

Croatia Country Profile

EU Tax Centre

June 2017

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

EU Member State Yes

**Double Tax
Treaties** With:

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

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-registered taxpayers are required to submit the CIT return electronically.</p> <p>A Balance Sheet and Income Statement should be submitted together with the CIT return.</p>
Tax rate	As of January 1, 2017, the standard corporate income tax rate was reduced from 20 to 18 percent and a 12 percent rate was introduced for companies with revenues of up to HRK 3 million. This standard rate may be reduced by 50 percent, 75 percent or 100 percent 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 12 percent on dividends and profit shares.</p> <p>On interest paid to non-resident companies The WHT rate on interest is generally 15 percent. However, WHT is not applied on interest paid in relation to:</p> <ul style="list-style-type: none"> ■ loans provided by banks and other financial institutions; ■ commodity loans for goods purchased in order to conduct business activity; ■ corporate bonds. <p>On patent royalties and certain copyright royalties paid to non-resident companies 15 percent</p> <p>On fees for technical services 20 percent if payments are made to tax havens.</p>



	On other payments
	15 percent on payments for market research, tax and business advisory and audit services.
	Branch withholding taxes
	No
Holding rules	<p>Dividend received from resident/non-resident subsidiaries</p> <p>Dividend income is not subject to corporate tax in Croatia.</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	Tax losses can be carried forward for up to five years. Tax loss carry-back is not available.
Tax consolidation rules/Group relief rules	No
Registration duties	No
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 the transfer of land and certain buildings at 4 percent.</p> <p>Stamp duties</p> <p>No</p> <p>Real estate taxes</p> <p>No</p>
Controlled Foreign Company rules	No
Transfer pricing rules	<p>General transfer pricing rules</p> <p>Yes</p>



Documentation requirement?

Documentation to the support the arm's length nature of transactions with related parties is required. PD-IPO form (form on transactions with related parties) must be submitted with the CIT return.

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	No
Other incentives	Incentives for education and training are available up to a maximum of 80 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 10 percent if training is provided to "disadvantaged workers" (e.g. younger than 25 years of age and that have not previously received regular wage, disabled, etc.).
VAT	The standard rate is 25 percent, and the reduced rates are 13 and 5 percent.
Other relevant points of attention	WHT of 15 percent applies on business advisory services (i.e. market research services, tax and business consultancy, and audit services). 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.

Source: Croatian tax law and local tax administration guidelines, updated 2017



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