

Implementation of the second package of tax measures (COVID-19)

Newsflash

April 2020

On 9 April 2020, new provisions entered into force regulating the following:

- Implementation of the tax payment deferral and exemption procedure in special circumstances,
- Submission deadlines for annual corporate tax returns, financial statements and accounting records for 2019.

1. DEFERRAL OF VAT LIABILITY

Application for VAT deferral can be submitted by:

- Entrepreneurs who report VAT on an accrual basis, regardless of the value of supplies of goods and services in the previous year (limit of HRK 7,5 million is abolished) if:
 - They meet the indicators of inability to settle tax liabilities due (20% revenue decrease); and
 - VAT liability arises from issued and incoming invoices that have not been settled.

Implementation of the deferral:

- VAT liability is assessed on a cash basis, i.e., output VAT arises on paid invoices and input VAT can be recovered on paid invoices;
- Taxpayer submits VAT return in accordance with the regular taxation procedure and on position VIII.2 of the VAT return reports the difference of VAT assessed on the cash basis. The amount stated on position VIII.2. will be deferred until 31 July 2020;
- Deferral can be applied for VAT liability arising from the March VAT return due by 30 April 2020, and the VAT liability arising from the April VAT return due by 31 May 2020.

2. EXEMPTION FROM PAYMENT OF TAX LIABILITIES

Exemption is applicable to entrepreneurs:

- whose business activities are during special circumstances banned, disabled or significantly impeded by decisions of the competent authority; and

- have a decrease in income of at least 50% in the period from 20 March 2020 to 20 June 2020 comparing to the same period previous year.

If the taxpayer:

- had income/receipts less than HRK 7,5 million in 2019, full exemption on tax payments due; and
- had income/receipts more than HRK 7,5 million in 2019, partial exemption on tax payments due proportionate to the decline in income compared to the same period of the previous year.

Exemption is applicable on:

- All taxes and public charges due in the period from 1 April 2020 to 30 June 2020.

The exemption is not applicable on:

- VAT, excise duties, custom duties, contributions for pillar II of mandatory pension insurance, taxes and surtax on final income, fees and charges on games of chance, liabilities based on previously concluded administrative agreements and rescheduled liabilities from pre-bankruptcy and bankruptcy proceedings.

Exceptions:

- Taxpayers who earn income from renting flats, rooms and beds to travelers and tourists and organizing campsites, who pay a lump sum tax, will be exempt from the tax payable by the end of the second quarter of 2020 (1/4 of the annual lump sum income tax and surtax) without submitting a request.
- Taxpayers and other legal and natural persons who have not submitted a Request for payment deferral and who have a business disruption of more than 50% during special circumstances may apply for a tax exemption by 20 June 2020. The tax authority will decide on the request in a special procedure.

3. EXEMPTION FROM CONTRIBUTION LIABILITIES FOR CO-FINANCED NET SALARIES

- Employers utilizing the grant provided by the Croatian Employment Fund to support job preservation are exempted from paying contributions for supported net salaries.
- Exemptions will be determined ex officio by the Tax Authorities.

4. VAT ON DONATIONS AND IMPORTS

- Donations of goods and services for the purpose of mitigation of adverse COVID-19 effects will be VAT exempt.
- Import of goods for the purpose of mitigation of adverse COVID-19 effects will be exempt of customs and import VAT.
- Import VAT does not need to be paid to be recoverable, i.e., reverse charge mechanism applies.
- The aforementioned exemptions apply to goods imported or donated by 20 June 2020, and the first exemption applies to the VAT liability due in April 2020.

5. DEADLINES FOR FINANCIAL STATEMENTS AND ACCOUNTING RECORDS

The submission deadlines for the financial statements and accounting records for 2019 are postponed and the new deadlines are set out in the table:

Type of report	Deadline
Financial statements for statistical purposes	30.6.2020.
Corporate Tax Return and related forms and accompanying reports **	30.06.2020
Statement of inactivity	30.6.2020.
Consolidation requirement notification	30.6.2020.
Financial statements for public announcement purposes - unconsolidated	8 months from the last day of the business year
Public announcement of the branch office	8 months from the last day of the business year
Separate non-financial report	8 months from the balance sheet date
Financial statements for public announcement purposes - consolidated	10 months from the last day of the business year

** The deadline for payment of liabilities determined on the basis of the Corporate Profit Tax return and the accompanying reports is 31 July 2020.

** These deadlines do not apply to taxpayers whose business year is different than the calendar year.

If you have any questions, feel free to contact us:

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