Croatia Country Profile

EU Tax Centre

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

EU Member State	Yes
Double Tax Treaties	With the following countries, territories and jurisdictions:

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

Most important 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	A company is a resident if its registered office or its place of management and supervision of business is located in Croatia. Resident companies are taxed on their worldwide income. Non-resident companies are taxed only on their Croatian source income.
Compliance requirements for CIT purposes	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. A Balance Sheet and Income Statement should be submitted together with the CIT return.
Corporate income tax rate	The standard corporate income tax rate is 18 percent and a 12 percent rate applies to companies with revenue of up to HRK 3 million (approximately EUR 405,000). 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	On dividends and profit shares paid to non-resident companies 12 percent. 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: - loans provided by banks and other financial institutions; - commodity loans for goods purchased in order to conduct business activity; - corporate and state bonds. On patent royalties and certain copyright royalties paid to non-resident companies 15 percent.

	On other payments 15 percent on payments for market research, tax and business advisory and audit services. 15 percent on fees for performing foreign artists if such fees are payable pursuant to contracts with foreign legal entities. 20 percent on all payments made to non-resident companies in countries regarded as non-cooperative jurisdictions (i.e. companies with registered offices in EU blacklisted jurisdictions). Branch withholding taxes No
Holding rules	Dividend received from resident/non-resident subsidiaries Dividend income is not subject to corporate tax in Croatia. Capital gains obtained from resident/non-resident subsidiaries Capital gains should be included in the annual corporate income tax calculation.
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	On the transfer of shares No On the transfer of land and buildings Real estate transfer tax applies on the transfer of certain types of land and buildings at the rate of 3 percent (levied on the purchaser, represents irrecoverable cost). Stamp duties No Real estate taxes No

Controlled Foreign Company rules	A controlled foreign company (CFC) rule was introduced as of January 1, 2019 on the basis of which, under certain conditions, undistributed profit arising from specific categories of income (e.g. interest, royalties, dividends, income from financial activities, etc.) of the CFC or permanent establishment in another country is attributed to the parent company taxpayer in Croatia and is taxed accordingly. This rule does not apply to a CFC that performs an economic activity of substance, or to a CFC whose specific categories of income comprise one-third or less of total income. Banks and financial companies are not considered CFCs if they generate one-third or less of total income from transactions with related parties.
Transfer pricing rules	General transfer pricing rules Yes 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. The arm's length interest rate for CIT purposes on loans between related parties is 3.96% per annum, effective as of January 1, 2019 (4.55% per annum for 2018). Borrowing costs exceeding taxable interest income (or economic equivalent) will be tax deductible only up to: (1) 30 percent of the taxpayer's earnings before interest, tax, depreciation and amortization (EBITDA); or (2) EUR 3,000,000. Does not apply to standalone taxpayers and taxpayers that are financial companies. Excessive borrowing costs can be carried forward for three tax periods.
General Anti-Avoidance rules (GAAR)	General anti-avoidance rules apply.
Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions/Anti-Hybrid rules	No
Advance Ruling system	Yes

IP / R&D incentives	R&D incentives are provided in the form of an additional tax base reduction for justified R&D expenses for research and development projects or feasibility studies. The maximum tax relief that a company may receive is: - 100 percent of eligible cost for fundamental research, - 50 percent of eligible cost for industrial research, - 25 percent of eligible cost for experimental development, and - 50 percent of eligible costs for the feasibility study. The tax relief may be further increased by 15-20 percent, depending on the size of the taxpayer and the type of research undertaken.
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	None.

Source: Croatian tax law and local tax administration guidelines, updated 2019.

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