



# Interest rate on loans between related parties

**Amendments applicable from 1 January 2021**

## Tax Newsflash

December 2020

### CORPORATE PROFIT TAX

#### Interest rate on loans between related parties

From 1 January 2021 the arm's length interest rate for Corporate Profit Tax (CPT) purposes applicable to loans between related parties is 3% per annum.

Accordingly, for CPT purposes as of 1 January 2021:

- the maximum tax deductible interest rate on loans received by a taxpayer from a foreign related party decreased from 3.42% per annum to 3.00% per annum; and
- the minimum taxable interest rate on loans provided by a taxpayer to a foreign related party has also decreased from 3.42% per annum to 3.00% per annum.

The above also applies to loans between two related parties which are Croatian taxpayers if one of them is in a CPT favourable position.

All taxpayers which receive loans from or provide loans to related parties should immediately consider the conditions of such loan arrangements and take immediate action if necessary.

In the following table we outline the movement of prescribed interest rates:

Tax period	Prescribed interest rate
01.07.2011. – 30.10.2015.	7,00%
31.10.2015. – 31.12.2015.	3,00%
01.01.2016. – 31.12.2016.	5,14%
01.01.2017. – 31.12.2017.	4,97%
01.01.2018. – 31.12.2018.	4,55%
01.01.2019. – 31.12.2019.	3,96%
01.01.2020. – 31.12.2020.	3,42%
01.01.2021. – 31.12.2021.	3,00%

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