



cutting through complexity

Croatia Country Profile

EU Tax Centre

July 2014

Key tax factors for efficient cross-border business and investment involving Croatia

EU Member State Yes

Double Tax Treaties With:

Albania	Greece	Montenegro ^(b)
Armenia	Hungary	Netherlands
Austria	Iceland	Norway
Azerbaijan	Indonesia	Oman
Belarus	Iran	Poland
Belgium	Rep. of Ireland	Romania
Bosnia & Herzegovina	Israel	Russia
Bulgaria	Italy	San Marino
Canada	Jordan	Serbia ^(b)
Chile	Rep. of Korea	Slovakia
China	Kuwait	Slovenia
Czech Rep.	Latvia	South Africa
Denmark	Lithuania	Spain
Egypt ^(a)	Macedonia	Sweden
Estonia	Malaysia	Switzerland
Finland	Malta	Syria
France	Mauritius	Turkey
Georgia	Morocco	UK
Germany	Moldova	Ukraine

Notes: (a) Treaty signed on July 3, 2005, but not yet in force.

(b) Treaty signed with former Yugoslavia applies.



Forms of doing business	Joint-stock company ("dioničko društvo - d.d.") and limited liability company ("društvo s ograničenom odgovornosti - d.o.o.")
Legal entity capital requirements	Registered share capital of HRK 200,000 for joint-stock companies. Registered share capital of HRK 20,000 for limited liability companies.
Residence and tax system	<p>A company is resident if its registered office or its place of management and supervision of business is located in Croatia.</p> <p>Resident companies are taxed on their worldwide income. Non-resident companies are taxed only on their Croatian source income.</p>
Compliance requirements for CIT purposes	<p>Taxpayers are required to submit a CIT return no later than four months following the end of the tax period. Medium-sized and large taxpayers as well as all VAT taxpayers are required to submit the CIT return electronically.</p> <p>Balance Sheet and Income Statement should be submitted together with the CIT return.</p>
Tax rate	The standard corporate income tax rate is 20 percent. This may be reduced to 10%, 5% or 0% based on certain investment related incentives or if the company is located in a free zone or a special support area, provided certain conditions are met.
Withholding tax rates	<p>On dividends paid to non-resident companies</p> <p>12 percent on dividends and profit shares</p> <p>On interest paid to non-resident companies</p> <p>The WHT rate on interest is generally 15 percent. However, WHT is not applied on interest in relation to the following:</p> <ul style="list-style-type: none"> ■ Interest paid on loans provided by banks and other financial institutions; ■ Interest paid on commodity loans for goods purchased in order to conduct business activity; ■ Interest paid to holders of corporate bonds. <p>On patent royalties and certain copyright royalties paid to non-resident companies</p> <p>15 percent</p> <p>On fees for technical services</p> <p>20% if payments are made to tax havens</p> <p>On other payments</p> <p>15% on payments for market research, tax and business advisory and audit services</p>



	<p>Branch withholding taxes</p> <p>No</p>
Holding rules	<p>Dividend received from resident/non-resident subsidiaries</p> <p>Dividends are not taxable in Croatia when received.</p> <p>Capital gains obtained from resident/non-resident subsidiaries</p> <p>Capital gains should be included in the annual corporate income tax calculation.</p>
Tax losses	<p>Tax losses can be carried forward for up to five years. Tax loss carry-back is not available.</p>
Tax consolidation rules/Group relief rules	<p>No</p>
Registration duties	<p>No</p>
Transfer duties	<p>On the transfer of shares</p> <p>No</p> <p>On the transfer of land and buildings</p> <p>Real estate transfer tax applies on transfer of land and certain buildings at 5 percent.</p> <p>Stamp duties</p> <p>No</p> <p>Real estate taxes</p> <p>No</p>
Controlled Foreign Company rules	<p>No</p>
Transfer pricing rules	<p>General transfer pricing rules</p> <p>Yes</p> <p>Documentation requirement?</p> <p>Supporting documentation of the arm's length nature of transactions with related parties is required.</p>



Thin capitalization rules	Yes, limited application, 4:1 debt-to-equity ratio for interest expenses.
General Anti-Avoidance rules (GAAR)	General anti-avoidance rules apply.
Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions	No
Advance Ruling system	Yes
IP / R&D incentives	Taxpayers can additionally decrease their taxable base by 150 percent of eligible expenses incurred for basic research, 125 percent for practical research, 100 percent for developmental research. In addition, small and medium-sized entrepreneurs, as defined by the Accounting Law, can additionally increase the abovementioned incentives by 20 percent (small) or 10 percent (medium-sized) of the eligible R&D expenses for practical and developmental research.
Other incentives	Incentives for education and training are also available up to a maximum of 70 percent of eligible expenses depending on the type of education and training (general or specific) and the type of business (small, medium or large). These incentives can be further increased by 5 percent or 10 percent if the business activity is carried out in the areas that meet the conditions for the application of regional state support and by a further 10 percent if the worker sent on education and training is a disadvantaged worker (e.g. is younger than 25 years of age and has never had any job with regular pay, is disabled, etc.).
VAT	The standard rate is 25 percent, and the reduced rates are 10 and 5 percent.
Other relevant points of attention	<p>WHT of 15 percent applies on business advisory services (i.e. market research services, tax and business consultancy, and audit services).</p> <p>A WHT rate of 20 percent on payments for services also applies under domestic tax law, but only for payments for services to entities tax resident in certain countries.</p>

Source: Croatian tax law and local tax administration guidelines, updated 2014.



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