16	yes, partially	5 <sup>3</sup> /10	10	10
Qatar	06.04.09	No	0	0	10
Romania	01.01.97	yes	5	10	10
Russia	01.01.98	yes	5 <sup>6</sup> /10	10	10
San Marino	01.01.06	no	5 <sup>1</sup> /10	10	5
Serbia	01.01.05	yes	5 <sup>1</sup> /10	10	10
Slovakia	01.01.97	no	5 <sup>1</sup> /10	10	10
Slovenia	01.01.06	no	5	5	5
South Africa	01.01.98	no	5 <sup>1</sup> /10	0	5
Spain	01.01.07	yes, partially	0 <sup>8</sup> /15	0	0
Sweden	08.10.91	no	5 <sup>2</sup> /15	0	0

	Effective date	Real estate clause*	Dividends %**	Interest %	Royalties %
Switzerland	01.01.00	yes	5 <sup>2</sup> /15	5	0
Syria	01.01.10	no	5 <sup>3</sup> /10	10	12
Turkey	01.01.01	no	10	10	10
Turkmenistan	01.01.16	yes, partially	10	10	10
United Arab Emirates	01.01.19	no	5	5	5
Ukraine	01.01.00	yes	5 <sup>1</sup> /10	10	10
United Kingdom	01.01.16	yes, partially	5 <sup>11</sup> /15 <sup>12</sup> /10	5	5

\*The right to taxation in the event of sale of interest in property companies is in general subject to special regime. 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 not with the country of residence of the vendor but with the country in which the property is situated

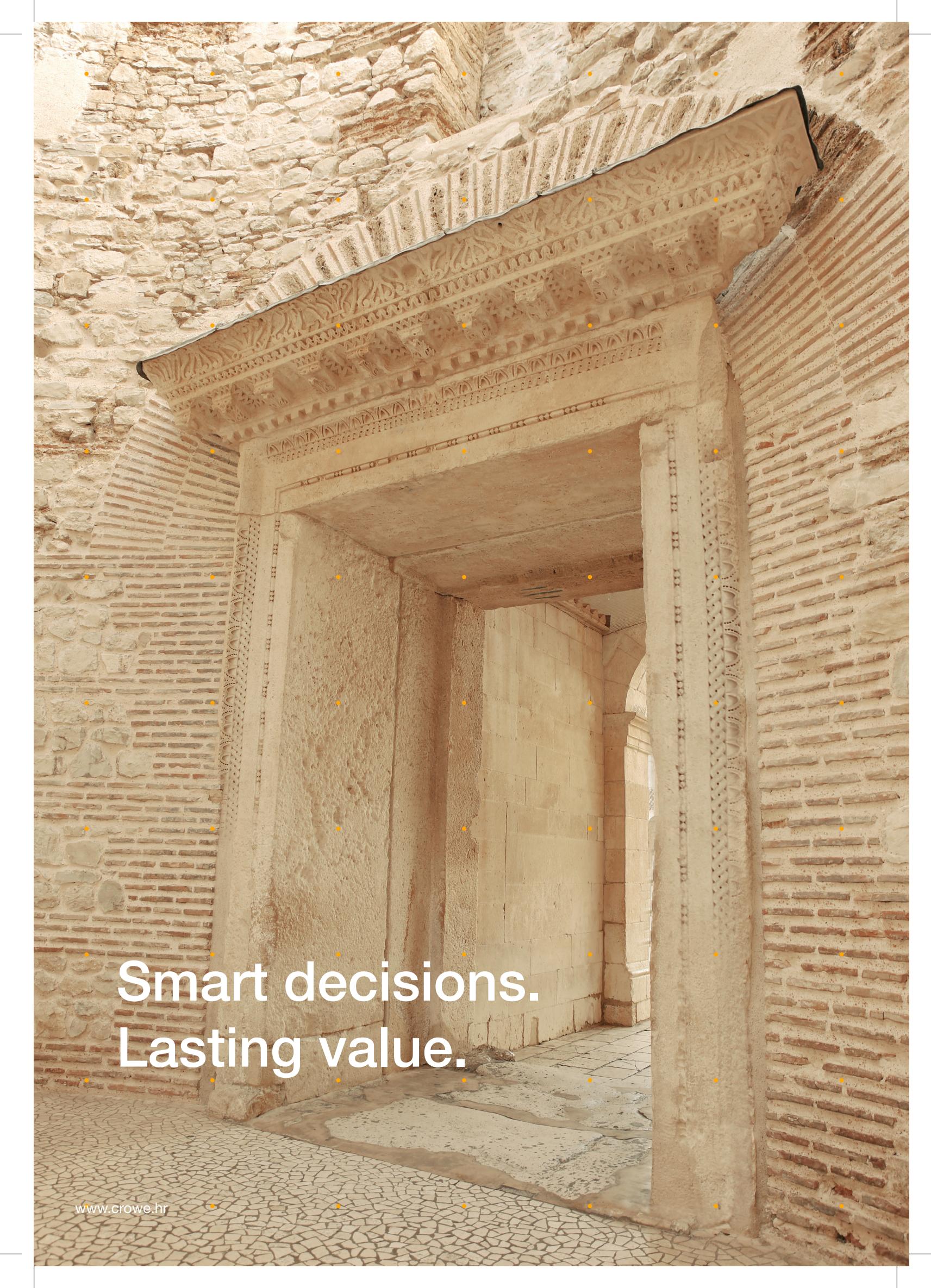
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- 1 If the beneficial owner is a company which holds directly at least 25% of the capital of the company paying the dividends
- 2 If the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends
- 3 If the beneficial owner is a company which holds directly or indirectly at least 10% of the capital of the company paying the dividends
- 4 Where the dividends are paid by a company which is a resident of Croatia to a resident of Malta who is the beneficial owner thereof, the Croatian tax so charged shall not exceed 5% of the gross amount of the dividends
- 5 If the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the voting power of the company paying the dividends
- 6 If the beneficial owner is a company which holds directly at least 25% of the capital of the company paying the dividends (this share should be at least USD 100,000)
- 7 If the beneficial owner is a company which holds directly at least 20% of the capital of the company paying the dividends
- 8 If the dividends are paid to a company that has the capital of which is wholly or partly divided into shares, as long as it holds directly at least 25% of the capital of the company paying the dividends
- 9 When the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends where that latter company is a resident of Israel and the dividends are paid out of profits which are subject to tax in Israel at a rate which is lower than the normal rate of Israeli company tax
- 10 When the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends and has invested to the capital of that company at least EUR 150,000
- 11 If the beneficial owner is a company which is a resident of the other Contracting State and controls, directly or indirectly, at least 25% of the capital of the company paying the dividends (other than where the dividends are paid by an investment vehicle as mentioned in subparagraph (b))
- 12 When those dividends are paid out of income (including gains) derived directly or indirectly from immovable property within the meaning of Article 6 by an investment vehicle which distributes most of this income annually and whose income from such immovable property is exempted from tax

# Crowe Global around the world

Americas	Asia Pacific
Argentina	United States
Aruba	Uruguay
Bahamas	Venezuela
Brazil	Afghanistan
Canada	Australia
Cayman Islands	Cambodia
Chile	China
Colombia	French Polynesia
Costa Rica	Hawaii
Curacao	Hong Kong
Dominican Republic	India
Ecuador	Indonesia
El Salvador	Japan
Guatemala	Kazakhstan
Honduras	Macau
Jamaica	Malaysia
Mexico	Maldives
Panama	Mongolia
Paraguay	Nepal
Peru	New Zealand
Puerto Rico	Pakistan
Saint Martin	Philippines
Suriname	Singapore
Trinidad and Tobago	South Korea
Sri Lanka	Lithuania
Taiwan	Luxembourg
Thailand	Malta
Vietnam	Slovenia

<b>Europe</b>	
Albania	Spain
Andorra	Ukraine
Austria	United Kingdom
<b>Middle East and Africa</b>	
Azerbaijan	Algeria
Belarus	Angola
Belgium	Bahrain
Bulgaria	Cameroon
<b>Croatia</b>	Central African Republic
Cyprus	Côte d'Ivoire
Czech Republic	Egypt
Denmark	Ghana
Estonia	Iraq
Finland	Israel
France	Kenya
Georgia	Kuwait
Germany	Lebanon
Greece	Malawi
Hungary	Mali
Ireland	Mauritius
Italy	Morocco
Latvia	Mozambique
Liechtenstein	Nigeria
Netherlands	Oman
Norway	Qatar
Poland	Saudi Arabia
Portugal	Senegal
Romania	Seychelles
Russia	South Africa
Serbia	Tanzania
Slovakia	Tunisia
Sweden	Uganda
Switzerland	United Arab Emirates
Tajikistan	Yemen
Turkey	Zimbabwe



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## Contact Information

Reno Budic  
Managing Partner  
[reno.budic@crowe.hr](mailto:reno.budic@crowe.hr)

Crowe Hrvatska  
Member of Crowe Global  
Grand Center, VIII floor  
Peta Hektorovića 2  
10000 Zagreb, Croatia  
Main +385 1 48 82 555  
Fax +385 1 48 22 220  
[office@crowe.hr](mailto:office@crowe.hr)

## About Crowe in Croatia

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