



STANKOVIĆ
porezno savjetništvo j.t.d.

CROATIA – TAX AMENDMENTS 2021

Summary on the fifth stage of the
Croatian tax reform – changes
coming in force in 2021 year

Content:

- **Personal Income Tax Law**
- **Corporate Profit Law**
- **Value Added Tax Law**
- **Fiscalisation Act**

PERSONAL INCOME TAX LAW - CHANGES FROM 01 JANUARY 2021

- **Reduction of all personal income tax rates.** Standard income rates of 24% and 36% will be reduced to 20% and 30%. Income tax rate of 12% which was used for taxation of final incomes such as real-estate rents will be reduced to 10%.
- **Increase in „penalty tax rate“** for taxation of the difference in value of an asset and proved source of funds used for acquisition of that asset. Until now, as a penalty tax rate was used tax rate of 54% (highest standard rate of 36% increased for 50%). From 01st January 2021 penalty rate will be 60% (30% rate increased for 100%).
- Introduction of **the National Reimbursement for the Elderly** – monthly reimbursement for old citizens in the amount of 800,00 Croatian Kunas, that will not be deemed a taxable income nor will reduce the right on increased personal allowance for family members of the elderly receiving the reimbursement.

- Although lease contracts for real-estate in Croatia are not required to be authorised by the Notary Public, in cases when such a contract is authorised by a Notary, this **Notary will be obliged to report it to the Croatian Tax Authority** and deliver all the documentation relating to the contract.
- Provision of vaccination and COVID-19 testing may be provided to employees as a tax free benefit.

CORPORATE PROFIT TAX (CPT) LAW – CHANGES FROM 2021 YEAR

- In order to enhance Croatian competitive position in context of attracting international investments, the Croatian Government has finally introduced **beneficial corporate profit tax rate of 10%** on taxable annual company profit. This change has been introduced through reduction of the existing lower CPT rate of 12% for companies with lower turnover and on the 1st January of 2021 year starts

the first taxation period when **Croatian CPT taxpayers will be allowed to pay only 10% of the Croatian CPT if their annual turnover has not exceeded 7,5 million Croatian Kunas (cca 1 million EUR).**

This change will be effective already at payments of monthly CPT prepayments during 2021 year, if a company in its CPT annual report for 2020 year calculates amount of monthly prepayment by applying 10% tax rate.

CPT rate reduction will affect over 90% of the Croatian companies or CPT taxpayers.

- Withholding tax rate has been reduced to 10% on payments of dividends, profit shares and compensations for foreign performers (artists, singers, athletes, actors etc.)
- Tax reform package includes also a **new beneficial treatment of receivables write-off for banks**. Banks will be allowed to classify written-off receivables from its clients as a cost of a period. Qualifying receivables must be in accordance with regulations of the Croatian

National Bank and from unrelated, third parties (physical or legal persons). Intention of this provision was the incentive to the banks to simplify a situation of citizens and business subjects who are not able to pay their debts. Namely, such debts have often been sold to debt collection agencies.

VALUE ADDED TAX LAW – CHANGES FROM 2021 YEAR

- **All VAT taxpayers with annual deliveries amounting less than 15 million Croatian Kunas (cca 2 million EUR) will be allowed to calculate and pay their VAT due on payment basis** (vs. Issued invoices basis). Due to difficult business circumstances and worsening cash flows during COVID-19 pandemia, limit for application of VAT calculation on payment basis has been increased from 7,5 to 5 million Croatian Kunas (cca 2 million EUR). In this way, payment basis VAT calculation has become applicable for the vast majority of the Croatian VAT taxpayers, however,

during 2021 will be allowed only to those who have submitted written request to the Croatian Tax Authority before 20th December 2020 year.

- **VAT on import remains in the calculation category, in 2021 year as well, with certain extensions.**
- **Croatian VAT from the 1st of July 2021 year applies also to small value goods imported from third countries.** Until now, import of small value goods of 22 EUR or less has been VAT free. From the 01st July 2021 import of such goods will be subject to 25% VAT.
- Application of EU directives on distance sales of goods.

- **Petty-cash maximum will be defined in the Regulations to the Fiscalisation Act, depending to the class of a business activity and some other criteria.** Amendments of the Regulations to the Fiscalisation Act will be completed within 90 days.

Should you need any further details regarding these or any similar subjects, please feel free to contact me on biljana.stankovic@bsps.hr

FISCALISATION ACT – CHANGES FROM 2021 YEAR

- In the 2021 year come into force to provisions already incorporated in the Croatian Fiscalisation Act: **mandatory display of QR code on all cash receipts/bills** subject to fiscalisation procedure, and **mandatory fiscalisation of invoices for sale of goods through self-service devices or vending machines.**