

# Wealth Management

## Basics of property taxation in Croatia

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Audit / Tax / Advisory

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# Real estate and property taxation in Croatia

If you are considering moving to Croatia apart from nice countryside and seaside there are some tax benefits you might enjoy.

### 1. (No) property tax

Croatia has no property tax, that is, the property owners do not pay any tax (except for holiday homes owners but the amounts payable are relatively symbolic).

### 2. No wealth tax

Croatia has no wealth tax.

### 3. Purchase of real estate

In principle purchase of property by the EU nationals is free. All other nationals require consent of the Ministry of Justice (provided under condition of reciprocity). This consent is provided in principle within 30 days and cannot be obtained for agricultural land. Croatian companies incorporated by the non-EU nationals do not require consent of the Ministry of Justice for acquisition of the real estate.

Purchase of real estate by individuals from individuals is subject to real estate transfer tax at 3%. In case an entrepreneur sells the real estate, the rules get a bit more complex.

#### **4. Renting property**

Renting property for non-tourist purposes if income is below EUR 40 thousand p.a. is subject to low effective tax rates (from 7% to 8,2%).

Renting of property for tourist purposes by the Croatian tax residents is subject to favourable lump sum taxation from HRK 150 (cca EUR 20) to HRK 1500 (cca EUR 200) annually per “rented” bed. Exact amount of the lump sum tax (in the above range) is determined by the local municipality.

#### **5. Inheritance and gift taxation**

Croatia does not tax inheritance or gift of real estate located outside of Croatia. Direct descendants are not taxed in case they inherit or receive a gift of any type. All others are taxed with 3% (in case of real estate) and 4% in case of gifts.

There are certain exemptions and exemptions to the exemptions of the basic rule. Also even in case of exempted gifts reporting is required.





## 6. Holiday home tax

As mentioned earlier, Croatia does not have property tax. However, Croatia does apply holiday home tax. For holiday home tax purposes holiday home is a house/building or an apartment which is used from time to time or seasonally. The holiday home tax is paid by the Croatian and/ or foreign individuals and entities which are owners of holiday homes.

Holiday home tax is payable at the rate of five kuna up to 15 kuna per sqm annually. Exact amount of holiday home tax depends on the local municipality where the holiday home is located. The holiday home tax is not payable if the holiday home is damaged due to e.g. earthquake, fire, flood, or is otherwise unusable.

## 7. Sale of property

Gains on sale of property (real estate) by individuals are in principle taxed at the rate of 20% on the gain (plus city surtax calculated on this tax payable). Gain could be decreased by certain allowable expenditure and inflation. After holding (owing) real estate for more than two years, sale of such real estate by an individual is tax exempt. There is additional tax rule when multiple sales of the real estate represent taxable activity.

**The rules of property taxation are relatively simple, and rate of effective taxation is low which makes Croatian tax residency attractive.**



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