

Amendments on Personal income tax Regulation

september 2019



Extension of range of non-taxable employment receipts

In the last few years significant amendments to the personal income taxation legislation has resulted in a reduction of the tax burden.

This trend continues and as of 1st September 2019 the range of receipts that can be provided to employees as non-taxable has been extended.

Amendments which have come into effect from 1st September 2009

Additional non-taxable payments	Amount	Additional requirements
Employee nutrition costs based on supporting documentation	Up to HRK 12,000 annually	<ul style="list-style-type: none"> — Invoices must be issued in the employer's name; — Invoices must be settled through a non-cash means of payment directly to the provider of the service; — It needs to be visible that there is a continuous service by the employees during workdays. —
Cash lump-sum payment covering the costs of an employee's nutrition	Up to HRK 5,000 annually	<ul style="list-style-type: none"> — Payment directly to the bank account of the employee; — The cash lump sum up to HRK 5,000 and nutrition cost based on supporting documentation up to HRK 12,000 are mutually exclusive.
Accommodation expenses	Up to the amount of actual expenses	<ul style="list-style-type: none"> — Supporting documentation is required; — If an employer has signed a contract with a lessor, the fee must be settled through a non-cash means of payment; — If an employee has signed a contract, the fee must be transferred to the account of the employee.
Reimbursements of regular child care costs (preschool)	Up to the amount of actual expenses	<ul style="list-style-type: none"> — Supporting documentation (invoices) is required; — Excludes additional programs that are additionally payable.
Reimbursements for tourism, catering and other service expenses for an employees' holiday ^[2]	Up to HRK 2,500 annually	<ul style="list-style-type: none"> — These conditions will be regulated by the Croatian Ministry of Tourism.

An increase of the amount of the non-taxable daily allowances for business trips within Croatia

> 12 hours

HRK 200
(instead of
previous HRK
170)

8 to 12 hours

HRK 100
(instead of
previous HRK
85)

- Travel expenses incurred during the business trip destination (e.g. taxi costs, usage of public transport etc.) cannot be reimbursed as non-taxable as they are included in the daily allowance for business trips;
- However, the costs of public transport which relate to the first arrival in the business trip destination and departure from the business trip destination can be reimbursed as non-taxable.

[1] Personal income tax Regulation provisions which relate to reimbursements for tourism, catering and other service expenses for an employees' holiday are not effective as of 1st September 2019.

It will be possible to provide respective reimbursements as non-taxable once regulated by the Croatian Ministry of Tourism

Why this matters

The changes provide:

- additional possibilities for employers to structure remuneration packages;
- a reduction in the tax burden for those employers which already provide their employees with reimbursements as listed above;
- a positive impact on labour mobility within Croatia;
- an increase of competitiveness of Croatian employers and provide a positive effect on retaining workers in Croatia; and
- a positive impact on foreign investment into Croatia, because the costs of seconding foreign workers to work on projects in Croatia will be reduce

Contact us

For additional information or assistance, please contact one of the following professionals with the KPMG in Croatia.

Paul Suchar

Tel. +385 1 5390 032

psuchar@kpmg.com

Kristina Grbavac

Tel. +385 1 5390 069

kgrbavac@kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2019 KPMG Croatia d.o.o., a Croatian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.