

CROATIA

As per 1 January 2020

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EXPATRIATE AND EMPLOYER TAX COMPLIANCE AND ADVISORY

Personal Income Tax Rates – Employment Income	Income tax rates: 24% for the taxable income up to approx. 4,000 EUR and 36% for the taxable income above approx. 4,000 EUR. Tax free personal allowances are available to Croatian tax residents (and under certain conditions to non-residents as well).
Tax Rate	
Tax period	Calendar year
Tax residency / Domicile according to domestic law	Residence will be determined if accommodation (flat or house) is available to the individual, or if the individual is physically present in Croatia for more than 183 days in any two-year period.
Tax registration	Within 8 days from the start of business activities. When entering or leaving the country, a tax residency questionnaire needs to be completed and filled with the tax authorities.
Employment income definition	Any income paid in cash or in kind related to the employment (includes all allowances regarding home leave, cost of living and other).
Examples of tax exemption	Reimbursement of accommodation and travel costs for business trips, jubilee awards, severance payment for dismissal and retirement, reimbursement of costs of transportation to and from work, all up to amounts determined by legislation.
Specific expatriate concession	Not applicable.
Income of board members	Treated as employment income or as other income.
Tax returns	Local payroll – the employer is liable for the monthly tax compliance. Foreign payroll – individual is liable for monthly tax compliance while employer (if based in EU) may be liable for social security compliance. If advance payments are made on monthly basis, generally, there is no obligation of submitting Annual Tax Return.
Tax payments	At the time of payment (if withheld by the employer), or within 30 days after receipt (if payable by the employee).
Tax on real estate property	

TAX TREATIES

Employment income / income from board members	Art 15/16 Model OECD Tax treaties
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INTERNATIONAL SOCIAL SECURITY

Cross border employments	EU Regulation No 883/2004 and EU regulation No. 1408 / 71.and several social security treaties
Exception under Art 16 of Reg. 883/2004 and Art 17 of Reg. 1408/71	Generally applicable.

Social Security Cost as % from gross salary and absolute amounts

Due by the employee: pension insurance: 20% (15% 1st Pillar and 5% 2nd Pillar)
 Due by the employer (on top of gross income): health insurance: 16,5% There is a cap for payment of mandatory contribution on pension insurance (1st Pillar) in the amount of approx. € 6,800.
 However, there is no cap on a payment of mandatory contribution on health insurance.

IMMIGRATION**Work permit**

Generally, all EU nationals apart from Austria do not need a work permit to perform work in Croatia. Other countries (including Austria) need to obtain a proper work permit to work in Croatia.

Visa

EU/EEA nationals do not need a visa to enter into Croatia.
 Non EU nationals may need a visa, which needs to be obtained before their arrival in Croatia and should correspond to the purpose of their visit.

Residency permits / registration certificate

EU/EEA nationals need to apply for a registration certificate before staying for more than 90 days within the any 180 days period.
 Non EU national in general need to apply for a residency permit before staying more than 90 days in any consecutive six month period and after having obtained their residency permit.

Driving license

EU/EEA nationals can use foreign driving license, but can also apply to exchange it for the Croatian driving license (although it is not obligatory).
 Other nationals can use their foreign driving licence in Croatia, if there is a reciprocity provision.
 Prior to the expiration of one year, foreign driving license should be replaced with a Croatian driving license.

STOCK OPTION PLAN

May be taxed as employment income, other income or capital income, depending on circumstances. Taxation point is at vest or exercise.

ARTICLE 15 OF THE OECD MODEL**183 days**

Number of days is not defined by the national legislation. OECD guidelines are applied meaning that actual days spent in Croatia are counted. All days which are at least partially spent in Croatia are counted as well as weekly rest days, vacation days, sickness or occupational accident days off, days of departure and arrival, public holidays, short interruptions (e.g. training, strike days,...)

Notion of employer

According to Labour Act, an employer is a natural or legal person who employs a worker and for whom a worker performs certain tasks. Furthermore, the same Act stipulates that the employment relationship is based on employment contract. However, in case a person performs activities which have characteristics of employment (receives instructions for the work, works under certain timetable, receives salary from that person) it can be considered as employment even though there is no contract between the parties.

Existence of a permanent establishment

Existence of PE is defined by Corporate Income Tax Law and is generally in line with the provisions of DTT.
 A permanent establishment of a non-resident shall be the permanent place of business through which the non-resident carries out, entirely or in part, a business activity in Croatia.
 Representative acting on their behalf may also create a PE in relation to any activity where they:
 – have and usually use authority to conclude agreements on behalf of the foreign entrepreneur
 – hold stocks of products or trading merchandise out of which they usually perform deliveries on behalf of the foreign entrepreneur

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