

# Guide to doing business in Croatia



AUDIT / ACCOUNTING / TAX / LEGAL / PAYROLL

## GUIDE TO DOING BUSINESS IN CROATIA

Prepared by Nexia member firm, Kopun Group

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#### INTERESTING FACT 1

Did you know Croatia invented double-entry bookkeeping?

*The first known manual on bookkeeping was "Della mercatura e del mercante perfetto" (On Merchantry and the Perfect Merchant), written in 1458 by Benedictus de Cotrullis, born in Dubrovnik, Croatia. It is also the oldest known manuscript on double-entry booking.*



#### 1.1. PEOPLE & LOCATION OF CROATIA

Do you want to hear a story about a magnificent country with 1,246 islands, impressive natural and cultural heritage and a story about its rich history? Croatia is located in South-eastern Europe between Bosnia and Herzegovina, Slovenia, Hungary, Serbia and Montenegro and the Adriatic Sea, and has a maritime border with Italy. The Croatian Adriatic coast is one of the most indented in the world: it has 1,246 islands and islets with a total coastline of 4,058 km, the total length of the mainland coast being 1,777 km. The largest island is Cres; other large islands include Krk, Brac, Hvar, Pag and Korcula. Interesting fact: The White House in Washington, D.C. was built with stone brought from the island of Brac. The largest peninsulas are Istria and Peljesac, and the largest bay is Kvarner Bay.

Croatia has a 1,011 km border with Bosnia and Herzegovina, a 670 km border with Slovenia, a 355 km border with Hungary, a 317 km border with Serbia (entirely with its Autonomous Province of Vojvodina) and a 25 km border with Montenegro. Croatia's islands and coastal areas have a Mediterranean climate, while inland areas have a temperate continental climate with hot summers and low overall humidity levels, but frequent rain showers and cold, snowy winters. The local terrain is quite diverse given the size of the country (56,594 km<sup>2</sup>).

According to the 2011 census, the population of Croatia was 4,284,889 people, 1,107,623 of whom live in the capital city, Zagreb. The majority of the population is Croatian, and other ethnic groups include Serbs, Bosnian Muslims, Hungarians, Slovenians, and Czechs.

#### 1.2. ENVIRONMENTAL PROTECTION

The right to a healthy environment is a constitutional prerogative of the Republic of Croatia. In the 2018 State of the Environment Report of the Republic of Croatia, it was concluded that good progress had been made in certain segments, for example, in air protection, as reflected in the considerable reduction in CO<sub>2</sub> emissions; and in the establishment of a monitoring, control and information system and in waste management; however, there are still some preconditions and key measures to be taken in order to generally improve the state. The Croatian Environmental Agency was founded in late 2002 as a central body for the collection and processing of environmental information and cooperation with relevant EU institutions. The Environmental Protection and Energy Efficiency Fund was established in 2003 to provide funding for environmental protection and for internalisation of a portion of the environmental

pollution costs. The Republic of Croatia ratified and signed many international treaties in the field of environmental protection, a list of which may be found at <https://mzoe.gov.hr/>.

### 1.3. RELIGION & LANGUAGE

The Croatian language is today the official language of the Republic of Croatia. There are three principal dialects: Shtokavian, Chakavian, and Kajkavian. Many people speak Italian, German and English as a second language.

Croatia is predominantly a Roman Catholic country. According to recent statistics, nearly 90% of the population defines itself as Catholic, nearly 3% as Orthodox, 2.1% atheist and only 1.1% Muslim.

### 1.4. CURRENCY

The Croatian monetary unit is the Kuna. In English, “kuna” means marten; in medieval times marten pelts were used as a unit of trade. The Croatian National Bank (HNB) determines the value of the Kuna in relation to other currencies in accordance with the stipulated trade and foreign currency rates on the market of foreign exchange payments. Some historical exchange rates were as follows:

Date:	Exchange rate 1 EUR =	Exchange rate 1 USD =
31.12.2017	7.513648	6.269733
31.12.2018	7.417575	6.469192
31.12.2019	7.44258	6.649911

Croatia started implementation of EUR, and in case it implemented measures it has committed, Croatia could enter in the European Exchange Rate Mechanism II in the second half of 2020, while EURO could be a monetary unit as of 01.01.2023.

### 1.5. TRANSPORTATION & COMMUNICATION

Transportation in Croatia relies on several main modes - road, rail, water and air. Road transport incorporates a comprehensive network of state, county and local routes, supplemented by a network of motorways for long-distance traveling. Water transport can be divided into sea and river transport. Croatia has 9 civil airports, five of which are international. The country also has several airlines, of which the most notable is Croatia Airlines. Rail transport is fairly developed.

The international dialling code for Croatia is +385. 4G mobile coverage is widespread with the majority of the country having GSM coverage. GSM operators have active roaming agreements with most international networks. ADSL/Optical broadband is common in Croatia with Internet cafes available in all major cities. Croatia has a national postal service with post offices in most cities, towns and villages.

## INTERESTING FACT 2

Did you know Croatia invented the necktie?

*However you may feel about the modern-day office noose, we have Croatia to thank for it, and it may very well be Croatia's must successful export. After all, it used to be called the cravat, and where did the word cravat come from? Croatia.*

*The origins of the necktie go all the way back to the 17th century, when Croatian mercenaries fought for the French in the Thirty Years' War, bringing their distinctively knotted neckwear along with them.*

*From there it spread to other militaries, other countries, and, eventually, into the cubicles of modern-day offices and other fancy places. The knotting became distinctive enough that it simply became known as a tie, and here we are today.*



## 2.1. FORMS OF BUSINESS ENTITIES

The principal law governing business organizations in Croatia is the Commercial Companies Act (CCA). The statute is modelled on German and Austrian laws.

The CCA introduces five types of commercial entities:

- *general commercial partnership;*
- *limited partnership;*
- *joint stock company;*
- *limited liability company; and*
- *economic interest grouping.*

There are two principle types of business organizations - commercial partnerships and corporations. Both commercial partnerships and corporations are legal entities. Among commercial partnerships, the law distinguishes between general commercial partnerships and limited partnerships. The two types of corporations are the joint stock company and the limited liability company.

The CCA also recognizes economic interest groupings. The rules on economic interest groupings implement European Community law (EC Directive on European Economic Interest Groupings). It defines an 'economic interest grouping' as a legal person set up by two or more natural persons or legal entities for the purpose of:

- (i) *facilitating or promoting their business activities; and*
- (ii) *promoting or increasing the effect of these activities. An economic interest grouping may not retain profits.*

Investors can generally choose between these types of business entities. However, certain enterprises must take on a particular form. Banks, for example, can only be organized as joint stock companies.

## 2.2. LIABILITY

### 2.2.1. PARTNERSHIPS

In a general commercial partnership, partners are jointly and severally liable to creditors of the partnership. In a limited partnership, at least one partner is personally liable for the obligations of the partnership (the general partner) and at least one partner is not liable for the debts of the partnership if he/she has paid in a contribution (the limited partner). The limited partner may be held liable for the partnership's debts incurred before registration.



### 2.2.2. CORPORATIONS

In the limited liability company and the joint stock company shareholders are not liable for the company's debts. There are exceptions to this general rule:

- *a shareholder may be held liable for the company's debts in cases of abuse;*
- *company promoters are liable for debts incurred before the company's registration; and*
- *statutory rules may lead to a shareholder's liability for the company's debts (in the context of groups of companies).*

### 2.3. FORMATION

#### 2.3.1. PARTNERSHIPS

General commercial partnerships and limited partnerships are established on the basis of a partnership agreement. A partnership is not established until it is registered in the register of the relevant local commercial court. Registration is made upon filing the application containing particulars required by law together with the partnership agreement.

There are no minimum capital requirements for the formation of a general commercial partnership. If not otherwise provided by the partnership agreement, partners are obliged to make equal contributions. Contributions may be made in cash, kind, labour or services.

Registration is not conditional upon partners having made their contributions. Failure to make a contribution can lead to liability for partnership debts.

The same applies to the general partners of limited partnerships. Limited partners are not obliged to pay in their contribution before the company is registered. The limited partner is not liable for the partnership's obligation if he/she fully paid the contribution undertaken in the partnership agreement. However, failure to pay the contribution in full gives rise to the limited partner's joint and several liability along with the general partners for the debts of the partnership, but only up to the outstanding amount of the contribution.

#### 2.3.2. CORPORATIONS

A limited liability company is established on the basis of notarized Articles of Association. The company may be established by one shareholder on the basis of a notarized Deed of Incorporation. The company is established by registration in the court register upon

application to the competent local court. The minimum share capital of a limited liability company is HRK 20,000 (approximately EUR 2,700). Contributions to the share capital may be made in cash or in kind. Prior to registration, each founder must pay in:

- (i) 100% of its contribution in kind; and/or
- (ii) at least 25% of his/her cash contribution, provided that the total amount of all cash contributions paid in before registration is no less than HRK 10,000 (approximately EUR 1,350).

The CCA also provides for a possibility of establishing a "simple limited liability company" with a minimum share capital of HRK 10 (approximately EUR 1.30) and not more than three shareholders. Contributions to the share capital of such a company may be made only in cash and have to be paid in full prior to registration. The procedure for the establishment of a simple limited liability company is based on specific prescribed forms. This form was primarily introduced into legislation to encourage small entrepreneurs for start-ups.

A joint stock company is established on the basis of notarized Articles of Association which the founders adopt. The company may be established by one shareholder on the basis of a Deed of Incorporation. A joint stock company may be established by way of simultaneous incorporation or successive incorporation. In the former, promoters undertake all shares, adopt and execute the Articles of Association and declare the establishment of the company.

In the latter, promoters adopt the Articles of Association, undertake a part of the shares and issue a public prospectus for the subscription of shares. In both simultaneous and successive incorporation, the company is established by registration with the court upon application by the members of the management board and the supervisory board.

The minimum share capital of a joint stock company is HRK 200,000 (approximately EUR 27,000). Rules for contributions are similar to those applicable to limited liability companies.

However, unlike the formation of a limited liability company, promoters must submit to the court a report on the company's incorporation.

In addition, the members of the Management Board and of the Supervisory Board, or Executive Directors and members of the Board of Directors, must audit the company's formation. In certain cases, the formation of the company must also be audited by independent auditors appointed by the court.

## 2.4. CORPORATE GOVERNANCE

### 2.4.1. PARTNERSHIPS

Partnerships do not have bodies entrusted with management or representative authorities. Each partner of a general commercial partnership is authorized and obliged to manage the partnership unless otherwise provided by the partnership agreement. The authority to manage the partnership extends to all actions normally taken in the course of conducting business. An action cannot be taken if a partner authorized to manage the partnership objects to the action. Actions outside normal business can only be taken with the consent of all partners.

The same rules apply to general partners in a limited partnership. Limited partners are excluded from management. They can only object to decisions made and actions taken by general partners outside the normal course of business.

Each partner of a general commercial partnership is authorized to represent the partnership, except where the partnership agreement states otherwise. Such restrictions have no effect on third parties. The same applies to general partners of limited partnerships. Limited partners are excluded from representation.

### 2.4.2. CORPORATIONS

The mandatory governing body of a limited liability company are the managing director(s) / management board.

The management board of a limited liability or joint stock company consists of one or more directors (with the exception of simple limited liability company which may only have one director). In a limited liability company, management board members are appointed at the shareholders' meeting, unless the Articles of Association provide otherwise. They can be revoked or removed at any time. Unless otherwise provided by the company agreement, the members of the management board shall represent the company jointly. Legal person (company) is not allowed to be appointed as a managing director.

Only directors are authorized to represent the company. The Articles of Association may restrict the representative powers of directors; however, such restrictions are only internal and are ineffective towards third parties.

In a joint stock company, management board members and the chairman of the board are appointed by a supervisory board for a term of office not exceeding five years. Appointments may be re-

newed. Management board members can only be changed by the supervisory board for material cause, including:

- *a gross breach of duty;*
- *the inability to conduct company business; or*
- *a vote of no-confidence at the shareholders' meeting, unless such vote was made for manifestly arbitrary reasons.*

Management board members can only take management decisions jointly, unless the Articles of Association state otherwise. A decision based on a minority vote is not valid. Any restrictions to the representative powers provided in the Articles of Association are of an internal nature and are ineffective towards third parties.

Only the management board is authorized to represent the company. The management board represents the company jointly, unless the Articles of Association state otherwise.

There are no restrictions on the nationality of the directors of a limited liability or a joint stock company. Managing director does not have to be employed.

The Articles of Association shall determine whether or not the company shall have a supervisory board.

However, a supervisory board is a mandatory body in a limited liability company only:

- (i) *if the average number of employees in one year exceeds 200;*
- (ii) *if specific statutes provide that a company carrying out certain activities must have a supervisory board; or*
- (iii) *if the share capital of the company exceeds HRK 600,000 (approximately 81,000 EUR) and the company has more than 50 shareholders.*

Joint stock companies can opt for a two-tier corporate governance structure (comprising a management board and a supervisory board) or a one-tier corporate governance structure (comprising only a board of directors which appoints one or more executive directors).

In a joint stock company, in the case of the two-tier system, members of the supervisory board are elected at the shareholders' meeting. However, the Articles of Association may provide that certain shareholders have the right to appoint members of the supervisory board directly. This right can only be granted to specific shareholders or holders of specific shares if the shares in question are ones whose transfer requires the company's consent. Only one third of the supervisory board may be appointed in this manner. Supervi-



sory board members are elected or appointed for a term of office not exceeding four years and all may be re-elected or re-appointed. The shareholders' meeting may remove an elected member of the supervisory board before expiration of his/her term of office. This resolution requires a majority vote of not less than 75% of the votes cast unless the Articles of Association provide for a larger majority or for additional requirements. If a shareholder made the appointment directly, he/she can revoke the appointed member of the supervisory board.

The supervisory board supervises the management of the company. It may inspect the business records of the company, treasury, securities and other matters. The board submits a written supervisory report at the shareholders' meeting. In addition, the board can call a shareholders' meeting, and must do so whenever it is in the interest of the company.

The rules governing the supervisory board of a joint stock company apply analogously to the supervisory board of a limited liability company.

In the case of the board of directors (i.e. one-tier system), the choice of the one-tier system of corporate governance should be expressly stated in the company's Articles of Association. The Articles of Association should also determine the number of members of the board of directors.

Members of the board of directors are elected at the shareholders' meeting and the duration of their term is determined by the Articles of Association (it cannot exceed 6 years). The Articles of Association may provide that certain shareholders have the right to appoint members of the board of directors directly. The appointment, revocation, resignation and liabilities of the members of the board of directors, as well as the internal structure of the board of directors (e.g. the existence of particular committees) comply with the rules of the supervisory board in the two-tier system.

The board of directors is competent for:

- (i) steering the company;
- (ii) laying the foundations for performance of the company's activities;
- (iii) supervising management of the company; and
- (iv) representing the company towards executive directors.

The board of directors is obliged:

- (i) to convene shareholders' meetings whenever necessary for the benefit of the company; and
- (ii) to file for bankruptcy in cases of insolvency and over-indebtedness. It is also responsible for ensuring the proper keeping of the company's business

records. The board of directors also plays an important role in the adoption of the company's financial statements.

The board of directors appoints one or more executive directors of the company for a term defined in the Articles of Association which cannot exceed 6 years. If there are several executive directors, one shall be appointed as the chief executive director. Executive directors can be elected among members of the board of directors. However, members of the board of directors who are not appointed as executive directors must always remain in majority within the board of directors. The executive director can be revoked by decision of the board of directors at any time. The revocation does not affect the contract entered into by and between the company and the executive director.

Executive directors manage and represent the company. The default rule is that the executive directors manage and represent the company collectively; however, a different solution can be prescribed in the Articles of Association. The statutory competences of the board of directors cannot be delegated to the executive directors. Provisions regulating the status and duties of the executive directors (e.g. their responsibilities and liabilities) generally refer to the rules governing the management board in the two-tier system.

## 2.5. BRANCH AND REPRESENTATIVE OFFICES

The branch office is the minimal form of presence that allows the parent entity to conduct permanent business in Croatia. Branch offices may conduct activities that form part of the registered activities of the parent entity. A branch office is established by entry in the court register of the competent local court. The parent entity must adopt and notarize the resolution on establishment of the branch office. Details of this resolution are listed in the CCA. A branch office is not a legal entity. Its operations, rights and obligations are acquired by and for the parent entity.

Foreign businesses can establish representative offices in Croatia for purposes of market research, marketing, information and representation activities. A representative office cannot conduct business in Croatia. The establishment of a representative office must be registered with the Ministry of Economy. Companies domiciled in one of the EU member countries to perform mentioned activities do not establish representative office. For such activities it is enough to register the company at the social security administration and to employ employees.

Before starting to operate business (by setting up a company or by employing employees for market research) it will be necessary to obtain from tax administration an ID number for foreign company.

### 3.1. ACCOUNTING

In order to harmonise the Croatian Accounting Law with the 2013/34/EU Directive, a new Accounting law was introduced during 2015. The majority of the provisions of the Accounting Act are in force as of 1 January 2016.

The accounting methods prescribed in the statute apply to all companies and business entities registered in Croatia. The accounting methods of various institutions, societies, civil associations and non-profit organizations are not subject to this statute, but are regulated by special laws.

The statute classifies entrepreneurs into three categories:

- *micro;*
- *small;*
- *medium-sized; and*
- *large companies;*

A 'micro' company is a company that does not meet two of the following three conditions:

- (i) *total assets of 2,6 million HRK (approximately 350 thousand EUR);*
- (ii) *gross income of 5,2 million HRK (approximately 700 thousand EUR); and*
- (iii) *average annual number of employees of 10.*

A 'small' company is a company that does not meet two of the following three conditions:

- (iv) *total assets of 30 million HRK (approximately 4 million EUR);*
- (v) *gross income of 60 million HRK (approximately 8 million EUR); and*
- (vi) *average annual number of employees of 50.*

A 'medium-sized' company is a company that meets two conditions set for small companies, but does not meet two of the following three conditions:

- (i) *total assets of HRK 150 million (approximately 20 million EUR);*
- (ii) *gross income of HRK 300 million (approximately 40 million EUR); and*
- (iii) *average annual number of employees of 250.*

A 'large' company is a company that meets two or more of previous three criteria set for medium-sized companies. Moreover, the following types of entities are deemed to be large companies: banks, savings banks, building society institutions, electronic money insti-

tutions, insurance companies, leasing companies, investment and pension funds and their management companies, as well as pension insurance companies.

Companies generally have to apply Croatian Financial Reporting Standards (HSFI), which are adopted by the local Accounting Standards Board and are largely based on International Financial Reporting Standards (IFRS). All large companies, companies with listed shares or bonds or companies in preparation for such public listings must apply fully with IFRS used in the EU.

Financial statements include: statement of financial position (balance sheet), statement of comprehensive income (income statement), cash flow statement, statement of changes in equity, and notes to the financial statements. Micro and small companies must prepare and maintain only a statement of financial position (balance sheet), statement of comprehensive income (income statement) and notes to financial statements. Financial statements of banks, insurance companies, investment funds, pension funds and stockbrokers are subject to further special requirements and regulations. Holding companies within a group of companies must prepare and keep consolidated financial statements.

The default accounting period is the calendar year. However, based on special laws or for their own purposes, subject to special approval, companies may use alternative accounting periods.

Financial statements must be in Croatian and expressed in the domestic currency, kuna (HRK). They must be kept up-to-date and original documents must be archived on a permanent basis.

All companies must deliver their properly adopted financial statements to the Financial Agency within 6 months from the last day of the accounting period. Financial statements are kept in the publicly accessible Registry of Financial Statements. Annual consolidated financial statements have to be delivered to the Financial Agency within 9 months from the last day of the accounting period.

### 3.2. AUDIT

According to the Accounting Act from January 1 2016, the mandatory audit of the annual financial statements (FS) is required for the separate and consolidated financial statements:

- (a) *of all PIEs (public interest entities) as well as big and medium sized companies and other companies that are not PIEs,*
- (b) *of limited partnerships and limited liability companies which on their*

balance sheet dates exceed the limits of least two of the three following criteria:

- *balance sheet total: 15,000,000 HRK (2 million EUR),*
- *total income: 30,000,000 HRK (4 million EUR),*
- *average number of employees during the financial year: 25.*

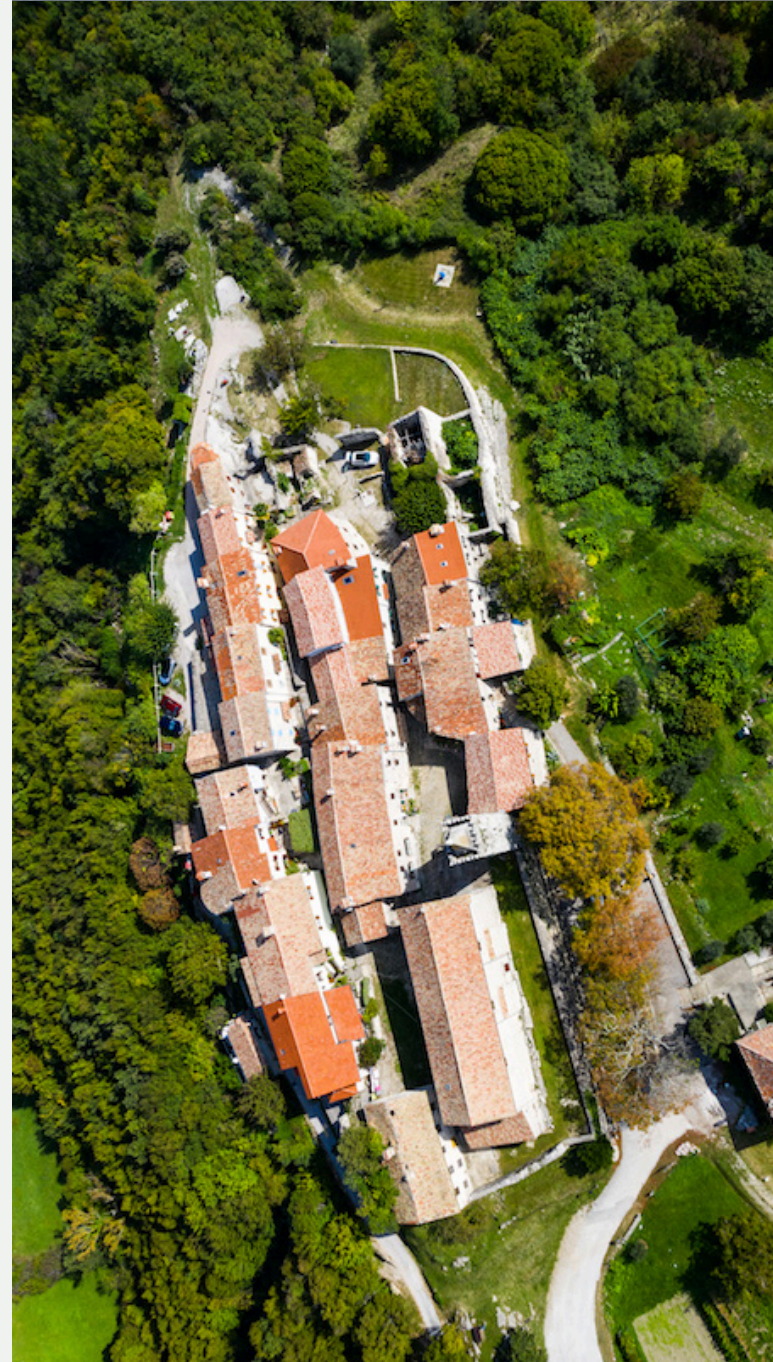
(c) *financial statements of companies for periods shorter than one year if such period preceding the status changes, liquidation or bankruptcy.*

Limited liability companies and limited partnerships that do not exceed the threshold stated above may opt for a mandatory audit in their internal documents.

All audits must be in line with the International Standards of Auditing.

Presently, the Ministry of Finance recognizes the Chamber of Auditors as the only professional association of auditors in Croatia. Audits can be conducted by certified auditors within registered auditing firms as well as individual auditors provided they are licensed by the Chamber of Auditors. On the basis of reciprocity and in compliance with the CCA, foreign audit companies may establish their branch offices in Croatia. The Chamber of Auditors is responsible for supervising audit standards while supervision of audit practice is been done by Ministry of Finance. The supervision of the Chamber of Auditors and of the auditors is vested in the Audit Public Oversight Committee.

The State Audit Office conducts audits of government accounts and operations and promotes sound financial management and accountability in the government, in compliance with the audit standards of the International Organization of Supreme Audit Institutions (INTOSAI). The Report of the State Audit Office is presented to the Croatian Parliament every year.



#### INTERESTING FACT 3

Enjoy the small and simple things in life...

*Croatia indeed is a small country and according to the Guinness Book of World Records, the smallest town in the world is Hum, which is in Istria with a population of only 23 inhabitants. It was first mentioned in documents dating from 1102, at which time it was called Cholm, which is derived from the Italian name Colmo.*



#### 4.1. GENERAL

The principles of the Croatian tax system are comparable to those of the tax systems of Western European Countries with developed, market-oriented economies. In Croatia, taxes are mainly levied on income, sales and specific transactions. Any business income subjects the business, regardless of its legal form, to the obligation of corporate profit tax. An income earned by individuals is subject to personal income tax. Generally, domestic sales and imports are subject to Value Added Tax (VAT), other taxes, excise duties and fees.

In most cases, taxes are self-assessed. The tax return should be filed and payment should be made by the taxpayer within the period set by law. The processing of tax returns, entering tax liabilities in tax records, collecting and refunding taxes are the responsibilities of the Tax Administration. The administration of taxes in Croatia is vested in the Ministry of Finance.

#### 4.2. CORPORATE PROFIT TAX

Corporate profit taxpayers are:

1. A company or another legal or natural person who is a resident of the Republic of Croatia performing its business activity independently, permanently or for the sake of achieving profit, income or revenue or other business relevant benefits,
2. A business unit of a foreign entrepreneur in the country (non-resident),
3. A tax payer is also a natural person who generates income according to the regulations on income taxation if it states that it will pay profit tax instead of income tax,
4. A tax payer is also a natural person who generates income in previous period higher than HRK 7,500,000.00
5. Exceptionally, state administration bodies, bodies of regional self-government, local self-government bodies, the Croatian National Bank, state institutions, institutions of units of regional self-government, institutions of units of local self-government, state institutes, religious communities, political parties, trade unions, chambers, associations, artistic associations, voluntary firemen associations, technical culture associations, tourist associations, sports clubs, sports associations and organisations, trust funds and foundations, if performing a business activity and if non-taxation of the activity would lead to the acquisition of unjustified privileges on the market, are profit tax payers for that activity.

6. Any entrepreneur who does not belong within the entrepreneurs listed in items 1-5 and who is not an income tax payer according to the regulations on the income taxation and whose profit is not taxed elsewhere.

The tax base is determined in three ways:

1. According to accounting principles, as a difference in income and expense, with prescribed increases and decreases;
2. According to the cash principle, the difference in income and expense is increased or decreased for certain non-cash transactions and unrealized gains / losses and certain cash transactions and realized gains / losses). It is an option for taxpayers who fulfil the following cumulative conditions:
  - their income is less than 7,5 million HRK;
  - Lump-sum - an option for non-profit organizations that are also taxable on the basis of economic activity, provided that the economic activity generates revenues less than 7,5 million HRK revenues (based on which they are corporate profit taxpayers) are lower than 50% of total revenues (the lump-sum annual amount is determined by the Croatian Tax Administration)

Items that increase the tax base

- 50% of entertainment expenses (food and drink, gifts with or without the company's printed logo or product brand and expenses for vacation, sport, recreation and leisure time, renting cars, vessels, airplanes and holiday cottages), up to the amount of the costs arising from a business relationship with a business partner;
- 50% of the cost, except for insurance and interest expenses, incurred in connection with own or rented motor vehicles or other means of personal transportation used by managerial, supervisory and other employees, unless the use of such means of transport is defined as a salary component;
- Personal expenses of shareholders and partners (withdrawals), as well as employees (entertainment, relaxation, sport and recreation costs) including value added tax;
- Fines imposed by competent bodies;
- Accrued penalty interest;
- Privileges and other economic benefits granted to natural persons or legal entities for the purpose of causing or preventing a certain event;
- Gifts in kind or cash made in Croatia for cultural, scientific, educational, health, humanitarian, sports, religious, environmental or other socially beneficial purposes to associations and other persons engaged in the above mentioned activities pursuant to special regulations, if they exceed 2% of the revenue generated in the previous year;

- Interest on loans received from a shareholder or partner holding at least 25% of shares or equity capital or voting rights in a taxable entity, provided that, in any tax period, these loans exceed the fourfold amount of such shareholder's or partner's share of the capital or voting rights, determined in relation to the amount and duration of loans in the taxable period, except for interest on loans from financial institutions (i.e. thin capitalization rule);
- Write-downs of inventories and financial assets.

#### Items that decrease the tax base

- Dividends received from other affiliated companies;
- Gains on the write-up of shares and interests in private companies (unrealised gains), if these were included in the tax base;
- Expenditure from previous periods which was included in the tax base;
- State support for training and development.

As from 1 January 2017, the corporate profit tax rate was reduced from 20% to 18%, and taxpayers with annual income under HRK 7.5 million were taxed at a rate of only 12%.

From 1 January 2020, taxpayers with annual income under HRK 7,5 million, are taxed at a rate of 12%. Taxpayers with annual income under HRK 7,5 million in 2019, can use 12% rate for calculation of income tax advance for 2020.

Tax losses may be carried forward for up to five consecutive years. The carry back of losses is not permitted.

A withholding tax is levied on certain payments by Croatian residents to non-resident legal entities, including payments of qualifying interest, dividends, capital gains, payments in respect of the use of intellectual property rights, services of market research, tax and business advisory audit and similar. A withholding tax is levied at the rate of 15%, except with respect to dividends and capital gains where the withholding tax is levied at the rate of 12%. Exceptionally, the rate is set at 20% for all services paid to persons having their permanent establishment or headquarters in countries other than the EU member states in which a general or average nominal profit taxation rate is lower than 12.5% and which are included in the list issued by the finance minister. Where a double tax treaty is applicable, such withholding tax may be decreased.

Croatia currently has a treaty for the avoidance of double taxation of income and property ratified and in effect with the following countries: Albania, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Chile, China, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece,

Hungary, India, Indonesia, Iran, Ireland, Island, Israel, Italy, Jordan, Japan, Kazakhstan, S. Korea, Kuwait, Latvia, Lithuania, Luxemburg, Macedonia, Malaysia, Malta, Mauritius, Morocco, Moldova, Montenegro, Netherlands, Norway, Oman, Poland, Portugal, Qatar, Romania, Russia, San Marino, Serbia, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Syria, Turkey, Turkmenistan, Ukraine, United Kingdom, Vietnam.

According to the law, the taxpayer has the obligation of making monthly advance payments based on the previous year's corporate profit tax return. The monthly payments may be adjusted by the Tax Authority. Upon its request, a company may be permitted to set its business/financial year differently than the calendar year.

#### 4.3. PERSONAL INCOME TAX

Personal income tax is levied on the worldwide income of Croatian resident taxpayers and the Croatian source of income of non-resident taxpayers. Tax rates on income from employment are as follows:

Monthly income:	Yearly income:	Tax rate:
Up to 30,000 HRK	Up to 360,000 HRK	24%
Above 30,000 HRK	Above 360,000 HRK	36%

The taxpayer is entitled to a basic personal allowance of HRK 4,000 per month (approximately EUR 540). The allowance may be increased for dependants, spouse, children and disabled family members, i.e.

Description:	Factor:	Monthly amount:	Yearly amount:
Basic personal allowance	1.0	4,000 HRK	48,000 HRK
Dependant spouse personal allowance	0.7	1,750 HRK	21,000 HRK
Dependant first child personal allowance	0.7	1,750 HRK	21,000 HRK
Dependant second child personal allowance	1.0	2,500 HRK	30,000 HRK
Dependant third child personal allowance	1.4	3,500 HRK	42,000 HRK



The rates of tax levied on property income and income from proprietary rights are 12% and 24% respectively. Income from interest and income from grant of stock or stock options is taxed at 12%.

An individual resident taxpayer is required to file an annual tax return by the end of February of the next year for the previous year. Generally, an individual earning income from employment only does not need to file a tax return, **because calculation is been done by Tax office.** From recently that obligation has been taken by the Tax Authority, so Taxpayers just receive to their home address Decision about refund or payment. In case they are entitled to refund based on data that Tax Authority doesn't have (eg. if child is not registered on taxpayer's tax card) they have to file a request for refund to the Tax Authority by themselves.

Besides income taxation, there is an obligation to pay surtax on income tax (i.e. city tax). The tax base for the surtax is the amount of income tax. Depending on population, cities can prescribe surtax on personal income. Accordingly, the following major cities have local taxes:

- Zagreb = 18%;
- Split = 15%;
- Rijeka = 15%;
- Osijek = 13%;
- Pula = 12%;
- Zadar = 12%;
- Varaždin = 10%;
- Dubrovnik = 10%.

#### 4.4. SOCIAL SECURITY CONTRIBUTIONS

Compulsory social security contributions are a kind of direct tax used to finance the social security system, and hence, in a broader sense, form part of the tax system. These contributions fund the pension, health and unemployment insurance systems. Contributions are collected from the employee and the employer, and are the revenues of the following extra-budgetary funds:

- Croatian Pension Insurance Fund: contributions for Pillar I pension insurance;
- Croatian Pension Insurance Fund – Pillar II, paid to private insurance funds selected by the employee;
- Croatian Health Insurance Fund: health insurance contributions;
- Croatian Employment Service: contributions for accident and occupational illness insurance.

The following is an example of the cost of a typical employee for an employer on the basis of a net salary amounting to 5.000 HRK (~675 EUR)

Description:	Rate:	Amounts in HRK:	Amounts in EUR:
Gross Salary		6.743,86	911,33
Social security – Pillar I	15%	1.011,58	136,7
Social security – Pillar II	5%	337,19	45,57
Total employee social security contributions:	20%	1.348,77	182,27
Personal deduction		4.000,00	540,54
Tax base		1.395,09	188,53
Income tax	24%	334,82	45,25
Income surtax (city tax)	18%	60,27	8,16
Total income tax & surtax		395,05	53,38
Employer contributions			
Health insurance contribution	16.5%	1.112,74	150,37
<b>TOTAL NET SALARY:</b>		5.000,00	675,68
<b>TOTAL SALARY COST:</b>		7.856,60	1.061,70

#### 4.5. VAT

VAT taxpayers are individuals and legal entities providing goods and services on a regular basis. VAT is payable on the supply of goods and services within Croatia (including own consumption) and on the import of goods and services into Croatia. VAT registration is compulsory when annual turnover exceeds 300,000 HRK (approx. 40,500 EUR).

A number of VAT exemptions exist, including: exports of goods and services, supplies of goods to free trade zones, supplies of goods and services to diplomatic missions and goods and services in transit. Certain types of services are VAT exempt, among them the services of banks, savings institutions, insurance companies, games of chance, etc.

Business transactions are taxed at 25%, 13% and 5%.

#### The 5% rate applies to the following:

- all kinds of bread and milk (except for fermented and certain other milk products);
- books of a professional, scientific, artistic, cultural and educational character and school textbooks (for primary, secondary and tertiary educational institutions, in all forms – i.e. printed paper and other media, CD ROMs, video cassettes, audio tapes, etc.);
- medicines determined by the List of Medicines of the Croatian Health Insurance Fund;
- scientific and scholarly journals;
- medical equipment, supplies and other devices used to mitigate the treatment of disability solely for the personal use of persons with disabilities prescribed by the Orthopedic Ordinance and other aids of the Croatian Health Insurance Institute;
- daily newspapers printed on paper, except those that wholly or mainly contain advertisements or are used for advertising;
- services rendered by cinemas.

#### The 13% rate applies to the following:

- services of accommodation with/without breakfast accommodation in all kinds of commercial hospitality facilities and on services of organised tourist stays;
- serving food and deserts in or outside restaurant;
- newspapers (except daily newspapers) and magazines printed on paper that are published periodically, except those that wholly or mainly contain advertisements or are used for advertising;
- edible oils and fats of vegetable or animal origin, in accordance with special regulations;
- child seats, baby food and processed cereal-based food for infants and young children, in accordance with special regulations;
- delivery of water, except water that is placed on the market in bottles or other containers;
- concert tickets;
- supply of electricity from another supplier or end-user, including charges related to such delivery;
- public utility for collection of mixed municipal waste, biodegradable municipal waste and separate collection of waste according to special regulation;
- urns and coffins;
- seedlings and seeds;
- fertilizers and pesticides, and other agrochemicals;
- feed for animals, except pet food;

- supply of live animals: cattle, pigs, sheep, goats, horses, donkeys, domestic poultry, rabbits;
- supply of fresh or chilled meat and edible offal from: cattle, pigs, sheep, goats, horses, asses, domestic poultry, rabbits;
- supply of fresh or chilled sausages and similar meat, meat offal or blood;
- delivery of live fish;
- supply of fresh or chilled fish, molluscs and other aquatic invertebrates;
- delivery of fresh or chilled crabs: lobster, vapor, shrimp, prawns;
- supply of fresh or chilled vegetables, roots and tubers, including leguminous dried vegetables;
- supply of fresh and dried fruits and nuts;
- delivery of fresh poultry eggs in shell;
- services and related copyrights of writers, composers and performing artists who are members of appropriate collective rights organizations pursuing this activity under specific copyright and related regulations and with the prior approval of the central government body responsible for intellectual property.

#### The following are free from VAT taxation inside Croatia (main categories):

- lease or rent of housing space;
- bank, savings bank, credit-saving organisation and insurance company services;
- lottery and other games of chance;
- postal stamps;
- delivery of land (except construction land);
- delivery of buildings or their parts and the land on which they are located, except deliveries made before the first habitation or use or deliveries where no more than two years have passed from the date of first habitation or use until the next delivery.

VAT returns must be filed by the 20th of the following month, while payment has to be made by the last day of the month following the end of the taxpayer's VAT accounting period. VAT accounting periods are normally monthly, but can be quarterly for some (smaller) taxpayers (up to 800,000 HRK annual turnover (including VAT) – approx. 105,000 EUR).

#### 4.6. INTRASTAT

Intrastat discloses details of movements of goods between Member States which take place for commercial reasons, recording the movement whenever goods enter the territory of Croatia from other Member States or leave it to other Member States. A declaration must be

filed monthly once the annual threshold is exceeded. Intrastat declarations can be submitted online. The due date for submission is the 15th day of the month following the reference period.

The Intrastat threshold for 2020 for receipts is 2,200,000 HRK and for shipments it is 1,200,000 HRK.

### 5.1. LEGISLATIVE STRUCTURE

The principal piece of legislation governing labour relations in Croatia is the Labour Code. In addition to this core legislation, labour relations are regulated by:

- (i) *additional Croatian statutes such as legislation on work safety;*
- (ii) *Collective labour agreements; and*
- (iii) *Work by-laws adopted by the employer.*

The Labour Code provides all workers with minimum guarantees that cannot be superseded by any other agreement between the employer and the employee.

### 5.2. EMPLOYMENT CONTRACT

The employer is required to establish an employment relationship by means of an employment contract or through a confirmation of employment status. Both documents must be produced in writing. Preference should be given to the employment contract. Both the contract and the confirmation must contain particular information as mandated by the Labour Code. Failure to comply with this requirement is sanctioned by fines to the employer.

A short form employment contract is possible provided that the short form contract contains references to relevant provisions of the applicable statute, regulation, collective labour agreement or work by-laws as allowed by law. The freedom to contract is limited. Any provision that is contrary to mandatory law shall be invalid. In case of discrepancy between different documents governing employment, the document containing rules most favourable for the employee shall prevail.

As a general rule, employment contracts are made for an indefinite period of time. As an exception, an employment contract may be concluded for a definite period of time ("fixed-term contract") for the establishment of an employment relationship whose termination is determined in advance as a result of objective reasons that are justified by a specific deadline, performance of a specific task or occurrence of a specific event.

In case of employment at alternative workplace – work at home, the employment contract must contain special clauses about using work-

er's own equipment and machinery, reimbursement of using worker's equipment, premise, and method of worker's education and training.

### 5.3. PROBATIONARY PERIOD

An employer has the right to establish a probationary period for a maximum of six months. The imposition of a probationary period must be specifically stated in the employment contract. If during the course of the probationary period the employer determines that the employee does not meet the criteria set for the position for which the employee was hired, the employer may dismiss the employee without payment of severance and with only seven days' written notice.

### 5.4. TEMPORARY EMPLOYMENT AGENCIES

As a possible alternative to the regular employment structure, employees may be hired through a temporary employment agency. In such cases, the temporary employment agency is considered to be the employer, and the employee is assigned to work at the assignee on the basis of a secondment agreement between the temporary employment agency and the assignee for which the work is to be performed. An individual may be seconded by the temporary employment agency to the assignee for up to a maximum of one year continuously, and cannot be rehired for at least one month by the same assignee.

### 5.5. WORKING TIME

As a default rule, regular working time is set at a maximum of 40 hours a week. In addition, an employee cannot work more than 6 days a week. The maximum regular working time is inclusive of a mandatory 30-minute daily break. This effectively means that, as a rule, an individual cannot work more than 37.5 hours in a five-day week or 37 hours in a six-day week. Any work in excess of the maximum regular working hours is considered to be overtime work.

Overtime work is subject to a special regime. The labour inspector must be notified of overtime work in particular cases defined by the Labour Code. The labour inspector is authorized to ban overtime work in cases when it is determined that the overtime work adversely affects the employee. Overtime work must be paid extra.

### 5.6. HOLIDAYS, DAYS OFF AND VACATION

There are 14 national holidays and non-working days in Croatia, namely:

- (i) *New Year's Day (1 January);*
- (ii) *Epiphany (6 January);*

- (iii) Easter Sunday;
- (iv) Easter Monday;
- (v) Labour Day (1 May);
- (vi) Statehood Day (30 May)
- (vii) Corpus Christi (9th Thursday after Easter Sunday);
- (viii) Anti-Fascist Struggle Day (22 June);
- (ix) Homeland Thanksgiving Day (5 August);
- (x) Assumption of the Virgin Mary (15 August);
- (xi) All Saints' Day (1 November);
- (xii) Remembrance Day (18 November);
- (xiii) Christmas Day (25 December); and
- (xiv) Boxing Day/St. Stephen's Day (26 December).

Employees working on a Sunday or public holiday are entitled to additional pay as defined by the employment contract, collective labour agreement and/or work by-laws.

Employees in Croatia are entitled to an annual leave of at least 4 weeks in a calendar year. An employee is entitled to use his/her annual leave (in full) once he/she has worked for an employer for at least 6 months. The employer must prepare a schedule of annual leaves no later than 30 June of the relevant calendar. The Labour Code further requires that the employer notify employees on the schedule of their annual leaves at least 15 days before the annual leave is to start.

The employee worker whose employment relationship is terminated shall be entitled to the proportion of annual leave in that calendar year.

### 5.7. SALARIES

Salaries must be paid to the workers at least once a month. As a default rule, employers must pay the salary and other employment-related payments no later than the 15th day in the month for the preceding month. The salaries may not be lower than the minimum monthly salary established by applicable Croatian laws.

### 5.8. TERMINATION OF EMPLOYMENT

Generally, an employment relationship may be terminated by:

- (i) mutual agreement of the parties;
- (ii) the employer or
- (iii) the employee.

The employer may terminate the employment contract only on specific grounds provided in the Labour Code (including staff redundancy for business reasons, employee's repeated failure to fulfil his/her du-

ties or employee's gross breach of duties). An at-will termination of an employment contract by the employer is not allowed.

When terminating employment for any reason, employers must strictly comply with specific procedures and requirements provided in the Labour Code. Except when employment is terminated due to gross breach of an employee's duties, when terminating employment the employer is required to observe applicable notice periods and the employee's right to severance. The Labour Code provides for minimum notice periods and minimum severance pay that will prevail whenever the employee's rights are diminished by the employment contract.

## 6. REGULATING STAY AND WORK OF FOREIGNERS IN CROATIA

The conditions for granting temporary or permanent stay to aliens, as well as working, are regulated by:

1. the Foreigners Act (Official Gazette No. 130/2011, 74/2013, 69/2017, 46/2018) and accompanying by-laws
2. the Act on nationals of EEA member states and members of their families (Official Gazette No. 66/19) and accompanying by-laws. The Croatian Parliament passed the new Act on nationals of EEA member states and members of their families in June 2019. It was made because to separate regulation on nationals of EEA member states from the nationals of the third countries.

Based on those two Acts the aliens who wish to stay and/or to work in Croatia may be split in the following three groups:

- 1.1. Nationals of EEA member states and their families (EEA Nationals);
- 1.2. UK citizens (after the Brexit)
- 1.3. Third-country nationals.

### 6.1. EEA NATIONALS AND THEIR FAMILIES

#### 6.1.1. RESIDENCE OF EEA NATIONALS

To enter in the Republic of Croatia EEA Nationals need valid passport or ID card.

EEA Nationals of EEA member states and the Swiss Confederation and their family members, or family members of Croatian nationals may stay in Croatia three months (short-term residence) without registration and if during their stay in the Republic of Croatia they would not become a burden to the social welfare system.

Within 8 days after expiring 3 months they have to register their temporary residence with the competent police station.

An EEA National is entitled to stay in the Republic of Croatia for more than three months of the day of entry into the Republic of Croatia, for

the following purposes:

1. *for the purpose of employment,*
2. *for other purposes but having sufficient resources to maintain himself and members of his family, so that during their stay in the Republic of Croatia they would not become a burden to the social welfare system, and that he has a health insurance,*
3. *for studying and education and having adequate health insurance, and by issuing a statement to prove that he has sufficient resources to support himself and members of his family, so that during their stay in the Republic of Croatia they would not become a burden to the social welfare system,*
4. *if he is a member of a family joining a national of an EEA Member State*

A certificate of registered temporary residence is issued in the form of a biometric residence permit valid for up to five years.

An EEA National is entitled to permanent stay in the Republic of Croatia after a period of five years of uninterrupted stay in the Republic of Croatia.

#### 6.1.2. WORK OF EEA NATIONALS

Generally, nationals of EU member states and their family members can work and provide services in Croatia with no residence or work permit and no work registration certificate except Austrian citizens because Austria still has restrictions for employing Croatian citizens. (which should expire on July 01, 2020). Because of reciprocity, Austrian citizens also need work permit to work in Croatia.

#### 6.2. UK CITIZENS

UK citizens and members of their families who, on the day before the Brexit, have completed a temporary or permanent residence permit or a residence card in accordance with the Foreigners Act shall retain temporary or permanent residence and shall be duly subject to the provisions the Act on EEA Nationals except do not having the equal rights with Croatian citizens in according with Treaty on the Functioning of the European Union.

Family members who do not have a regulated temporary or permanent residence on the day before the Brexit may join the UK citizen in according with the Act of EEA Nationals.

Family members who are third-country nationals or nationals of the UK shall be issued a residence permit in accordance with the Foreigners Act and, if nationals of EEA Member States, a residence card in accordance with the provisions of the Act on EEA Nationals.

UK citizens and their family members after expiring their residence as EU citizens may apply for a long-term residence permit as third-country nationals.

Residence certificates for UK citizens issued in according Foreigners Act before Brexit shall be valid for a year after the Brexit (or until the date on which they are issued, if the said expiry date is shorter).

UK Nationals and members of their families who are nationals of the third countries shall be obliged within one year from the date of the Brexit or expiring validity of residence cards, if their validity is less than one year, apply for a residence permit in accordance with the Foreigners Act.

#### 6.3. THIRD-COUNTRY NATIONALS

Nationals of third countries are foreigners who are not nationals of European Economic Area (EEA) members. Regulating their stay or work depends on whether they have permanent residence in an EEA member state, whether they are family members of a national of an EEA member state, the Swiss Confederation, Croatian national, or do not fall under any of the abovementioned categories.

##### 6.3.1. TEMPORARY RESIDENCE - GENERAL

Temporary residence may be granted on the following grounds:

1. *family reunification;*
2. *secondary school education and university studies;*
3. *scientific research;*
4. *humanitarian grounds;*
5. *civil partnership;*
6. *work;*
7. *work of posted workers.*

Third-country nationals who do not need a visa to enter Croatia can submit their temporary residence application to the police administration/police station according to the intended place of residence, employer's location or place of work.

Third-country nationals who do need a visa to enter Croatia must submit their temporary residence or work and residence application to a Croatian diplomatic mission/consular post. There are some exceptions when, they can submit the application to the police administration/police station (for example: studying, scientific research, member of the family of the Croat)



### 6.3.2. TEMPORARY RESIDENCE – THIRD-COUNTRY NATIONALS WITH PERMANENT RESIDENCE IN AN EEA MEMBER STATE AND THEIR FAMILIES

A third-country national whom having approved permanent stay in another EEA Member State may stay in the territory of the Republic of Croatia for a period of up to three months of the date of entry into the Republic of Croatia or until the expiration of the term of validity of the visa or residence card which was issued by such other EEA Member State, provided that the term of validity of the visa or residence card is shorter than three months. If he/she intending to stay in the Republic of Croatia for a period of over three months shall submit an application for the approval of temporary stay to the police administration or police station before the expiration of the term of validity of the visa or residence card which was issued by another Member State.

A third-country national shall be granted temporary stay if he has:

1. a valid travel document,
2. resources for supporting himself and for supporting his family members,
3. health insurance, and
4. provided that he meets other criteria for the approval of temporary stay in view of the purpose of stay.

### 6.3.3. THIRD-COUNTRY NATIONALS WORK

Third-country nationals may work in the Republic of Croatia depending on their status:

- 1.3.3.1 Third-country nationals - general regulation;
- 1.3.3.2. Highly-qualified third-country nationals

#### 6.3.3.1 GENERAL REGULATION FOR A THIRD-COUNTRY NATIONALS;

A third-country nationals in the Republic of Croatia may work on the basis of a residence permit and a work permit or a certificate of work registration.

##### 6.3.3.1.1. RESIDENCE AND WORK PERMIT

A residence and work permit may be issued on the basis of an annual quota and outside an annual quota.

##### 6.3.3.1.1.a) Residence and work permit on the basis of an annual quota

The Government of the Republic of Croatia decides on annual quota. For 2020, annual quota for new employment, seasonal work, transfer inter companies and for implementation of strategic investment

projects is 78.470 permits. (Most for construction – 33.300 and tourism 18.370 industry).

The annual quota for renewing issued permits for 2020 is 25.000.

##### 6.3.3.1.1.b) Residence and work permit outside an annual quota

A residence and work permit outside an annual quota may be issued:

- a) for workers from border area on the condition of reciprocity,
- b) for key personnel, service providers, workers and members of their families, whose status is governed by the Stabilization and Association Agreement between the European

Communities and their Member States and the Republic of Croatia,

- c) for employees performing key activities in companies, branches and representative offices, (if share capital is minimum HRK 100.000 /share capita approximately EUR 15.000, and entity has at least 3 employees, their average gross salary must be at least equal to average salary paid in Croatia)
- d) for other necessary persons as defined in Marrakesh Treaty
- e) for self-employed third-country national in a company in which he holds at least 51%,  
(but with following conditions: investment in the company must be at least HRK 200.000 /approximately EUR 27.000 share capital, company employs at least 3 Croats, average gross salary must be at least equal to average salary paid in Croatia, company does not have losses, company does not have debts for taxes and contributions).
- f) for workers performing services for EEA Member State company who have not residence in EEA;
- g) for teachers providing instruction in schools in the language and script of national minorities,
- h) for professional athletes/ sports professionals and artists working in the Republic of Croatia,
- i) for third-country nationals employed in foreign associations registered as foreign associations in the Republic of Croatia and at least three other countries,
- j) for third-country nationals who are members of the bodies of the foreign registered in the Register of foreign foundations in the Republic of Croatia,
- k) for third-country nationals working on the basis of a youth mobility program implemented by the Republic of Croatia in cooperation with other countries,
- l) for scientific researchers and third-country nationals who are employed in scientific, or other research posts in scientific entities,
- m) for professors - native speakers of foreign languages, lecturers and other teachers who teach at Croatian higher education institutions or

registered foreign language schools,  
 n) for third-country nationals working under an international treaty, except for the treaty signed between Croatia and EU;  
 o) for persons with long-term residence in another EEA Member State,  
 p) for key personnel, workers and members of their families, whose status is governed by the Stabilization and Association Agreement between the European Communities and their Member States and the Republic of Croatia,  
 q) for third-country national transferred within the company for the purpose of long-term mobility in accordance with special provisions of the Act;  
 r) for third-country nationals arriving for a fixed period to perform certain tasks in accordance with agreements concluded by the Government of the Republic of Croatia with third countries or specialized in health care in Croatia in accordance with special regulations.

Additional conditions for some categories are regulated by the Act in more details.

#### **6.3.3.1.1.c) Certificate of work registration**

Third-country national may work on the base of Certificate of work registration:

- i) up to 90 days in a calendar year / or
- ii) up to 60 days in a calendar year/or
- iii) up to 30 days in a calendar year.

The application for this Certificate has to be submitted to the Police Department before starting the work. It has to be signed service contract with the employer or they have to proof that they have appropriate position (for ex. extract from the company register - for managing directors).

i) Certificate of work registration up to 90 days

The following third-country nationals may work on the basis of a certificate of registration of work, up to 90 days in a calendar year:

1. Procurators, key staff and members of a supervisory board who are not employed
2. tourist representatives or animators in accordance with special regulations,
3. scientists in scientific and professional training, scientists - representatives of international organizations and scientists who will participate in the scientific projects important for the Republic of Croatia,
4. administrative staff, experts, teachers and lecturers of foreign cultural, educational and scientific institutions that perform work in the Republic of Croatia in cultural and educational cooperation programs, or if they will work in Croatian branches of their foreign home institution,
5. civilian and military officials of the governments of other countries who come to the Republic of Croatia to work under a cooperation agreement

- with the Government of the Republic of Croatia,
- 6. foreign correspondents, accredited in the Republic of Croatia or foreign media reporters,
- 7. representatives and staff of religious communities;
- 8. persons who come to practice in diplomatic missions or consular posts accredited in the Republic of Croatia,
- 9. volunteers based on international cooperation s,
- 10. persons who carrying out the tasks of supervision and inspection of the repair and construction of ships, or production, installation of equipment, machinery and other installations on the basis of an export contract or an order of a foreign client,
- 11. persons working on vessels and entered on the crew list,
- 12. persons who undertake professional practice, training or volunteering under the Union Program, Erasmus + Education, Training, Youth and Sport programs,
- 13. experts in the field of cultural heritage protection, librarianship and archival science,
- 14. persons who carry out training or education of workers employed by Croatian companies,
- 15. persons who have professional training at a daughter company of their foreign employer,
- 16. artists, authors, and other technical staff involved in the recording of a high-budget audiovisual project,
- ii). Certificate of work registration up to 60 days

The following third-country nationals may work on the basis of a certificate of registration of work, up to 60 days in a calendar year:

1. auditors and consultants,
2. lecturers participating in organized professional meetings and seminars,
3. artists and technical staff for opera, ballet, theater, concert, art and other cultural events, that is, authors and performers in the field of film and television art,
4. Workers at circuses or amusement parks.
- iii). Certificate of work registration up to 30 days

The following third-country nationals may work on the basis of a certificate of registration of work, up to 30 days in a calendar year:

1. authors and performers in the field of music, music-performing and dance art, as well as accompanying reporting, organizational and technical staff,
2. accompanying reporting, organizational and technical staff at sporting events and competitions,
3. persons who make fashion editorials or advertising campaigns,
4. persons on fairs or exhibitions at which their employer exhibits.

### 6.3.3.2. HIGHLY-QUALIFIED THIRD-COUNTRY NATIONALS

A high-skilled third-country national shall submit an application for the issuing of a stay and work permit at a diplomatic mission or consular post of the Republic of Croatia or a police administration or police station based on the place of stay.

The stay and work permit (the EU Blue Card) for high-skilled third-country nationals shall at the same time be regarded as an approval for temporary stay and work in the territory of the Republic of Croatia. The permit shall be issued with the term of validity of up to two years. If an employment contract was concluded for a period less than two years, the stay and work permit shall be issued for the term of the employment contract increased by three additional months.

The stay and work permit shall be granted to a third-country national who:

1. has an employment contract or other relevant contract for the performance of high-skilled jobs, in the duration of at least one year,
2. proof of university education or completed undergraduate and graduate university studies or an integrated undergraduate and graduate university study or specialised graduate occupational study.

The employment contract or other relevant contract must indicate the gross annual salary which may not be less than 1.5 of the average gross annual salary paid in the branch in which the third-country national is to be employed.

An application for extension of the EU Blue Card shall be submitted to the police administration or police station based on the place of temporary residence of the EU Blue Card holder, at the latest 30 days before the expiration of the valid permit.



### INTERESTING FACT 4

Have you heard of Dubrovnik?

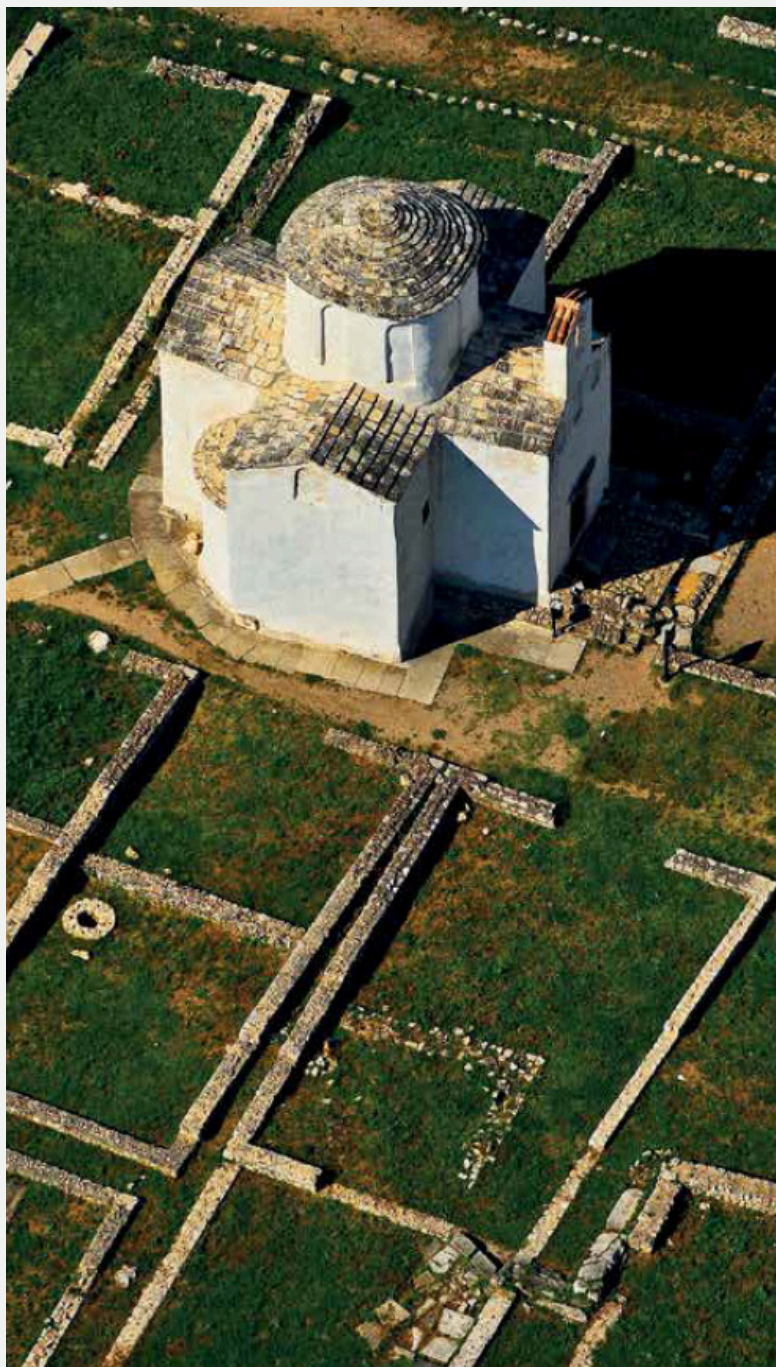
*The prosperity of the city of Dubrovnik was historically based on maritime trade. As the capital of the Republic of Ragusa, a maritime republic, the city achieved a high level of development, particularly during the 15th and 16th centuries. Dubrovnik became notable for its wealth and skilled diplomacy. Dubrovnik was once a city-state and some people say it was the first state to recognize the independence of the United States. The hit HBO series Game of Thrones was filmed on the Dalmatian coast, in Dubrovnik and Split. The fortified walls of Dubrovnik (where Game of Thrones was filmed) are the most preserved fortification system in Europe. Agatha Christie spent her second honeymoon in Dubrovnik and Split.*



*The Church of the Holy Cross called „the smallest cathedral in the world“ is the most valuable preserved monument of early Croatian religious architecture and one of Nin's symbols. By its position and beauty it dominates the area where it stands. It was built in the 9th century, in the Early Christian period. It is 7.80 m long, 7.60 m wide, and 8.20 metres in height (inside measures) and the walls are 57cms thick. It was built on the remains of ancient houses which are visible even today. During the reign of Croatian Kings it served as a Court chapel for the nearby Duke's Court. A number of medieval graves were discovered around the church.*

*This small church, thanks to the position of its windows and the angle of the fall of light is a kind of calendar, and according to the sun 's rays, the exact date of the equinox and solstice can be determined, which on the first day of summer is the start of an interesting event called „The Festival of Sun and Light“.*

*Spellbound by its beauty, the famous English architect Thomas Jackson, called it „the smallest cathedral in the world“.*



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## **EDITOR**

Dubravka Kopun; Stanko Kopun

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