

# GMS Flash Alert

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## Croatia - Amendments to Personal Income Tax Regulations

In the last few years, significant amendments to Croatia's personal income tax legislation have resulted in a reduction of the tax burden of many individuals.<sup>1</sup> This trend, yielding a steady reduction in the once-heavy tax burden faced by Croatian taxpayers, continues. As of 1 September 2019, the range of "receipts" that can be provided to employees as non-taxable has been extended.

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### WHY THIS MATTERS

The changes could help to provide:

- additional possibilities for employers to (re)structure remuneration packages;
- a reduction in the tax burden for those employers that already provide their employees with reimbursements as noted in the table below;
- a positive impact on labour mobility and labour retention in Croatia;
- an enhanced competitiveness for Croatian employers; and
- a boost to foreign investment into Croatia, given that the costs of seconding foreign workers to work on projects in Croatia will be reduced.

## Amendments in Effect from 1 September 2019<sup>2</sup>

Additional non-taxable payments	Amount	Additional requirements
Employee meal costs based on supporting documentation	Up to HRK 12,000 annually	<ul style="list-style-type: none"> <li>- Invoices must be issued in the employer's name;</li> <li>- Invoices must be settled through a non-cash means of payment directly to the provider of the service;</li> <li>- It must be clear that a continuous service is provided by employees during work-days.</li> </ul>
Cash lump-sum payment covering the costs of an employee's meals	Up to HRK 5,000 annually	<ul style="list-style-type: none"> <li>- Payment directly to the bank account of the employee;</li> <li>- The cash lump sum up to HRK 5,000 and meal cost per invoice up to HRK 12,000 are mutually exclusive.</li> </ul>
Accommodation expenses	Up to the amount of actual expenses	<ul style="list-style-type: none"> <li>- Supporting documentation is required;</li> <li>- If an employer has signed a contract with a lessor, the fee must be settled through a non-cash means of payment;</li> <li>- If an employee has signed a contract, the fee must be transferred to the account of the employee.</li> </ul>
Reimbursements of regular child-care costs (pre-school)	Up to the amount of actual expenses	<ul style="list-style-type: none"> <li>- Supporting documentation (invoices) is required;</li> <li>- Excludes additional programs that are additionally payable.</li> </ul>
Reimbursements for tourism, catering, and other service expenses for an employees' holiday*	Up to HRK 2,500 annually	<ul style="list-style-type: none"> <li>- These conditions will be regulated by the Croatian Ministry of Tourism.</li> </ul>
An increase of the amount of the non-taxable daily allowances for business trips within Croatia		<ul style="list-style-type: none"> <li>- Travel expenses incurred at the business trip destination (e.g., taxi costs, use of public transport, etc.) cannot be reimbursed as non-taxable as they are included in the daily allowance for business trips;</li> <li>- However, the costs of public transport that relate to the first arrival in the business trip destination and departure from the business trip destination can be reimbursed as non-taxable.</li> </ul>
	> 12 hours	HRK 200 (instead of previous HRK 170)
	8 to 12 hours	HRK 100 (instead of previous HRK 85)

\* Personal income tax regulation provisions that relate to reimbursements for tourism, catering, and other service expenses for an employees' holiday are not effective as of 1 September 2019. It will be possible to provide respective reimbursements as non-taxable, once regulated by the Croatian Ministry of Tourism.

## FOOTNOTES:

1 For prior coverage, see GMS [Flash Alert 2019-020](#) (6 February 2019).

2 To see the Amendments on personal income tax bylaw (Official Gazette (*Narodne Novine*) 80/19) (in Croatian), [click here](#).

\* \* \* \*

HRK 1 = EUR 0.135  
HRK 1 – USD 0.148  
HRK 1 = GBP 0.1195

## Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in Croatia.



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