

# Amendments to tax laws as of January 1, 2025

January 2025

## PERSONAL INCOME TAX LAW

- **Amendments to income tax rates**, which are determined within the following ranges: a lower rate from 15% to 23%, and a higher rate from 25% to 33%, depending on the size of the local municipality. If the local municipality unit does not pass a decision on the tax rates by the legally prescribed deadline (February 28, 2025), the lower rate of 20% and the higher rate of 30% will be automatically applied. Additionally, the threshold for the annual income tax bracket for applying the higher income tax rate is increased from EUR 50,400 to EUR 60,000.
- **The personal allowance is increased from EUR 560 to EUR 600**. Consequently, the amounts of the increased personal allowance for supported family members and determined disability also rise, along with other nontaxable receipts that are calculated based on the personal allowance (monetary rewards for work performance, severance pay, jubilee awards, etc.).
- **New ranges for the lumpsum tax on shortterm rentals** (so-called "tourist rental" or "daily rental") have been prescribed, in accordance with the tourist development index, as follows (from the most developed to the least developed category): Category I EUR 100 - 300, Category II EUR 70 - 200, EUR Category III 30 - 150, and Category IV EUR 20 - 100.
- **Introduction of a tax incentive for returnees**. Croatian citizens who have spent at least two years abroad are granted the right to a five-year 100% of the tax relief on the employment income. Additional provisions related to the implementation of this incentive will be prescribed by the Personal Income Tax Regulations.

## SOCIAL SECURITY CONTRIBUTIONS LAW

- **Exemption from payment of health insurance contributions for employees under 30 years old for a period of 5 years is being abolished**. Employers may still apply this incentive for employees hired by December 31, 2024, until the expiry of 5-year period.

- **Exemption from payment of health insurance contributions for a period of one year can be applied for any individual that is entering permanent employment contract for the first time, regardless of their prior employment history** (such as fixed-term contract, other income, etc.).
- **Employers who enter fixedterm employment contracts with individuals can no longer use the incentive for firsttime employment**.

## VALUE ADDED TAX LAW

- **The threshold for entering the VAT system is increased** from EUR 40,000 to EUR 60,000.
- **A new provision allows for the deduction of input VAT based on a resolution from the Croatian Tax Authorities (CTA)**. If the VAT liability is determined based on a CTA resolution, the taxpayer may issue a revised invoice, which the recipient of the supply can use to claim the input VAT deduction.
- **A provision is introduced allowing taxpayers from EU member state to apply for VAT exemption in Croatia based on SME scheme**, provided the required conditions are met. Additionally, SME taxpayers in Croatia can opt an exemption from VAT registration in other member states, subject to the specified conditions.
- **The right to a VAT refund is introduced for taxpayers without a registered seat in the EU**, eliminating the reciprocity condition for VAT refunds for taxpayers from non EU countries.
- **Services for virtual access to cultural, artistic, sporting, and similar events are no longer taxed based on the location of the event** but rather according to the recipient's place of establishment or in the member state of consumption.

## GENERAL TAX LAW

- **The provisions regarding the permissibility of tax audits and statute of limitations have been expanded.** Tax audits can now be conducted for periods where the statute of limitations for determining tax liabilities has not yet expired (a six-year period). This applies to procedures involving investigations on business operations abroad, related parties, as well as crossborder transactions, transfer pricing, tax arrangements, and similar cross-border transactions and operations involving multiple jurisdictions or countries, as well as in cases where there is reasonable suspicion of committing certain offenses.
- **The responsibility of company shareholders for not submitting monthly and annual tax returns has been extended.** The scope of the provision regarding the liability of company shareholders is extended in situations where the required monthly and annual tax returns of the taxpayer are not filed.
- **The obligation to submit tax returns and supporting documentation necessary for taxation via ePorezna has been expanded to include additional categories of taxpayers.**
- **Delivery of tax documents and other notices**
  - the participant provides explicit consent for receiving tax documents and other notices electronically by registering or logging into the ePorezna system.
- **The statute of limitations for collecting tax liabilities, interest, and enforcement costs does not apply in cases where the CTA was unable to initiate the collection process.**
- **Conclusion of administrative agreements** – simplification of the procedure for entering into administrative agreements between taxpayers and the tax CTA in cases prescribed by law.

### Željka Videk

Direktor, Odjel poreznog savjetovanja  
[zvidek@kpmg.com](mailto:zvidek@kpmg.com)

### Mihaela Koren Šola

Odvjetnica  
[mkoren@kpmg.com](mailto:mkoren@kpmg.com)

### Violeta Đebro

Senior Manager, Odjel poreznog savjetovanja  
[vdebro@kpmg.com](mailto:vdebro@kpmg.com)

### KPMG Croatia d.o.o

EUROTOWER,  
Ivana Lučića 2A/17  
Tel: +385 (0)1 5390 000  
Fax: +385 (0)1 5390 111  
[info@kpmg.hr](mailto:info@kpmg.hr)  
[kpmg.com/hr](http://kpmg.com/hr)