Foreword

Croatia is a country full of opportunities and has exciting times to look forward to. It is expected that in less than three months it will enter the European Union, opening up its borders, having access to substantial EU funding and attracting international publicity.

Croatia is located at the crossroads of Central Europe, the Mediterranean and the Balkans. It is ideally placed to serve as a link between Eastern and Western Europe.

The purpose of this paper is to showcase Croatia as a suitable destination for foreign capital. We are focussing this paper on the industrial and logistics real estate sectors, the most underdeveloped real estate sector in Croatia and the South and Eastern European (SEE) region as a whole.

This paper comes at a crucial time following a number of recent announcements and events, many of which will be detailed throughout this report and should catch developers and investors attention. These include the recent unveiling by the Government of a new set of incentives for both foreign and domestic investors in Croatia. The reduction of communal fees, a historic barrier to the development of industrial and logistics real estate has been announced. The upcoming EU accession and the benefits of free trade and infrastructure funding that it brings.

Jones Lang LaSalle has teamed up with the Croatian Agency for Investments and Competitiveness, tax and legal specialists KPMG and recruitment and labour market specialists Antal International, to produce this paper and hope that this wide range of expertise will be beneficial to the readers.

We would like to thank all partners involved for their valuable input in preparing this report. We firmly believe that this publication is a useful source of information for investing in this country.

Contacts

Jens Møller Madsen
Managing Director Croatia
Jones Lang LaSalle

Siniša Dadić
Head of Industrial and Logistics Croatia
Jones Lang LaSalle

Zdenko Lucić
Director, Sector for Investments
Agency for Investments and Competitiveness
Content Table

1. Executive Summary .................................................. 5
2. Labour Market ......................................................... 6
3. Grants & Incentives .................................................... 8
4. Croatian Industrial & Logistics Real Estate Market .............. 15
5. Logistics Sector in Croatia – Key Opportunities ................. 16
6. Key Manufacturing Sectors in Croatia .......................... 19
7. Rent or Buy? That’s the First Question to Ask! ................. 22
8. Real Estate Acquisition ................................................. 26
9. Setting-up a Business .................................................. 28
10. Tax Structure in Croatia .............................................. 30

Information on Content Providers .................................. 34
1. Executive Summary

Upcoming EU membership

Croatia’s long awaited accession to the EU is set to take place on the 1st of July 2013. Despite the ongoing problems that the EU is facing, entry will no doubt have a positive impact on the Croatian economy and especially the manufacturing and logistics sectors that are the subject of this paper.

Croatia’s economy

As with most of Europe, the economy in Croatia remains fragile with the road to recovery having been a difficult one. As you will see from the graph below, positive GDP growth is anticipated as we move into the second half of this year and it is expected that this growth will increase steadily over the next few years. The political situation is stable and the government is making inroads into the structural reforms that are required.

![Real GDP change %](source: IHS Global Insight, 2013)

Attractive Croatian labour market

Croatia has a well-developed education system and an employee base with good language skills. 57.6% of all employed persons are skilled workers with secondary vocational education. According to GFK Croatia 79% of Croatians state that they have knowledge of at least one foreign language with English being well spoken in the younger working age bracket.

Croatia currently suffers from high unemployment that has driven down salaries which are now among the lowest in Europe. This in turn has given Croatia a large employee pool from which investors into the country can take from. In addition to this, with the entry into the EU, experts from the common market can move here with significantly less restrictions.

New appealing grants & incentives

We are pleased to be able to present a new set of incentives to encourage new investments into the Croatian economy. Available grants and incentives can be via both cash grants and tax relief.

Details are also provided on business zones which provide favourable conditions for industrial development. You will find four business zones case studies in this section, providing details of the benefits of each location.

Opportunities in the logistic market

Croatia and the SEE region have an underdeveloped logistics network. Croatia’s key strategic location, its upcoming entry into the EU and its entry route for cargo from the far east to the North Adriatic Ports, creates opportunities for development in this real estate sector.

The development of the railway network to strengthen the existing high quality motorway network can help Croatia become both an entry and exit point for goods coming in and out of the EU. We explore this real estate sector and assess what impact the evolving retail market will have on its future growth.

The manufacturing sector is evolving

Industry is an important sector of the Croatian economy, but one that has been declining. It is however expected to become much more competitive with rival countries following EU accession and the recent government initiatives that will be laid out in this report. This will particularly benefit the industrial and logistics market through the free movement of goods, together with the availability of a 500 million strong consumer market.

Free movement of goods will allow high-quality and distinctive Croatian products to reach the European market. Croatian producers will not have to undergo double testing when entering a market which will in turn reduce their costs.

Legal and Tax structure

We have included some guidance for potential investors on the important legal and tax issues that would affect an investor in Croatia.

This includes details on the acquisition of real estate by foreigners.

In this report you will find all relevant and necessary information regarding the setting up of a business in Croatia. In Croatia there are no restrictions on foreign ownership of Croatian business enterprises. All different forms of commercial enterprises that are most commonly used in Croatia are explained in detail in section 9 of the paper.
2. Labour Market

Population and workforce

Croatia is a country with almost 4.3 million inhabitants, according to the 2011 census. Zagreb is the largest city and capital with 792,875 inhabitants. The population is relatively unevenly spread across the counties with 18% of population living in the City of Zagreb.

The negative natural increase in Croatia is the reason for its ageing population with a current average age of 41.7 years. The share of the active population is low in comparison with EU countries. According to the results of the labour force survey, Croatia has an active population of 1.7 million.

The country has a tradition in manufacturing, particularly in the processing industry. However, in the transition years since Croatia’s independence, the number of manufacturing companies has significantly decreased in favour of service based industries. Presently, there is a qualified workforce available in both the manufacturing and service sectors. Regarding the qualification structure, 57.6% of all employed persons are skilled workers with secondary vocational education, and 21.8% benefit from higher education.

Knowledge of English is significantly higher within younger age groups (55% of the age group 25-34 consider their knowledge of English as good or very good) and those with higher education (55% of university educated evaluate their knowledge of English as good or very good). Fluent German speakers are more common among the older age groups. The Italian language holds third position, and is more frequently spoken in coastal areas, particularly Istria and Primorje.

Similarly to other countries and particularly in Southern and Eastern Europe, a significant number of young graduates that are unable to find jobs, are relocating from Croatia to other markets. However, employers could consider Croatian professionals who have already spent some years abroad and gained experience and are possibly interested in returning to the country as an additional source of high quality candidates for professional and managerial positions.

Due to the economic recession, the unemployment rate is increasing. There are currently more than 370,000 people unemployed in the country. The registered unemployment rate is 21.9% (Croatian Employment Service, March 2013), and ILO harmonised unemployment rate amounts to 18%, compared to 10.8% for EU-27 countries. (Eurostat, January 2013). Therefore there is a significant pool of labour for new companies to employ and due to this, salaries are reducing which again makes an attractive proposition to new businesses.

Graduates by level of education in 2011

The Croatian education system is considered to provide good quality education, with a particular speciality in technical and engineering professions. There are 90 university departments and 29 private higher education institutions in the country (source: Agency for Science and Higher education).

According to recent research, 79% of Croatian citizens state that they have knowledge of at least one foreign language, most commonly English, German or Italian. (Source: GFK Croatia, November 2012).
The unemployment rate varies significantly across the regions in Croatia. The lowest is in Zagreb and Istria and at its highest in eastern Croatia.

Labour Cost

One of the best competitive advantages for Croatia is the price of labour per hour, which, as you will see in the graph below, is one of the lowest in Europe.

Labour Cost (EUR/hour)

Source: Eurostat, Croatian Agency for Investments and Competitiveness

The average monthly gross salary paid to employees in legal entities in December 2012 was 7,895 HRK / €1,037, corresponding to the net amount of 5,487 HRK / €731.

Minimal guaranteed monthly gross salary prescribed by law in Q1 2013 was 2,814 HRK / €370.

In general, salaries are higher in the capital and in regions with lower unemployment rates. They are also higher in industries such as banking and finance, ICT and pharmaceutics.

Government Employment Incentives

The government has also launched several incentives for employers for new employment creation, regardless of investments into the company and for certain categories of the unemployed. This would for example include young people without prior work experience and unemployed people over 50 years of age. Incentives for the first full year of employment amount to 50% of the yearly gross salary for SME employers, and 30% of yearly gross salary for large employers. Under certain conditions, employers can obtain a refund of training costs for newly employed workers who have been previously unemployed, this is up to 70% of the total training cost.

Incentive measures for labour-intensive investment projects

With the aim of increasing employment and returning to economic growth, the Croatian government has adopted a number of measures to create a business environment that is attractive to both foreign and domestic investments. Incentives for new investments are also related to job creation, increasing with the number of newly created jobs. This incentive is regulated through the Act on Investment Promotion and Enhancement of the Investment Environment, October 2012.

Employment Incentives for New Investments

<table>
<thead>
<tr>
<th>County Unemployment Rate</th>
<th>Incentive Rate in Relation to Eligible Costs of Opening New Workplaces</th>
<th>Increase for Technology Innovation and Development Centres</th>
<th>Increase for Business Support Strategic Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10%</td>
<td>10% (max. 3,000 €)</td>
<td>+50% (1,500 €)</td>
<td>+25% (750 €)</td>
</tr>
<tr>
<td>10-20%</td>
<td>20% (max. 6,000 €)</td>
<td>+50% (3,000 €)</td>
<td>+25% (1,500 €)</td>
</tr>
<tr>
<td>&gt;20%</td>
<td>30% (max. 9,000 €)</td>
<td>+50% (4,500 €)</td>
<td>+25% (2,250 €)</td>
</tr>
</tbody>
</table>

Source: Agency for Investments and Competitiveness
3. Grants & Incentives

Introduction

Choosing the appropriate investment location relies on a thorough analysis of potential costs and benefits of the sites. One of the key factors influencing the decision on location is often the availability of state aid.

The Republic of Croatia has recently introduced an improved investment incentives system to encourage new investments into the Croatian economy. Its primary role is to promote new foreign investment projects as well as to support local companies in their investment activities. When compared to other countries in the region, Croatia has a competitive, transparent and attractive system of investment incentives based on a wide range of available incentives.

Both cash grants and tax relief are available to investors entering or expanding their businesses in Croatia. The biggest incentives are available to investment projects that employ large numbers of workers and will be carried out in areas of current high unemployment.

This new incentive system was introduced through the Act on Investment Promotion and Enhancement of the Investment Environment in October 2012. The Act also ensures that investors in Croatia will receive assistance in the completion of their investment projects. This assistance is further substantiated by the role of the Agency for Investments and Competitiveness in accelerating the implementation of all procedures in the investment project.

Eligibility

Incentive measures for investments are regulated by the Act on Investment Promotion and Enhancement of the Investment Environment and apply to investment projects in: (i) manufacturing and processing activities; (ii) development and innovation activities; (iii) business support activities; (iv) high added value services.

Maximum aid intensity

Aid intensity is calculated as 40% of the eligible investment costs which may be increased by 10% in the case of medium-sized companies and by 20% in the case of small enterprises. This maximum aid intensity applies to both of Croatia’s regions.

<table>
<thead>
<tr>
<th>Minimum amount of investment</th>
<th>€ 50,000 for microenterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum amount of incentives:</td>
<td>€ 150,000 for SME and large enterprises</td>
</tr>
<tr>
<td>Tax incentives:</td>
<td>50 – 100% tax relief depending on the amount of investment and number of new jobs created</td>
</tr>
<tr>
<td>Employment incentives:</td>
<td>40% + increase for SMEs (10% or 20%)</td>
</tr>
<tr>
<td>Education grants:</td>
<td>25% - 80% of eligible costs depending on the size of the company and type of training</td>
</tr>
<tr>
<td>Incentives for Innovation and Development:</td>
<td>20% of the eligible cost of buying the equipment/machinery (up to € 0.5 million)</td>
</tr>
</tbody>
</table>

Procedure to apply for Investment Incentives

According to the Act on Investment Promotion and Enhancement of the Investment Environment, an application for investment incentives should be submitted by the company interested in investment incentives, either to the Ministry of Economy if it falls under the category of a large enterprise or, to the Ministry of Entrepreneurship and Crafts if it falls under the categories of a micro, small or medium sized enterprise. This application should be submitted before the beginning of the investment. The application and all documents accompanying it must be in Croatian language.

Company size*

<table>
<thead>
<tr>
<th>Enterprise Category</th>
<th>Number of employees</th>
<th>Total assets or Annual turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>≥ 250</td>
<td>&gt; €43 million</td>
</tr>
<tr>
<td>Medium</td>
<td>&lt; 250</td>
<td>≤ €43 million</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>≤ €10 million</td>
</tr>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>≤ €2 million</td>
</tr>
</tbody>
</table>

* Including companies classified as a partner enterprise or linked enterprise in accordance with the General Tax Act and Decision on the publication of the list of rules on State aid
Business Zones

Business Zones are part of the economic policy of the Government of Croatia, designed to achieve uniform development of the country as a whole and an overall increase of employment. By ensuring attractive business conditions, business zones are one of the Government’s primary means intended to attract new investments, which, through technology transfers and know-how diffusion, also enhance the overall competitiveness of the Croatian economy. In this way, these zones are part of the Government’s comprehensive effort to establish a competitive, environmentally and socially responsible, knowledge-based and export-oriented market-economy which will provide value-added growth, new and well-paid jobs and better and more just society in which the principles of social cohesion, solidarity, equality and prosperity for all citizens are advanced.

Business zones are located on specially selected industrial land owned by the Republic of Croatia or local municipalities. There are currently more than three hundred business zones existing in Croatia, ranging in size from ten thousand square meters to several million square meters.

During the development of business zones, special importance is placed on the transportation connections within and outside the business zone, making sure that business zone can expand in the future, as well as on environmental factors and potential production needs.

Due to the aforementioned factors, business zones provide favourable conditions for industrial development. They simplify the process of finding land for business facilities since there is no need to worry about inconsistent town planning documents. In this regard, it is also important to mention that ownership of land on which business zones are located is completely resolved so that there is no danger of potential future claims. In addition, most of the business zones are equipped with the whole infrastructure in advance. What is more, the municipalities often provide additional benefits with the aim of stimulating economic activities (such as, utility contributions payment exemptions, etc.).
Investment Location

Industrial Park Nova Gradiška for Development and Investment

Slavonski Brod-Posavina County

The Slavonski Brod-Posavina County is characterized by excellent traffic links to other parts of Croatia, as well as to neighbouring European countries and the rest of Europe. It has a highly favourable geo-strategic position as it is situated at the crossing of two important European traffic corridors: Pan-European Corridor X and European corridor 5c – Budapest - Adriatic. Moreover, two-track railway, highway, river and telecommunications networks, as well as the international oil and gas pipeline pass through the County. The total number of inhabitants in Slavonski Brod-Posavina County is 166,731. Slavonski Brod-Posavina County has a long tradition in the processing industry, especially in metal, wood and food processing. It is also well known for its lengthy experience in operations and product quality, which are highly important strengths in these industries. Other important sectors to the county include logistics and distribution.

City of Nova Gradiška

The City of Nova Gradiška is situated in the western part of the County. It has 14,956 inhabitants. Within a 300 km radius of Nova Gradiška there are four capital cities (Budapest, Belgrade, Sarajevo and Zagreb). Nova Gradiška is an important industrial centre with a long tradition in the metal, wood, electro-technical, textile and food-processing industries. Moreover, its educational institutions are of a high quality, which creates an excellent base for intensive economic growth and development.

Industrial park Nova Gradiška Ltd.

Industrial park Nova Gradiška offers excellent terms and conditions for investment, comparable with the best in Europe. It is positioned at a very favourable location, spreading along the international motorway E 70. It extends over 82 ha., with an additional 70 ha. available for expansion. Land is offered to investors under favourable conditions and has fully equipped infrastructure. One of the added benefits is Business Innovation Support Centre (BISC) Nova Gradiška, which was created with the purpose to contribute to sustainable regional development and improved competitiveness of the business sector. BISC offers a training centre for new technologies, a centre for engineering and technology services, a centre for business and marketing services and a business technology incubator.

Moreover, Industrial Park Nova Gradiška Ltd ensures full support in planning, preparation and completion of projects, fast response and flexibility.
Investment Location

Business Zone Novska South

Sisak-Moslavina County
The Sisak-Moslavina County has a surface area of 4,468 km² making it one of the largest counties in the Republic of Croatia. Sisak-Moslavina County is located in the middle of Croatia (50 km south of Zagreb) and is part of the largest manufacturing area in terms of employment and production, i.e. Zagreb-Karlovc-Sisak triangle.

Its administrative and economic centre is Sisak. The main economic activity in the County is industry, with a particular emphasis on energy, petroleum, petrochemicals and chemicals industry, metallurgy and metal processing, farming and forestry. The agriculture and food sector is of great importance and has a long tradition in the area. The wood processing industry also has a very long and thriving tradition.

City of Novska
The City of Novska is located in western Slavonia, in Sisak-Moslavina County and covers an area of 319 km². It has a population of 14,413 inhabitants. Its favourable geographical position was and is the most important foundation for the city's development. Wood and metal processing have a long tradition in the area.

Business zone Novska South
Business zone "South" was established by the decision of the City Council of the City of Novska dated from 20 July 2005. Business zone "South" covers an area of approximately 85 hectares of land and is regulated by the regional plan for the City Novska. It is located south of the railway station Novska and the highway Zagreb-Lipovac (D4). This land on which business zone "South" is located, is wholly owned by the State of Croatia. It benefits from a first-class geographical position which provides great potential for the future development of this business zone.
Investment Location

Business Zone Kukuljanovo

Primorje-Gorski Kotar County
The Primorje-Gorski Kotar County is located in the western part of Croatia. It borders with Slovenia and Italy (sea border). The total surface area of the county is 3,588 km² and has a total population of 305,505. The County has one airport and four ports of national and international importance. Among them is the country’s largest port in Rijeka which is central in the connection of Asia and Europe. It has a favourable geographical position at the intersection of important European land and sea routes. Consequently, this area has developed into a strong shipping centre with a developed port, shipbuilding and tourism activities which are of great significance for the entire country. Gorski Kotar has traditionally put emphasis on forestry and wood processing.

City of Rijeka
The City of Rijeka is the third biggest city in Croatia with 128,624 citizens. Rijeka’s economy is strongly characterized by the transition it is going through in its economic structure from a former industrial city to a city dominated by the services sector. Much emphasis is put on the development of Rijeka’s Gateway and urban tourism. Investment projects ranging from transport infrastructure to business, sports, cultural and entertainment facilities will provide its citizens with a better quality of life and more importantly, an opportunity for new entrepreneurial activity.

Industry zone Kukuljanovo
The Industrial Zone Kukuljanovo is located in the hinterland of the City of Bakar and is only 10 km away from the City of Rijeka. Bakar’s seaport is only 3 km away. In the vicinity, there is a motorway which connects Rijeka and Zagreb and the railway station of Škrljevo, which is connected to the Rijeka – Zagreb and Rijeka – Ljubljana railway system. This means that it has a highly favourable economic position, connecting middle-Europe with the Mediterranean countries, via one of the shortest routes.

Industrial zone Kukuljanovo has an area of 5,000 m², out of which 1,600 m² is currently occupied. The industrial zone is equipped with all infrastructure, i.e. with industry railway connection (5km), water supply system, separate waterworks system for fire-fighting operations with the capacity for two different fire events, separate sewage system from main sewers (storm and waste-water sewage system), and two heating plants for the supply of hot water to the zone.
Investment Location

Business Zone Podi Šibenik

Šibenik-Knin County

The Šibenik-Knin County is located in the Southern part of the Republic of Croatia, in the central part of north Dalmatia, extending along the 100 km long coastline between the Zadar and Split Rivieras. The total area of the County is 5,670 km² and has a total population of 109,375.

The whole County is characterised by its preserved environment and great tourism opportunities. The County’s economy is predominantly based on small and medium sized enterprises. The highest proportion of revenues are from the manufacturing industry. The biggest producers are in the metal processing industry and a small ship-building industry with a long tradition in the maintenance of ships and equipment. One of the biggest companies in the County, TLM, produces aluminium profiles.

City of Šibenik

The City of Šibenik is located in the central part of the Croatian Adriatic Coast. Šibenik is the administrative, political, economic, social and cultural centre of the Šibenik-Knin County. First-class traffic connections provide quick and easy access to and from the surrounding areas. Economic development of the City is focused on trade, tourism, construction and metal processing.

Business zone Podi Šibenik

Business zone Podi is the biggest and the most promising business zone in Croatia, located 7 km from the City of Šibenik. It is characterized by excellent traffic connections, with a distance of 3 km to the A1 highway, 4.5 km to the nearest sea port and 4.5 km to the nearest railway station.

Business zone Podi has a surface area of 5.5 million m² of which 3.5 million m² is still available. It provides land with fully equipped infrastructure, convenient for business, commerce and production. The 12 companies that are currently in the business zone employee 578 workers. Business zone Podi Šibenik is also very interesting because of the business incubator which provides a competitive basis for start-up businesses. There are eight companies who are currently working in the business incubator.
Competitiveness Clusters

Tool to Drive Business Development and Investments

The establishment of competitiveness clusters is an initiative driven by the Ministry of Economy and the Agency for Investments and Competitiveness with the aim to support cooperation between different innovation players in Croatia. Competitiveness clusters will be established for twelve priority sectors as powerful instruments to foster industrial competitiveness, innovation and regional growth. The Agency for Investments and Competitiveness has a role of administrative and technical support for the establishment and operation of competitiveness clusters. Until now, three competitiveness clusters (food, wood and automotive) have been formally established, and there is a plan to establish 9 more competitiveness clusters in the field of traditional industrial sectors and horizontal sectors as a support.

Competitiveness clusters support private-research-public cooperation. Clusters are in the first phase used for the development of a "smart specialisation" strategy in order to identify priority sector strategic guidelines and market niches. The second phase of competitiveness clusters are an efficient platform to achieve these objectives.

Competitiveness clusters offer a range of possibilities to the private-research-public triangle through the development of cluster initiatives with the aim to foster the business climate, drive innovation potential and develop human resources. These cluster initiatives are financed through different financial instruments with a focus on European Union structural funds.

One of the most important cluster based approaches to attract investment in to Croatian industry is the identification of value chains for market niches in priority sectors. Value chain components are production, services and trade as a support to production in each of the priority sectors. Gaps in these value chains represent targeted business opportunities for investments.

There is a huge potential for the outcome of the competitiveness clusters initiatives, including an excellent business climate, a developed technology platform (competency centres), a developed business infrastructure (transfer technology parks, business and innovation parks, incubators) as a solid capacity base for innovation. Through targeted initiatives driven by the competitiveness clusters in the field of the development of human resource potential, an educational system was developed (thematic network of masters and post-diploma and post-graduate training courses, on-going training) to support the priority sector’s workers in becoming skilled, professional and to answer the needs of a demanding market. Cluster initiatives in the form of the promotion of products and services of priority sectors (on international trade fairs) additionally support export.

On the one hand, competitiveness cluster activities and projects serve as a solid base to prepare a highly favourable environment for investment and business development, and on the other hand, create great business opportunities for investors.
4. Industrial & Logistics Real Estate Market

The industrial and logistics market in Croatia is the least developed of the real estate sectors. Croatia is however uniquely positioned to provide developers and occupiers with a key geographical location from which to operate. As the capital and the economic centre, Zagreb benefits from the majority of activity in the market.

Currently within Zagreb, there is a total stock of 806,745 m² of which, only approximately 360,000 m² can be classed as modern by European standards. The remainder is characterised by being out of date, unconventional, owner occupied stock which is not suitable for most international occupiers. However, there is ample zoned industrial land which can be developed.

Approximately 210,000 m² of industrial stock has been added over the last four years, mostly for owner occupation purposes. We have included in the graph above a comparison of logistics supply with that of other major CEE cities. This shows that Zagreb lags far behind other capital cities in CEE.

Zagreb Logistics Park

Zagreb Logistics Park was the first modern scheme developed in Croatia that was available to let. It is located on the Zagreb – Ljubljana highway, approximately 15km from the centre.

The scheme was developed over two phases with the first phase completing in 2008. It comprises of two halls which are multi let to tenants including Mercator, Spar, Kuhne and Nagel and Harvey Norman. The development has a total Gross Internal Area of 68,000 m².

“Helios saw opportunities in Croatia to develop a modern logistics park due to the limited supply of high quality logistics stock, well-developed motorway network and Croatia’s key strategic location within the region. We completed the final phase of development in 2011 and have been delighted by the success of the scheme. We currently have almost 90% occupancy and are in advance negotiations to let the final vacant space.

Due to the favourable location of Zagreb, our tenants are able to service their supply chain requirements in numerous locations across the region”.

Paul Dinsdale, Helios (Developers)
5. Logistics Sector in Croatia

Future growth for the industrial and logistics market

Introduction

The logistics market in Croatia and throughout South and Eastern Europe remains underdeveloped. We have highlighted in the Real Estate section above that supply in Croatia is significantly below other CEE countries. We believe that there are significant changes that have taken place or, that are due to occur in the near future, both in Croatia and regionally, that will create demand for more logistics real estate. We expect that there will be significant opportunities for development within this sector. The following highlights just some of the changes that have occurred or, that will be taking place and will have a direct impact on this market.

EU Entry: The key link between east and west

Croatia is set to enter the EU on the 1st of July this year. On entry, Croatia will become part of the single market and hence there will be greater movement of goods. Free movement of goods is one of the fundamental freedoms of the common market; as such, it will enable Croatian products to find their way to that market without obstacles. Elimination of the obstacles to trade that prevent products from entering national markets ensures equal treatment of all products. Thus, elimination of obstacles to trade and the opening of national markets makes it possible for a larger number of companies to compete.

Companies that sell their products in the common market have unlimited access to more than 500 million consumers in the European Union. This free movement of goods will allow a greater number of Croatian products to reach the European market and, at the same time, a greater number of foreign products to reach the Croatian market. Certificates issued in one country are recognised in all member states.

As a result, Croatian products will have free access to the European market and Croatian producers will not have to undergo double testing when entering this market, thus avoiding additional expenses. With the anticipated increase in the movement of goods, there will be a greater requirement for good quality logistics space for both imports and exports.

In addition to this, upon EU accession, Croatia will become part of the Trans-European transport network (TEN-T) policy. The EU have defined 10 corridors, known as core networks on EU territory. Croatia will be able to join three of these networks: the Mediterranean, the Baltic – Adriatic and the Stralsburg – Danube.
Continuing improvement of the transport network

The Croatian motorway network is very well developed and with good internal links between all of the major cities. In addition, it also provides high quality links between Croatia and its neighbouring countries of Slovenia, Hungary and Serbia. However, future improvements are targeted with the development of the railway network which will increase in importance as green/sustainability targets are required to be met.

There are a number of planned railway routes that will be upgraded as detailed in the map below.

It is clear that the new railway network will support the existing excellent road infrastructure and create significant opportunities for logistics development throughout Croatia, in particular at the port of Rijeka and Zagreb, which could become dominant cargo logistic centres.

The government is focussing on improving the rail networks link from Rijeka to enable the Port of Rijeka and the neighbouring ports in Koper, Venice and Trieste to be more competitive with the more established ports in northern Europe, such as Le Havre and Hamburg. There is €3 billion of planned investments in the Rijeka rail route, 85% of which can come from EU funding.

The Port of Rijeka

Rijeka’s geographical position means that it can act as a gateway into central, central eastern and south eastern Europe. Two of the world’s key emerging markets are China and India and it is anticipated that their trade with Europe will continue to increase. The link via the Suez Canal makes the North Adriatic Ports an attractive entry point into Europe. This is especially important considering the environmental pressures facing today’s society. Rijeka is part of the North Adriatic Ports Association (NAPA), which also comprises the Port of Koper, the Port of Trieste and the Port of Venice. The four entities combine their strengths in order to promote the Northern Adriatic route and present themselves as an alternative to the North-European ports. In addition, the association anticipates cooperation in the development of maritime and hinterland connections, visits from cruise lines, environmental protection, safety and information technology. The ports of NAPA will also invest efforts into the coordinated planning of road, rail and maritime infrastructure, as well as the harmonisation of regulations and procedures in the field of port service provision. The North Adriatic provides the shortest maritime route between the European Union and its overseas markets east of Suez. This fact is becoming ever more relevant in an era when – in order to reduce both costs and environmental pollution – ship owners are opting for slower steaming speeds which prolong transit times.

The map below shows the shipping route from China to the Port of Rijeka
Rijeka provides the shortest connection between overseas destinations and Central and Central and Eastern Europe, both with respect to land and sea routes. The quality of service compares with those in other North Adriatic ports and covers all types of cargo.

Although the Adriatic offers a shorter and quicker route to the Far East, the region’s ports can’t properly take advantage of their geo-strategic position without investments into the transport infrastructure linking them with their natural hinterland, as well as corresponding improvements to logistics services in order to make them competitive with the northwest European ports. All of this anticipates increasing the facilities provided by the Northern Adriatic ports as well as the construction of modern railway links.

The European Union shall play a decisive role in this by providing funds for the further development of Europe’s transport network, and its railway system in particular.

The most important traffic routes for the Port of Rijeka are the Pan-European Corridor 5, Branch B and Corridor 10. The traffic route directed to the Hungarian, Czech and Slovak markets, as well as to the market of southern Poland, connects Rijeka – Zagreb – Budapest via Corridor 5B; which is 504 km long and thanks to the newly constructed motorway, it takes six hours to get from one end to the other. A train needs 24 hours for the same route covering a distance of 592 km. The transit route for the markets in Bosnia and Herzegovina and Serbia is also directed via Pan-European Corridor 10.

<table>
<thead>
<tr>
<th>City</th>
<th>Land Route (km)</th>
<th>Distance By Railway (km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zagreb</td>
<td>145</td>
<td>228</td>
</tr>
<tr>
<td>Budapest</td>
<td>504</td>
<td>592</td>
</tr>
<tr>
<td>Bratislava</td>
<td>550</td>
<td>686</td>
</tr>
<tr>
<td>Vienna</td>
<td>490</td>
<td>572</td>
</tr>
<tr>
<td>Prague</td>
<td>810</td>
<td>844</td>
</tr>
<tr>
<td>Belgrade</td>
<td>569</td>
<td>689</td>
</tr>
<tr>
<td>Sarajevo</td>
<td>456</td>
<td>490</td>
</tr>
</tbody>
</table>

Growth in the retail sector

There has been significant development in the retail sector over the past five years. As the graph below highlights shopping centre stock in Zagreb has more than doubled since 2008.

We also anticipate that upon entry into the EU, a number of additional international retailers will enter the market and begin considering neighbouring countries such as Serbia and Bosnia and Herzegovina. Croatia could therefore be used as a logistics hub to distribute goods across the region.

Growth in online sales

The growth of online retail is transforming the way consumers shop, not least by generating multiple channels through which they can research products and make purchases. This has added significant complexity to the logistics operations of retailers as they look to provide a fully integrated seamless customer shopping experience. The Boston Consulting Group (BCG) forecasts an online retail sales growth of 14.5% for the EU-27 countries over the years 2011-2016.

The Croatian retail market is less mature than those of Western Europe, as is the development of online retailing. This market however has been growing rapidly over recent years with the number of consumers purchasing goods on the web almost doubling between 2010 and 2011. There does remain a little of scepticism in this market shown by the fact that only 20% of internet users have made an online purchase.

This immaturity is also reflected by the number of e-stores run by international chains, which are present in physical stores across Croatia: out of the 32 surveyed brands, only seven have online shopping enabled. Moreover, many chains operate their e-stores centrally and, as Croatia still remains outside of the EU single market, it is somewhat problematic to offer Croatian consumers the same pricing and delivery standards. This looks set to change with Croatia’s entry to the EU in July 2013. Moreover, the abolition of customs fees will most likely bolster cross-border e-commerce, as many of the popular chains, which are still absent from the Croatian market, will become more accessible.

The sectors in which the highest e-commerce turnovers have been seen, are those offering goods which are more or less standardised, namely electronics, books and multimedia. Consequently, these are also the sectors in which we have seen reductions in the number and size of traditional stores.

Finally, the provision of modern retail in Croatia is still relatively low (shopping centre density stands at 174 m² per thousand, against the Western European average of 246 m² per thousand) and we expect the demand for new space to remain stable for several more years. This is why we believe the development of both shopping centres and e-commerce will go largely hand in hand.
6. Key Manufacturing Sectors in Croatia

General overview

The manufacturing industry can be considered to be an underdeveloped sector of the Croatian economy where the main focus is on the service sector. It contributes approximately 25% to Croatian GDP and employs approximately one quarter of the workforce. Historically there is a strong tradition in manufacturing, especially in the processing industry. Since the war of independence in the early 1990’s, the amount of manufacturing and the importance of it to the Croatian economy has reduced. Today, more than 80% of total industry is related to the processing industry, mainly in the production of food and drink and production of chemical products. The processing industry has the largest share of total exports.

Structure of the Croatian economy

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>25%</td>
</tr>
<tr>
<td>Industry</td>
<td>5%</td>
</tr>
<tr>
<td>Services</td>
<td>70%</td>
</tr>
</tbody>
</table>

Source: Central Intelligence Agency, 2013

The food industry generates the largest revenue and employs the highest number of people. While this sector is most developed in the City of Zagreb and Osijek-Baranja county, other regions within Croatia are recognising the importance and profitability of the food industry.

The Croatian wood processing industry, traditionally export-oriented, labour-intensive and dominant in the rural parts of the country, has a significant role in the overall national economy. Wood processing is one of the most competitive Croatian activities and accounts for 8% of total exports.

Agriculture

There is a total of 190 thousand registered farms, of which 63% have less than three hectares of land. The power of medium to large farms (from 20 to 300 hectares), which own about 32% of agricultural land and whose importance for market sale is increasing, has been on the rise for the last ten years. However, the largest share of market production is focused on large farms which are also those that have been growing at the fastest rate over the last few years. With the application of the latest technologies and extensive investments and knowledge, positive production results have been achieved on some of these farms from a global perspective.

Slavonia, in the Eastern part of Croatia, which is known as Croatia’s ‘bread basket’ has the largest share of used agricultural land, approximately 1.3 million hectares.

In relation to other EU countries, Croatia uses less agricultural land per farm, either on the basis of comparing commercial support beneficiaries or all farms. The extensive fragmentation of farms is still prevalent in Croatia with an average the commercial farm being at 8.5 ha and the average of all farms only 2.9 ha.

In proportion to the Croatian population, the country is relatively rich in agricultural land when considered from a European perspective. However, a high proportion of meadows and pastures are not used efficiently.

Use of agricultural land per farm in the EU-27

<table>
<thead>
<tr>
<th>Country</th>
<th>Agricultural Land Per Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malta</td>
<td>&gt;5</td>
</tr>
<tr>
<td>Romania</td>
<td>5-10</td>
</tr>
<tr>
<td>Greece</td>
<td>10-20</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>20-40</td>
</tr>
<tr>
<td>Slovakia</td>
<td>40-60</td>
</tr>
<tr>
<td>Holland</td>
<td>60-90</td>
</tr>
<tr>
<td>Germany</td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
</tr>
<tr>
<td>Luxembourg</td>
<td></td>
</tr>
</tbody>
</table>

Source: Ministry of Agriculture

Food industry

The manufacture of food and beverages comprises 21% of the gross value added in the Croatian manufacturing industry, whilst tobacco production accounts for 2.5%. The food, beverages and tobacco industry contains over 1,200 companies, which employ 47,000 people or 20% of the total number of people employed in the manufacturing industry. Food manufacturing generates the largest total income and provides the highest number of jobs.

Food and drink production is an important field of economy in all countries. The most profitable within those sectors in Croatia are the cigarette production and tobacco processing, fish processing, beer production, processing of milk, tea, coffee and the production of soft drinks.


Food products account for 74% of Croatia’s total exports of agricultural and food products. Important export products are food, beverages, tobacco: sugar, cigarettes, Vegeta (seasoning), baby food products, salted anchovies and beer for example. The major import of food products includes oil cakes, cigarettes, sugar, mineral water and frozen pork. The most important export destinations are the neighbouring countries of Bosnia and Herzegovina, Italy, Slovenia and Serbia, while the majority of imported products come from Germany, Italy, Brazil, Hungary and the Netherlands.

Pharmaceutical industry

Historically the pharmaceutical industry has been strong in Croatia. This is beneficial to pharmaceutical companies considering entering Croatia as there is an existing talent pool and knowledge base. It is one of the few countries in the world to have developed a completely new drug.

There are currently 37 pharmaceutical companies present in Croatia, which employ over 4,400 people. In terms of exports, pharmaceutical products account for 4% of the total. The most important pharmaceutical companies in Croatia are Pliva (the largest drug manufacturer regionally), Belupo and Jadran Galenski Laboratorij.

In 2011, another company entered the market, PharmaS, who opened a newly built factory in Popovača, in the Mišićka commercial and manufacturing zone. The company which was established in 2008 has expanded in the region and now also operates in Serbia and Bosnia and Herzegovina. In addition to this, some of the larger international pharmaceutical companies which operate in Croatia are GlaxoSmithKline, Hospira, Galapagos Research Center, Teva, ACG Lukaš and Farmal.

Metal industry

Metal production has been taking place in Croatia since the 1930’s. In fact in 1960 the Faculty of Metallurgy was established in Sisak. This industry can be further sub-divided into the manufacture of basic metals and the manufacture of fabricated metal goods. The metal industry is most prevalent in the counties of Medjimurje, Bjelovar-Bilogora, Brod Posavina and Krapina-Zagorje.

The Croatian metal industry includes the manufacture of welded and steel tubes, reinforcing steel, aluminium processing and metal casting. The metal industry has approximately 3.5% of the total Croatian export market.

Major companies who are operating in Croatia at the moment include Alstom Hrvatska, Starco Beli Manastir, Metalind, Omial New and companies from the Končar Group and Đuro Đaković Holding.

This sector has shown continuous growth which has is highlighted by an increased production capacity and increased exports which are expected to improve upon EU accession.

Croatia is able to offer some distinctive and original high quality products to the global market. There are currently six food products with labels testifying their genuine and original characteristics or geographical origin: prosciutto from Istria and Dmiš, Cetina cheese, cheese from the island of Pag, Slavonian salami kulen and salt from the island of Pag.
Future opportunities for manufacturing

Croatia benefits from a favourable location within Europe and can offer opportunities for those who are considering expanding their businesses in Central and South Eastern Europe.

It is expected that within the next few months Croatia will enter the EU which will provide a framework for restructuring and modernisation. This will enable Croatian industry to become more competitive as well as more export oriented. At the moment the coverage of Croatian export with import is at 50%. This will need to change in future to enable an expanded level of growth. The legal harmonisation in the area of industry has encouraged integration of national industry into international markets through strategic partnerships, international and regional clusters, and integration in the production and supply networks of big clients.

EU entry will create opportunities such as free movement of goods which is one of the main features of the European Union’s common market. Free movement of goods will enable Croatian producers to offer and sell their products in the common market, with a potential customer base of over 500 million people. It also ensures equal treatment of all products and a high level of protection for consumers. Industries in Croatia will benefit from joining the EU as it will both boost investor confidence but also diminish the administrative obstacles for doing business in the single market.

Based on the experience with earlier enlargements, higher investments from the EU member states in Croatia can be expected when Croatia joins the common market. In 2007, export to other countries of the Union accounted for almost 80% of the total export of new member states. In the period from 2004 (when most of the new member states joined the EU) to 2006, foreign investments to these countries from Germany alone grew by a massive 50%. A 2007 a Eurobarometer survey showed that as many as 71% of small and medium enterprises in the new member states had profited from the substantial growth of competition in the entire EU market.

It is interesting to note that the above mentioned small and medium enterprises account for as much as 99% of economic subjects in the EU. In order to contribute to the strengthening of this strategically important sector of economy, the European Union has allocated around €2.1 million to Croatian companies in 24 projects under the PHARE 2006 grant-scheme programme ‘Support for Increasing the Competitiveness and Exports of Croatian SMEs’.

<table>
<thead>
<tr>
<th>Country</th>
<th>Billions of USD</th>
<th>% Share</th>
<th>Country</th>
<th>Billions of USD</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>3.7</td>
<td>16.3</td>
<td>Italy</td>
<td>2.1</td>
<td>15.8</td>
</tr>
<tr>
<td>Germany</td>
<td>2.9</td>
<td>12.6</td>
<td>Bosnia and Herzegovina</td>
<td>1.6</td>
<td>12.2</td>
</tr>
<tr>
<td>Russia</td>
<td>1.6</td>
<td>7.2</td>
<td>Germany</td>
<td>1.4</td>
<td>10.1</td>
</tr>
<tr>
<td>China</td>
<td>1.6</td>
<td>7.1</td>
<td>Slovenia</td>
<td>1.1</td>
<td>8.3</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1.4</td>
<td>6.2</td>
<td>Austria</td>
<td>0.8</td>
<td>5.7</td>
</tr>
<tr>
<td>Austria</td>
<td>1</td>
<td>4.5</td>
<td>Serbia</td>
<td>0.5</td>
<td>3.9</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>0.8</td>
<td>3.5</td>
<td>France</td>
<td>0.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>0.8</td>
<td>3.3</td>
<td>United States</td>
<td>0.4</td>
<td>2.7</td>
</tr>
<tr>
<td>France</td>
<td>0.7</td>
<td>3</td>
<td>Hungary</td>
<td>0.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Hungary</td>
<td>0.7</td>
<td>3</td>
<td>Luxembourg</td>
<td>0.3</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Source: IHS, 2013
7. Real Estate: Rent or Buy? That’s the First Question to Ask!

The decision to rent or buy a production or logistics facility is one of the first which should be taken in terms of real estate. This decision largely depends on the goals of the company, the time needed to be operational, expansion plans, and the desired flexibility. Consideration is also given to tax implications, the cash flow position and the availability of real estate in a specific location.

Three rental and three purchase methods for real estate will be described in this chapter, as well as their implications and timeframe.

Rent a facility? Three main options

**Option 1: A Built-to-Suit facility on a greenfield site**

Built-to-Suit (BTS) is a dedicated building developed specifically to suit the particular needs of a given investor.

The entire investment process is led by the developer, who:
- presents the site offers;
- proceeds with the ‘due diligence’ of the selected site;
- purchases the chosen site (subject to a binding agreement with the investor);
- finances and supervises the entire development process;
- hands over the building to the investor in the form of a leasehold.

The investor acquires a building:
- in the form of a leasehold, based on a lease agreement (typically a lease length of 10-15 years and usually a rent-free period is negotiated);
- designed and constructed according to the **investor’s requirements** (location, technical specification, shape of the building, purpose of the facility – e.g. heavy production, light production, warehouse-sorting plant).

In this scenario the investor:
- does not have to commit any funds for the purchase and there are no initial payments;

**Option 2: A Built-to-Suit facility in a warehouse park**

Built-to-Suit (BTS) in a Warehouse Park is a specific form of BTS project, where the specially designed facility is developed as a part of an existing or planned warehouse park.

The main differences between a ‘classic BTS’ and a BTS in a Warehouse Park are:
- shorter timeline for the process;
- the selection of the site is determined by the developer’s portfolio;
- the construction of the premises can start almost immediately, as the site is typically equipped with the necessary infrastructure and connections. Usually the developer already holds all environmental and building permits required.

The location of the BTS project
- is determined by the developer’s site portfolio;
- is limited to the logistics hub/main industrial, next to motorways, national road junctions and by-passes, which does, however, improve the transport connectivity.

**Option 3: Leasehold of an existing building**

In this scenario the investor becomes the lessee of a building in one of the parks located in the main logistics regions.

- The investor signs a lease agreement, with the typical minimum lease length being 3-5 years.
- The use of the space is determined by the developer (storage space, light production, etc).
- The leased premises have a standard technical specification.
- The space can be adapted to the lessee’s needs, although the scope of such change is limited.
- Adaptations can be financed by the lessee or by the developer; the cost may be paid as additional rent or offset against incentives.

This option is preferable for investors who:
- need the space as soon as possible;
- only require a small production space;
- can conduct their manufacturing services in a warehouse which has been adapted to their needs.
### Buy a facility? Three main options

#### Option 1: Fee development

Fee development is a form of cooperation between an investor and a developer, where the developer takes all the responsibility in the development process and provides the investor (i.e. future owner) with a facility built on the investor’s site and according to the investor’s technical specification.

The developer:

- proceeds with the due diligence of the site (which has already been purchased by the Investor or is purchased by the Investor as part of the process);
- incorporates the site into the Business Zone (if necessary);
- is responsible for financing and leasing the whole investment process;
- negotiates with the general contractor, provides all environment and building permits, telecom connections, road access, construction, permit for use and all paperwork for authorities and contractors;
- delivers the building according to the exact timing and technical specification required by the investor;
- having finished the development, hands over the building to the investor in the form of a freehold title.

After completion of the whole process, the investor:

- is the owner of the site and the building;
- operates in a building, which has been designed and constructed according to the investor’s specific business requirements;

#### Option 2: Own development

The investor leads the whole development process. This involves:

- proceeding with due diligence and purchasing the site;
- determining the technical specifications for the premises;
- being responsible for all paperwork and permits with regard to authorities and contractors;
- organising the tender for an architect and negotiating the conditions;
- organising the tender from general contractor among construction companies and negotiating conditions;
- supervising the whole development process.

The funding of the project is the responsibility of the investor.

The investor is the owner of the site and constructed building.

The length of the project development is dependent on the investor.

#### Option 3: Acquisition of an existing building

In this scenario the investor acquires an existing building, and the land it is on, according to technical specification and location preferences.

The building can be adapted to meet all of the investor’s requirements and the Investor bears all the costs regarding any improvements.
Overview of the permit process

Once the decision has been made as to how the property will be acquired, it is necessary to go through the steps of the various legal and technical procedures in order to obtain an occupancy permit and to be allowed to operate a constructed or refitted facility. The standard project delivery procedures are outlined in the table below with the provided average duration of each step being based on the typical project and typical location.

The first steps consist of the technical and legal due diligence of the site and the investigation of whether the property is contained in the local master plan or, if a planning decision will be required. In addition, utilities connection and various consents relevant to the development need to be obtained together with the environmental decision.

The next stage would require the drawing up of a building design suitable for the building permit, in order to obtain a valid building permit, which will allow the construction of the facility.

Finally, the commissioning and occupancy permit procedure should be followed in order to receive the final, valid occupancy permit, which will allow the operation of the facility.

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Average Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Obtain excerpt from the Land Registry for subject and bordering lands</td>
<td>1 day</td>
</tr>
<tr>
<td>2.</td>
<td>Obtain possession list for subject and bordering lands from the Ministry of Justice</td>
<td>3 days</td>
</tr>
<tr>
<td>3.</td>
<td>Obtain copy of cadastre plan</td>
<td>1 day</td>
</tr>
<tr>
<td>4.</td>
<td>Obtain decision from the municipal authority regarding utilities</td>
<td>22 days</td>
</tr>
<tr>
<td>5.</td>
<td>Pay water contribution to the state company Croatian Waters (Hrvatske Vode)</td>
<td>15 days</td>
</tr>
<tr>
<td>6.</td>
<td>Obtain a final building resolution from the Municipality of City of Zagreb</td>
<td>45 days</td>
</tr>
<tr>
<td>No</td>
<td>Activity Description</td>
<td>Responsible Authority</td>
</tr>
<tr>
<td>----</td>
<td>----------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>7</td>
<td>Obtain water and sewage connection</td>
<td>Water &amp; Sewage Authority</td>
</tr>
<tr>
<td>8</td>
<td>Obtain telephone connection</td>
<td>T-Hrvatski Telekom (T-HT; T-Croatian Telecom)</td>
</tr>
<tr>
<td>9</td>
<td>Apply for occupancy permit</td>
<td>Municipality</td>
</tr>
<tr>
<td>10</td>
<td>Receive on-site inspection and signature of completion statement</td>
<td>Municipality</td>
</tr>
<tr>
<td>11</td>
<td>Inform tax authority about new building</td>
<td>Tax Authorities</td>
</tr>
<tr>
<td>12</td>
<td>Register new construction with Land Registry</td>
<td>Land Registry Court</td>
</tr>
</tbody>
</table>

**Apply for occupancy permit**
Under new Law, the occupancy permit remains mandatory for the use of a completed building.

The procedure of issuance has not changed substantially, differing only in the documents which must be enclosed to the request for issuance. These include: (i) Confirmation of the main project design, (ii) Information on the participants in the construction (investor, designer, construction contractor, supervisory engineer), (iii) Report of the construction contractor that built the object, (iv) Final report of the supervisory engineer.

**Register new construction with Land Registry**
Registering the new construction is not mandatory but, without registration the owner cannot take out a mortgage. Having an occupancy permit is a precondition for registering the new construction.

The procedure takes at least 4 - 5 months assuming there is an experienced lawyer involved, constant following up is carried out and there are no hindrances of a legal nature on the property. In reality, nearly all land plots have some sort of claim disputing the ownership. The Land Registry Court has a major backlog of cases (over 46,000) from previous years.

Source: www.doingbusiness.org

Please note, that many of these activities coincide in time so that the total time required is much shorter than the total sum of number of days from the table.
8. Real Estate Acquisition

How can foreigners acquire real estate in Croatia?

As a general rule, foreign business entities and physical persons must seek special approval from the Ministry of Justice to acquire ownership of real estate in Croatia (the Croatian Law on Ownership and Other Real Rights, NN 91/96, 68/98, 137/99, 22/00, 73/00, 129/00, 114/01, 79/06, 141/06, 146/08, 38/09, 153/09 and 143/12, hereinafter as “the Law on Ownership”). Such special approval is primarily based on the principle of reciprocity. Approvals are not issued for agricultural land, national parks and other real estate of special national importance for Croatia. The process of obtaining approval usually takes between two to four months depending on backlogs.

However, EU citizens can freely acquire real estate in Croatia, with the exception of some special categories of real estate, such as agricultural land, land within national parks or reservations, etc.

There is no restriction on the indirect ownership of Croatian real estate by foreigners through a Croatian company. As a result, real estate development projects are often undertaken by foreigners through Croatian companies.

Necessity of undertaking an in-depth title search

There are two different property registries in Croatia – the Cadastral Registry which, inter alia, records plot position, boundaries, surface area, land culture and possession, and the Land Registry which, inter alia, records ownership and encumbrances. Although both registries are computerised and their records easily accessible on the internet, such records should only be used as a starting point.

During the period of communist rule, most real estate was nationalised and placed into social ownership. However, in the 1990’s the institute of private ownership of real estate became common again. With the Law on Restitution of Property Taken Away During Communist Rule (NN 92/96, 92/99, 80/02, 81/02 i 39/99, 42/99, 43/00, 131/00, 27/01, 65/01 and 118/01), the State commenced the process of payment of restitution, or return of real estate to those owners whose real estate was taken during the period of communist rule.

In accordance with the Law on Ownership, there is no reliance on Land Registry records for some real estate that was in social ownership as at 1 January 1997. Even for real estate in relation to which there should be reliance on the Land Registry records, it is advisable to undertake an in depth title search to ensure that there are no rights of third parties.

In some cases, going back to the root of title and reviewing individual inscriptions may not be realistic due to time constraints, or lack of available records. For real estate that was in social ownership as at 1 January 1997, one should at least go back to the inscription preceding the nationalisation, to determine the identity of the former private owners.

A proper title search commences by identifying the relevant plot numbers in both the Land Registry and the Cadastral Registry. If possible, it is advisable to obtain official plot identification from the Cadastral Registry.

It is possible that information on the particular real estate in either registry could be out-dated and may not reflect the actual status of the real estate. An attempt should be made to reconcile any discrepancies to ensure that they do not indicate the existence of rights of third parties. If there is a discrepancy in plot boundaries, it is always advisable to obtain an official survey.

As in some cases, the State or the local government may have the right of first refusal; official confirmations may have to be obtained from the relevant authorities on whether the real estate falls within this category, and whether the relevant authorities plan to exercise their pre-emption rights. For example, if the targeted real estate is designated as falling within the area of a national park, the Republic of Croatia, the county and the municipality all have pre-emption rights.

As Croatia is dotted with archaeological and historical sites, an investigation may be necessary with the Ministry of Culture into whether the targeted real estate has been placed under special cultural protection. The existence of an archaeological site on the targeted real estate could impede any development plans and cause additional construction expenses.

Furthermore, to confirm whether there are any restitution claims or claims for return related to the targeted real estate, a written request for confirmation should be filed with the relevant County Office for State Administration.

Should the targeted real estate be adjacent to the sea, another issue to consider is whether that real estate falls within the maritime domain. The maritime domain is an area of general national interest and as such cannot be subject to private ownership. The use of the maritime domain can only be obtained on the basis of a concession agreement for a period which cannot be longer than 99 years.

Acquisition process

In the following section we describe the different steps that have to be taken when acquiring real estate in Croatia from private parties, as opposed to public parties.

(i) Acquisition from a private party

The process of acquiring real estate from private parties is straightforward and comparable to other European countries.
Acquisition from private parties (physical persons or business entities)

- Title search and due diligence
- Negotiation
- If necessary to allow time for certain conditions to crystallize, a Preliminary Agreement is entered into.
- The Purchase Agreement is executed before a Public Notary, whereby the seller’s signature is notarized.
- The transfer of title is perfected by registering it in the Land Registry.

Acquisition from the Republic of Croatia

- Initial contact with GAMA where an investor expresses interest in acquiring a specific property.
- Valuation by GAMA performed by an independent valuer to set the initial asking price.
- Following the valuation, the Government of Croatia renders a decision on the particulars of the sale (e.g. method, terms, price, etc).

Process of public tendering
An announcement is published in a local newspaper and usually on the web sites of GAMA and the Croatian Chamber of Commerce. It should, inter alia, include the particulars of the sale with a detailed description of the real state, the initial price, and the amount of the proposal guarantee.

The deadline for submitting bids cannot be shorter than 30 days from the date of the announcement. Each bidder must provide a performance guarantee in the amount of 10% for real estate valued up to HRK 1 million, 5% for real estate valued between HRK 1 million and HRK 100 million, and 2% for real estate valued over HRK 100 million €13.3 million.

- Selection of the winning bidder.
- The Purchase Agreement is executed before a Public Notary (the seller’s signature is notarized) following which the investor must pay the purchase price (within 30 days of entering into the Purchase Agreement). Prior to entering into the Purchase Agreement, GAMA must seek an opinion of the State Attorney on the transaction.

An investor may acquire rights to the use of public sector real estate through concessions. The process of granting concessions, inclusive of those over maritime domain, is governed by the Law on Concessions (NN 143/2012). Concessions are granted through public tendering and often as a part of a public-private partnership project.

Investment incentives
Pursuant to the Act on Investment Promotion and Enhancement of the Investment Environment (NN 111/12 and 28/13), investments that are focused on establishing and constructing high-technology logistics and distribution centres providing “intermodal transportation of goods, warehousing, packaging and handling of goods” may be eligible for investment incentives. In general, the eligibility criteria is related to the amount of the investment, the number of new employment positions created by the investment and the location of the investment. In order to be a beneficiary of the afore mentioned incentive measures, prior to commencing an investment project the investor must file an application either with the Ministry of Entrepreneurship and Crafts, or the Ministry of Economy depending on whether the applicant is a micro, small, medium, or large enterprise.
9. Setting-up a Business

Introduction

There are no restrictions on foreign ownership of Croatian business enterprises. The primary legislation governing the form and regulation of companies in Croatia is the Croatian Companies Law (NN 111/93, 34/99, 52/00, 118/03, 146/08, 137/09, 152/11 and 111/12) ("the CCL"). The CCL is based on the German Companies Law. The following forms of commercial enterprise are most commonly used in Croatia:

<table>
<thead>
<tr>
<th>English</th>
<th>Croatian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint-stock company</td>
<td>Dioničko društvo (in Croatian abbreviated as &quot;d.d.&quot;)</td>
</tr>
<tr>
<td>Limited liability company</td>
<td>Društvo s ograničenom odgovornošću (in Croatian abbreviated as &quot;d.o.o.&quot;)</td>
</tr>
<tr>
<td>Simple limited liability company</td>
<td>Jednostavno društvo s ograničenom odgovornošću (in Croatian abbreviated as &quot;j.d.o.o.&quot;)</td>
</tr>
<tr>
<td>Sole proprietorship</td>
<td>Obrt (in Croatian abbreviated as &quot;o.b.&quot;)</td>
</tr>
<tr>
<td>General partnership</td>
<td>Javno trgovačko društvo (in Croatian abbreviated as &quot;j.t.d.&quot;)</td>
</tr>
<tr>
<td>Limited partnership</td>
<td>Komanditno društvo (in Croatian abbreviated as &quot;k.d.&quot;)</td>
</tr>
</tbody>
</table>

In practice, most foreign investors are likely to form or take a financial interest (i.e. acquire shares / stakes) in either a limited liability company or a joint-stock company.

Limited liability company

A limited liability company is a very popular entity form for small and medium-sized businesses in Croatia. Further, in practice, limited liability companies are the most common legal form for wholly owned subsidiaries. A limited liability company is registered in the Commercial Court Register, and may be established by one or more physical persons or legal entities. With the exception of some special circumstances, where the corporate veil can be pierced, founders of a limited liability company are not personally liable for the obligations of the limited liability company.

The minimum share capital required to establish a limited liability company is HRK 20,000 (approximately EUR 2,700). The share capital is divided into shares with a nominal value of at least HRK 200. Unless stated otherwise, each member’s share can be freely transferred and inherited. The share capital can be paid in cash, or in kind by contribution of rights or assets. Contributions in kind must be valued by a certified court valuator and must be made in full before the registration of the company.

In general, limited liability companies require lower standards of corporate governance than joint-stock companies. A limited liability company usually has only two governing bodies: the general assembly and the management board.

A supervisory board is mandatory if, inter alia, the average number of employees during a year exceeds 200, or if the limited liability company’s share capital exceeds HRK 600,000 (approximately EUR 81,000), and the company has 50 members/ shareholders or more.

The management and representation of a limited liability company is carried out by the management board. The management board consists of one or more members. The CCL does not impose a maximum term of appointment, but the same can be determined by the Deed of Incorporation. If not determined otherwise by the Deed of Incorporation, members of the management board represent the company jointly. There is no requirement for members of the management board to be employed by the company. There are no restrictions with respect to the appointment of a foreign national as a member of a management board.

If not stipulated otherwise, in the Deed of Incorporation the general assembly may pass its decisions by a simple majority. However, some decisions (e.g. amendments to the Deed of Incorporation, increase of share capital, winding-up of the company) must be made by a majority of at least three quarters of the votes present (unless a higher majority requirement is imposed by the Deed of Incorporation).

Simple limited liability company

A simple limited liability company was introduced into the Croatian legal system by the amendments to the CCL that came into force on 18 November 2012.

The minimum amount of share capital of a simple limited liability company is HRK 10.00 (approximately EUR 1.35). The share capital is divided into shares with a nominal value of at least HRK 1. The share capital must be paid in cash prior to registration of the company. It is not possible for the share capital to include contributions in kind.

A simple limited liability company cannot have more than three shareholders and can only have one member of the management board appointed (and revoked) by the shareholders.

A simple limited liability company must allocate one quarter of the profit reported in the annual financial statements into legal reserves. The legal reserves can be used only to increase the share capital of the simple limited liability company and to cover losses that cannot be covered from the current year’s profit. If a simple limited liability company increases its share capital to the legal minimum required to establish a regular limited liability company, the requirement of having to allocate profit to the legal reserves no longer exists, but in those cases a new Deed of Incorporation has to be adopted.
**Joint stock company**

A joint-stock company is registered in the Commercial Court Register and may be established by one or more physical persons or legal entities.

A joint-stock company has share capital which is divided into shares. The nominal value of a share must not be less than HRK 10, must be expressed in HRK and must be divisible by 10. The minimum amount of initial share capital required to establish a joint-stock company is HRK 200,000 (approximately EUR 27,000). The share capital can be paid in cash, or in kind by contribution of rights or assets. Before registration of a joint-stock company, a proportion of the share capital must be paid into a Croatian bank account. At least one quarter of the nominal amount of each share must be paid before registration, and, if a share is issued in an amount higher than its nominal share amount, the entire amount exceeding the nominal share amount must be paid into the bank account.

For capital contributions in kind, the investment must be contractually agreed prior to registration of the company with the Commercial Court Register. The market value of the consideration must be certified by a court approved auditor.

Shares can either be ordinary or preference shares. Ordinary shares provide their holders with the right to vote at general assembly meetings; the right to receive dividends when declared; and a claim on the net assets of the joint-stock company in case of liquidation or bankruptcy. Preference shares provide their holders with the right to a fixed dividend (which may be cumulative); priority over ordinary shareholders in receiving payment of dividends; and priority over ordinary shareholders in receiving payments in liquidation. Preference shares may be issued with or without voting rights.

Shares may only be issued in a shareholder’s name. The CCL allows the issuance of registered interim shares prior to shares being paid in full. Although shares are in principle freely transferable, the Articles of Association may stipulate restrictions with respect to registered material shares, requiring the company’s consent for their transfer. The transfer of shares issued in non-material form, however, may not be restricted.

A joint-stock company generally has three mandatory bodies: the general assembly, the supervisory board and the management board.

A supervisory board consists of at least 3 members and may not exceed, depending on the amount of the company’s share capital, 9, 15 or 21 members. The members of a supervisory board are elected for terms of up to 4 years with the possibility of re-election.

The supervisory board appoints a management board. If the management board consists of more than one person, one person must be appointed as its chairman. The members of the management board (directors) may be Croatian or foreign citizens who are appointed to the management board for terms of up to 5 years with the possibility of reappointment.

A joint stock company is required to allocate to its reserves, funds equal to 5% of the current year’s profit, reduced by the amount of any loss from the previous year, until those reserves, together with any capital profits, reach at least 5% of the share capital (or a higher amount prescribed by the Articles of Association).

Unless stated otherwise in the Articles of Association, the general assembly passes its decisions by a simple majority, except in the cases previously mentioned in relation to a limited liability company where the majority of at least three quarters of the votes present is required.

**Registration**

All companies are required to be registered with the Commercial Court Register. There are seven Commercial Courts in Croatia, located in: Bjelovar, Rijeka, Osijek, Split, Varazdin, Zadar and Zagreb. However, Commercial Courts also have branches in most bigger cities of the Croatia. The location of the seat of the company being registered determines which court has jurisdiction.

The application for registration has to be executed before a Croatian Public Notary, and the Deed of Incorporation, or the Articles of Association, have to be prepared in the form of a notarial deed.

The application for registration must be executed by all members on the management board, and the president of the supervisory board (if the company has a supervisory board).

The founders and new shareholders of commercial companies, both physical and legal persons, must warrant that they have no outstanding Croatian tax and social security debts, or debts for salaries to employees. Furthermore, founders and new shareholders have to provide a list of other companies registered in Croatia in which they own 5% or more of the shares, and also warrant that those companies have no outstanding Croatian tax and social security debts, or debts for salaries to employees.

All founders of a limited liability company must be inscribed with the Commercial Court Register.

If a joint stock company has one shareholder, this shareholder shall be inscribed with the Commercial Court Register. Shareholders of a joint stock company can either be issued share certificates in their name, or be inscribed with the Central Clearing and Depository Company.

Registration of a simple limited liability company generally follows the same pattern as for limited liability companies, but the incorporation documents consist of pre-printed forms that have to be executed before a Croatian Public Notary.
10. Tax Structure in Croatia

Corporate Profit Tax (CPT)

Croatian resident companies (that either have their registered office or place of effective management in Croatia) pay CPT on their worldwide income and capital gains. Non-resident companies are taxed only on income and capital gains earned in Croatia, unless a specific double tax treaty (DTT) provides otherwise.

The standard CPT rate is 20%.

CPT is payable on taxable income which is pre-tax accounting profit according to the accounting framework applicable to the taxpayer, either International Financial Reporting Standards (IFRS) or Croatian Financial Reporting Standards (CFRS), adjusted in accordance with the CPT Law.

Adjustments include, amongst others, increasing accounting profit for entertainment, car related expenses, excessive interest paid on certain related party loans, depreciation in excess of prescribed rates, penalties, etc.

A company can reduce its tax base by the amount of declared after tax profit used to increase the company’s share capital. In addition, a company can reduce its tax base if it qualifies under the Law on Promotion of Investment and Improvement of the Investment Environment, Special State Care Areas Law, Hill and Mountain Areas Law, Free Trade Zones Law, Law on Renewal and Development of the City of Vukovar, Law on Scientific Activities and Higher Education and Training and the Education Incentives Law.

In addition, dividends received are not subject to CPT.

A CPT return must be submitted to the Croatian Tax Authorities (CTA) within 4 months of the company’s tax year end (31 December, unless permission to use another date has been granted).

Companies pay monthly advance CPT payments based on the CPT return for the previous tax period. The advance CPT payment for each month is payable by the end of the following month, in the amount equal to the previous tax period’s liability divided by the number of months in the tax period. The first advance payment for the year is due by the end of the month following in which the CPT return for previous year was submitted. The amounts of CPT advance payments can be changed in certain circumstances (e.g. at the request of the company). Companies which start performing business activities are not required to make advance payments until their first CPT return is submitted.

The standard withholding tax rate is 12% on dividends and 15% on interest and royalties, as well as on market research services, tax, business advisory and audit services paid to a non-resident may be reduced or eliminated pursuant to a DTT concluded between Croatia and the country of residence of the non-resident. In order to apply a reduced rate of withholding tax under a DTT the non-resident should provide the Croatian payer with a prescribed form verified by the tax authority of its country of residence. If a zero rate applies under a DTT, the non-resident can, instead of the form verified by the tax authority of its country of residence, provide the Croatian payer with the tax residence certificate issued by the tax authority of its country of residence.

The provisions of the Interest and Royalties Directive, the Parent Subsidary Directive and the Merger Directive are incorporated in the Croatian CPT legislation, and will become effective as of Croatian EU accession (expected 1 July 2013).

Personal Income Tax (PIT)

Individuals who are tax resident in Croatia pay tax on their worldwide income. An individual is deemed to be tax resident in Croatia if he/she has “residence” or “habitual abode” in Croatia.

An individual has “residence” in Croatia if he/she owns/rents accommodation without interruption for at least 183 days in one or two consecutive calendar years.

An individual has “habitual abode” in Croatia if the circumstances suggest that he/she permanently resides in that place or region for a period of at least 183 in one or two consecutive calendar years.

A resident taxpayer is also an individual who has neither “residence” nor “habitual abode” in Croatia, but is employed by the Croatian government and receives a salary based on this appointment.

Limited taxation (e.g. on income sourced in Croatia only) applies to those individuals who are not tax resident in Croatia.

PIT is payable on most sources of income, including:

- employment income;
- self-employment income;
- income from property and proprietary rights;
- income from capital;
- income from insurance; and
- other income.

Income from dividends and profit shares paid after 1 March 2012 (except for dividends and profit shares earned up to and including 31 December 2000 and dividends and profit shares realized through qualifying ESOP programs) is taxable at source at the rate of 12%. A non taxable threshold of HRK 12,000 per annum can be claimed upon submission of an annual PIT return.

Annual taxable income bands are as follows:

- income up to HRK 26,400 (approx. EUR 3,520) - 12%
- income between HRK 26,400 and HRK 105,600 (EUR 3,520-14,080) – 25%
- income above HRK 105,600 (approx. EUR 14,080) – 40%
Taxpayers who are required to submit their annual PIT return for the total income derived in the tax year must do so by the 28 February of the following year.

Employees are obliged to pay pension insurance contributions on their gross wages and salaries at a 20% rate. The contributions due from employees are paid at the following rates:

- 15% to the Pillar I pension insurance fund (the State fund); and
- 5% to a Pillar II pension insurance fund (four private pension funds to choose from).

In addition, employers pay contributions based on gross wages and salaries for health insurance (at a 13% rate), for unemployment insurance (at a 1.7% rate) and for injury insurance (at a 0.5% rate).

**Value Added Tax (VAT)**

Croatian VAT legislation is in the process of being harmonised with the EU VAT framework and according to the currently available draft VAT Law there will be significant changes. Most of the changes will become effective as of Croatian EU accession (1 July 2013).

One of the major changes, which is of importance for the Croatian logistics sector, is a change regarding financing of import VAT. The import of goods from non-EU countries into Croatia is subject to Croatian import VAT that is generally payable upon the import of goods. However, as of Croatian EU accession the import of goods from non-EU countries into Croatia will be exempt from Croatian VAT if the imported goods will be supplied to another EU member state. In order to apply this exemption the Croatian importer will need to meet certain conditions.

There will be other changes, especially with regards to the place of taxation of services, introduction of intra-EU taxation rules, provisions regarding VAT refunds to taxpayers established in another EU member state and VAT refunds to taxpayers established in non-EU member states.

Our comments below are based on currently applicable VAT legislation.

The standard VAT rate in Croatia is 25%.

There are also reduced rates of 10% and 5%.

The reduced VAT rate of 10% applies to tourist accommodation, full or half board services and tourist agents’ commission with regards to those services, daily and periodic newspapers and magazines, edible oils and fats, baby food, supply of water (except bottled or otherwise packaged drinking water), refined (white) sugar and certain hospitality services.

The reduced VAT rate of 5% applies to bread, milk, certain books, certain medicines, medical implants and orthopaedic devices, public film projection services, scientific magazines and temporarily imported vessels for sports and leisure purposes which are placed into free circulation by 31 May 2013.

Certain supplies are exempt from VAT (no right to recover input VAT), for example, financial and insurance services, health and welfare services, education services, deliveries by charitable organizations, deliveries by museums, libraries, theatres, orchestras and other cultural services, betting and gambling, rent of residential property, etc.
Jones Lang LaSalle is a financial and professional services firm specialising in real estate. The firm offers integrated services delivered by expert teams worldwide to clients seeking increased value by owning, occupying or investing in real estate. With 2012 global revenue of $3.9 billion, Jones Lang LaSalle serves clients in 70 countries from more than 1,000 locations worldwide, including 200 corporate offices.

In Croatia and CEE, Jones Lang LaSalle is a leader in the provision of the following services for the real estate industry:
- Land search & acquisition
- Industrial and Logistics buildings search & acquisition
- Built-to-suit projects to own or to lease
- Tenant representation
- Landlord & landowner advisory
- Office market consultancy and agency
- Retail consultancy and agency
- Valuation and Professional Services
- Market Research
- Technical due diligence and feasibility study for developments
- Construction services: project management, value engineering, quality and cost control.

Antal International is a managerial and professional recruitment specialist with a global reach which was founded in 1993. One of the first recruitment organisations to devote substantial resources to international and emerging markets, the company now operates around the world through an integrated network of over 100 offices in 35 countries and works with many of the world’s most successful and ambitious employers. Antal International holds numerous awards for recruitment excellence, exceptional and consistent growth, international recruitment, brand building and business vision.

Antal International Adriatic was established in Croatia in 2003. In very short period of time we have become one of the leading agencies, with excellent knowledge of local trends, markets and industries and with clear focus on understanding client’s needs: to find and recognize profiles, experience and characteristics of candidates who can fulfill specific client requirements.

For more information please visit www.antal.com

KPMG Legal s.r.o. - Branch Office Zagreb
KPMG Legal s.r.o.’s team in Croatia specialises primarily in corporate law, employment and labour law, transactions (mergers and acquisitions as well as contractual law in general) and regulatory issues (public law), and serves both international and local clients.

Our legal team works together and shares knowledge with other professionals within KPMG in Croatia and KPMG in Bosnia-Herzegovina specialising in tax, accounting, risk management and compliance, transactions and other areas to offer a broad range of services tailored to our clients’ needs. We can find practical ways of meeting both the legal and business needs of our clients within complex accounting, tax and regulatory frameworks.

The KPMG Legal team is part of KPMG’s global network of legal advisors. For more information, please visit http://www.kpmg.com/CZ/en/services/Tax/Legal-Services/

KPMG Croatia d.o.o
KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We have more than 152,000 outstanding professionals working together to deliver value in 156 countries worldwide. We provide services and industry insight to help organisations negotiate risks and perform in the dynamic and challenging environments in which they do business.

In every industry, tax has become a boardroom issue. Whether a company is seeking to expand business locally or reach across national boundaries, management should be building tax considerations into its overall business strategy. The number one priority of KPMG’s tax practice is to deliver a portfolio of services that matches organisations’ changing needs in today’s global marketplace.

KPMG in Croatia’s tax practice is an integral part of KPMG in Croatia which boasts 7 partners and 185 staff members. For more information please visit www.kpmg.hr