Investment Guide
Investment Guide
Contents

1. About Croatia
   1.1 Basic Indicators page 6
   1.2 Strategic Location page 7
   1.3 Infrastructure page 7
   1.4 Trade Exchange page 8
   1.5 Foreign Direct Investment page 10

2. Investment Locations
   2.1 Business Zones in Croatia page 14

3. Human Capital
   3.1 Education System page 22
   3.2 Available Labour Force page 23

4. Costs of Doing Business
   4.1 Salaries page 28
   4.2 Utilities page 32
   4.2.1 Electricity page 33
   4.2.2 Natural Gas page 34
   4.2.3 Water page 35

5. Legal Environment
   5.1 Status of Foreign Investors page 38
   5.2 Intellectual Property Rights page 38
   5.3 Establishing a Company page 38
   5.3.1 Setting up a Branch Office page 39
   5.3.2 Opening a Representative Office page 40
   5.4 Employment of Foreign Citizens page 40
   5.4.1 Work Registration Certificate page 41
   5.4.2 Posted Worker page 41

6. Tax System
   6.1 Profit Tax page 44
   6.2 Income Tax and Surtax page 44
   6.3 Value-Added Tax (VAT) page 44
   6.4 Real Estate Transfer Tax page 45

7. Strategic Investment Projects
   7.1 Profit Tax page 44
   7.2 Income Tax and Surtax page 44
   7.3 Value-Added Tax (VAT) page 44
   7.4 Real Estate Transfer Tax page 45

8. Support For Research And Development Projects
   8.1 Profit Tax page 44
   8.2 Income Tax and Surtax page 44
   8.3 Value-Added Tax (VAT) page 44
   8.4 Real Estate Transfer Tax page 45

9. Investment Incentives
   9.1 Profit Tax page 44
   9.2 Income Tax and Surtax page 44
   9.3 Value-Added Tax (VAT) page 44
   9.4 Real Estate Transfer Tax page 45

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About Croatia
4—11

Investment Locations
12—19

Human Capital
20—25

Costs of Doing Business
26—35

Legal Environment
36—41

Support For Research
And Development Projects
56—59

Strategic Investment
Projects
60—63

Investment Incentives
46—55

Ministry of Economy,
Entrepreneurship and Crafts
64—67

Investment Incentives
46—55

Ministry of Economy,
Entrepreneurship and Crafts
64—67
About Croatia

1. About Croatia

1.1. Basic Indicators
1.2. Strategic Location
1.3. Infrastructure
1.4. Trade Exchange
1.5. Foreign Direct Investments
1. Basic Indicators

1.1. Land Area
56,594 km²

1.2. Population
4,125 m

1.3. Political System
Parliamentary democracy

1.4. Territorial Organisation
20 counties and the City of Zagreb

1.5. Capital
Zagreb

1.6. Official Language
Croatian

1.7. Currency
Kuna (HRK)

1.8. Average Exchange Rate
1 EUR = 7.41; 1 USD = 6.28

1.9. International Telephone Code
00 385

1.10. Internet Country Code
.hr

1.11. Time Zone
Central European Time (CET)

1.12. Climate
Continental & Mediterranean

1.3. Infrastructure

1.3.1. All of Europe within 3 hours

1.3.2. Shortest transit time from the Far East through quality seaports

1.3.3. Direct access to Rhine–Main–Danube waterway through four main river ports

1.3.4. Corridor VII

1.3.5. Pan-European Corridors (X, Vb, Vc) cross its territory

MAIN MACROECONOMIC INDICATORS

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (MILLION EUR, CURRENT PRICES)</td>
<td>43,808</td>
<td>43,456</td>
<td>44,630</td>
<td>46,664</td>
<td>49,013</td>
<td>51,496</td>
</tr>
<tr>
<td>GDP GROWTH RATE (CONSTANT PRICES), %</td>
<td>-0.5</td>
<td>-0.1</td>
<td>2.4</td>
<td>3.5</td>
<td>2.9</td>
<td>2.6</td>
</tr>
<tr>
<td>GDP PER CAPITA, CURRENT PRICES (EUR)</td>
<td>10,293</td>
<td>10,254</td>
<td>10,616</td>
<td>11,180</td>
<td>11,882</td>
<td>12,594</td>
</tr>
<tr>
<td>IMPORT OF GOODS AND SERVICES (% OF GDP)</td>
<td>42.5</td>
<td>43.4</td>
<td>45.8</td>
<td>46.8</td>
<td>51.3</td>
<td>51.6</td>
</tr>
<tr>
<td>EXPORT OF GOODS AND SERVICES (% OF GDP)</td>
<td>42.8</td>
<td>45.3</td>
<td>48.1</td>
<td>48.8</td>
<td>51.3</td>
<td>51.6</td>
</tr>
<tr>
<td>INFLATION (ANNUAL AVERAGE), %</td>
<td>2.2</td>
<td>-0.2</td>
<td>-0.5</td>
<td>-1.1</td>
<td>1.1</td>
<td>1.5</td>
</tr>
<tr>
<td>UNEMPLOYMENT RATE (ILO), %</td>
<td>17.3</td>
<td>17.3</td>
<td>16.2</td>
<td>13.1</td>
<td>11.2</td>
<td>8.4</td>
</tr>
</tbody>
</table>

SOURCE: CNB 2019, EUROSTAT 2019
1.4. Trade Exchange

More than half of foreign trade exchange occurs with EU countries. Croatia’s most important foreign trade partners are Germany, Italy, Slovenia, Austria, Hungary and Bosnia and Herzegovina.

<table>
<thead>
<tr>
<th>Import</th>
<th>Export</th>
<th>% Export</th>
<th>% Import</th>
<th>Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>GERMANY</td>
<td>3,602,850</td>
<td>15.23%</td>
<td>10.45%</td>
<td>2,473,317</td>
</tr>
<tr>
<td>ITALY</td>
<td>3,113,809</td>
<td>13.16%</td>
<td>1.43%</td>
<td>337,448</td>
</tr>
<tr>
<td>SLOVENIA</td>
<td>2,636,945</td>
<td>11.51%</td>
<td>1.93%</td>
<td>457,446</td>
</tr>
<tr>
<td>HUNGARY</td>
<td>1,815,872</td>
<td>7.68%</td>
<td>13.61%</td>
<td>3,220,527</td>
</tr>
<tr>
<td>AUSTRIA</td>
<td>1,625,016</td>
<td>6.87%</td>
<td>13.61%</td>
<td>3,220,527</td>
</tr>
<tr>
<td>OTHER</td>
<td>10,863,179</td>
<td>45.92%</td>
<td>100.00%</td>
<td>23,657,670</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GERMANY</td>
<td>1,916,224</td>
<td>13.20%</td>
<td>10.45%</td>
<td>2,473,317</td>
</tr>
<tr>
<td>ITALY</td>
<td>2,119,305</td>
<td>14.60%</td>
<td>1.43%</td>
<td>337,448</td>
</tr>
<tr>
<td>SLOVENIA</td>
<td>1,604,906</td>
<td>11.06%</td>
<td>1.93%</td>
<td>457,446</td>
</tr>
<tr>
<td>BOSNIA-HERZEGOVINA</td>
<td>1,361,904</td>
<td>9.38%</td>
<td>13.61%</td>
<td>3,220,527</td>
</tr>
<tr>
<td>AUSTRIA</td>
<td>935,481</td>
<td>6.44%</td>
<td>13.61%</td>
<td>3,220,527</td>
</tr>
<tr>
<td>OTHER</td>
<td>6,579,432</td>
<td>27.81%</td>
<td>100.00%</td>
<td>23,657,670</td>
</tr>
</tbody>
</table>

Source: CNB 2019, EUROSTAT 2019
1.5. **Foreign Direct Investment**

Between 1993 and 2018, Croatia has received foreign direct investments in the amount of EUR 33.68 billion.

**Share of foreign direct investments in Croatia by activity (1993—2018)**

- Manufacturing: 18%
- Real estate and construction: 15%
- Financial services: 31%
- Trade: 15%
- Other sectors: 11%
- ICT: 7%
- Accommodation: 3%

**Share of foreign direct investments in Croatia by country (1993—2018)**

- Austria: 13%
- Netherlands: 20%
- Italy: 11%
- Germany: 10%
- Luxembourg: 8%
- Hungary: 8%
- Other countries: 23%
- United Kingdom: 3%
- Slovenia: 4%

*Source: CNB 2019, Eurostat 2019*
Investment Locations

2.

2.1. Business Zones in Croatia
2.2. Land Acquisition
2.3. Construction Permits
  2.3.1. Compatibility with Physical Plans
  2.3.1.1. Location Information
  2.3.2. Location Permit
  2.3.3. Special Conditions and Main Design Verification
    2.3.3.1. Notification on the Main Design Creation Requirements
    2.3.3.2. Determining Special Conditions and Verifying the Main Design
  2.3.4. Building Permit
  2.3.4.1. e-Building Permit
  2.3.5. Use Permit
2.1. Business Zones in Croatia

Business zones are specifically designated areas of industrial real estate owned by the Republic of Croatia, local municipalities or private entities. There are more than three hundred infrastructure-ready zones, ranging in size from ten thousand square metres to several million square metres.

The land located within the business zones is ready for investment projects:
— legal issues regarding land ownership have been settled;
— physical plans have been adopted; and
— the land is equipped with utility, transport and ICT infrastructure.

Each of these business zones offers numerous benefits to potential investors, such as:
— full or partial exemption from the communal contribution fee;
— full or partial exemption from the communal contribution tax;
— low price of land;
— developed infrastructure; and
— direct and indirect state incentives.

Business zones provide the ideal infrastructure for the quick and successful establishment of business activities, and are often equipped with available office space.

The Ministry of Economy, Entrepreneurship and Crafts has one of the largest databases of the available business zones in Croatia, which includes all relevant information about the business zones. (www.investcroatia.gov.hr).

2.2. Land Acquisition

Citizens and legal persons of the European Union may acquire real estate in Croatia without any hindrances, i.e. under the same conditions as Croatian citizens, with the exception of agricultural land and real estate located in protected nature areas.

Non-EU citizens and legal persons may acquire real estate in Croatia based on the principle of reciprocity, i.e. under the same rules which apply to Croatian citizens in the foreigner’s own country. To ascertain whether this reciprocity exists, please visit the webpage of the Croatian Ministry of Justice www.pravosudje.gov.hr/istaknute-teme/stjecanje-prava-vlasnistva/informacije-o-uzajamnosti-u-stjecanju-prava-vlasnistva-nekretnina-izmedju-republike-hrvatske-iostalih-drzava/6186. For this kind of land acquisition, consent of the Minister of Justice is also required. Non-EU citizens and legal persons, may not acquire (i) agricultural or forest land, unless otherwise provided by an international treaty, or (ii) real estate located in certain areas declared to be of importance to the interests and security of the Republic of Croatia.

Real estate located within the maritime domain may not be acquired, and may only be used with granted concessions. More information on this matter can be obtained from the Ministry of the Sea, Transport and Infrastructure (www.mipi.hr).

Purchase of real estate that has been identified as culturally significant is subject to a pre-emption right of the local and national authorities.

Agricultural real estate owned by the Republic of Croatia may only be acquired in exceptional circumstances, although long-term leases of the same may be acquired.

Acquisition of agricultural land owned by the State is within the responsibility of the Ministry of Agriculture, which can provide all relevant information (https://poljoprivreda.gov.hr/).

The ownership and possession status of real estate can be determined by accessing the Land Registry at the Municipal Court and the Cadastre at the local Cadastre Office. It is necessary to check the physical planning documentation to determine the zoning of the land (e.g. construction, tourism, agriculture etc.). Croatia’s land records are available online (https://foss.uredjazenimlj.png.hr/public/index.jsp).

In Croatia, the acquisition of real estate requires a written agreement in the form of a notarial deed. After the purchase contract has been signed, ownership must be registered in the land registry. To do this, it is necessary to submit an application form together with the necessary documentation (original or verified copy) to the land registry department of the Municipal Court. After registration, the owner will receive the ownership deed. Change of ownership is also registered in the Cadastre.

The purchase of land is subject to the real estate transfer tax (3%), and the purchaser is obliged to give notice of the tax duty to the relevant Tax Authority. The Tax Authority may, at its discretion, re-evaluate the value stated in the sale and purchase contract and calculate the tax based on the market value of the real estate. It should be noted that, as of 1 January 2015, a new concept for the taxation of real estate (i.e. buildings and land) provided for by the Value Added Tax Act (OG, 73/13, 99/13, 148/13, 153/13, 143/14, 115/16, 106/18) was introduced, whereby sale of construction land is obliged to VAT (currently 23%).

2.3. Construction Permits

Relevant laws:
— Physical Planning Act (OG 153/13, 65/17, 114/18, 39/19)
— Building Act (OG 153/13, 20/17, 39/19)

LOCATION PERMIT (IF NECESSARY)

BUILDING PERMIT

USE PERMIT

SPECIAL CONDITIONS MAIN DESIGN VERIFICATION CONSTRUCTION WORKS START OF OPERATION

INVESTMENT LOCATIONS INVEST CROATIA
2.3.1. Compatibility with Physical Plans

Any spatial intervention needs to be carried out in accordance with the physical plans, or in accordance with the act for the implementation of the physical plan and special regulations, if not prescribed otherwise by the Physical Planning Act.

2.3.1.1. Location Information

To familiarise themselves with the spatial purpose and conditions of the spatial intervention prescribed by physical plans on a particular plot of land, the interested party may request a Location Information, which shall then be issued by the administrative authority in whose area the land plot is situated.

2.3.2. Location Permit

In most cases, a Location Permit is not necessary. The Physical Planning Act prescribes that Location Permits only have to be obtained for:
— exploration fields, construction of mining facilities and facilities supporting mining operations, storage and permanent disposal of hydrocarbon gases in geological structures;
— determining the location of new military locations and military buildings;
— interventions in space which under the special regulations that regulate construction are not considered as construction work;
— staged and/or phased construction of buildings; and
— construction on land or buildings where the investor has not resolved property-related rights or for which it is necessary to carry out expropriation.

In other cases, the investor needs only to obtain the Building Permit.

2.3.3. Special Conditions and Main Design Verification

Special conditions are conditions determined by designated public law bodies which need to be met in building construction, excluding the conditions determined in the process of environmental impact assessment and the review procedure of project acceptability for the ecological network.

The Main Design is a set of mutually harmonised projects which provides technical building solutions and demonstrates the fulfilment of basic building requirements and other prescribed and determined requirements and conditions. The Main Design for the construction of buildings for which a Location Permit has been issued needs to be made following the site conditions stipulated in the said permit. The Main Design for the construction of buildings, for which a Location Permit is not required, needs to be made following the Special Conditions.

2.3.3.1. Notification on the Main Design creation requirements

In cases of building construction for which a Location Permit is not required, the investor may request from the administrative authority or Ministry of Construction and Physical Planning to be informed from which competent public bodies it is necessary to obtain Special Conditions. The Main Design for a specific building on a specific location must follow these Special Conditions.

2.3.3.2. Determining Special Conditions and Verifying the Main Design

The investor is required to align the Main Design with the Special Conditions and to submit the Main Design to the competent public body for obtaining Main Design verification. Special Conditions are obtained via the competent body or the Ministry of Construction and Physical Planning which will invite the public law body to determine the Special Conditions. The public law body is obliged to determine the special conditions within 15 days from the date of receipt of the request or within 30 days if the special conditions are for the specially classified buildings.

2.3.4. Building Permit

The application for a Building Permit is submitted by the investor. Under the provisions of the Building Act, a Building Permit must be obtained for:
— the construction of an entire building;
— the execution of works on an existing building prescribed by the Building Act;
— the construction of one or more complete buildings within a complex building (phases) determined by the Location Permit; and
— one or more phases of certain individual buildings determined by the Location Permit.

The Main Design is an integral part of the Building Permit.

If, after the issuance of a Building Permit, there is a change of the investor named in the Building Permit, the new investor is required to, within fifteen days from the date of the said change, request the change of name in the Building Permit. Without the change of name in the Building Permit, the construction of the building for which the Building Permit has been issued shall not be allowed to commence.

2.3.4.1. e-Building Permit

The e-Building project is intended to facilitate and accelerate the Building Permit process by allowing the issuance of the e-Building Permits online. For more information about the e-Building Permit, please visit: https://dozvola.mgipu.hr/
2.3.5. Use Permit

For a newly-constructed or renovated building to be used or put into operation, a Use Permit for that building has to be issued.

An application for the issuance of a Use Permit is submitted by the investor or the owner of the building. A Use Permit is issued after a technical inspection ensures that the building was built in accordance with the Building Permit.

For more information about the Physical Plans and Construction Permits, please contact:

Ministry of Construction and Physical Planning
Ulica Republike Austrije 20,
HR – 10 000 Zagreb
P: +385 1 3782-443; 3782-444
F: +385 1 3772-822
https://mgipu.gov.hr/
3. Human Capital

3.1. Education System

3.2. Available Labour Force
3. Education System

At the beginning of the 2016/2017 school year, there were 1,727 preschool institutions, 2,118 primary schools, 743 secondary schools and 151 higher education institutions; which included eight public universities, three private universities, 82 faculties and academies, six private polytechnics, 11 public polytechnics, 19 private colleges and three public colleges.

Having signed the Bologna Declaration, Croatia assumed the obligation of becoming a member of the uniform European system of higher education, with the first generation of students enrolled in line with the Bologna system during the 2005/06 academic year. The total number of students graduating in Croatia in 2017 was 32,728.

| PUBLIC UNIVERSITIES | 8 |
| PRIVATE UNIVERSITIES | 3 |
| FACULTIES AND ACADEMIES | 82 |
| PRIVATE POLYTECHNICS | 6 |
| PUBLIC POLYTECHNICS | 11 |
| PRIVATE COLLEGES | 19 |
| PUBLIC COLLEGES | 3 |

Source: CBS, Agency for Science and Higher Education, 2019

3.2. Available Labour Force

Having signed the Bologna Declaration, Croatia assumed the obligation of becoming a member of the uniform European system of higher education, with the first generation of students enrolled in line with the Bologna system during the 2005/06 academic year. The total number of students graduating in Croatia in 2017 was 32,728.

Students who graduated from a university study or completed a professional study, by the institution

<table>
<thead>
<tr>
<th>SCHOOLS OF PROFESSIONAL HIGHER EDUCATION</th>
<th>POLYTECHNICS</th>
<th>PROFESSIONAL STUDY</th>
<th>UNIVERSITY STUDY</th>
<th>ART ACADEMIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>1,799</td>
<td>3,470</td>
<td>3,470</td>
<td>21,929</td>
</tr>
</tbody>
</table>

Source: CBS, 2018 for 2017
### Number of employed and unemployed persons by industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Employed Persons</th>
<th>Unemployed Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,215,047</td>
<td>158,812</td>
</tr>
<tr>
<td>AGRICULTURE, FORESTRY AND FISHING</td>
<td>22,890</td>
<td>5,169</td>
</tr>
<tr>
<td>MINING AND QUARRYING</td>
<td>3,915</td>
<td>203</td>
</tr>
<tr>
<td>MANUFACTURING</td>
<td>208,547</td>
<td>20,682</td>
</tr>
<tr>
<td>ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY</td>
<td>12,390</td>
<td>331</td>
</tr>
<tr>
<td>WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES</td>
<td>24,400</td>
<td>1,635</td>
</tr>
<tr>
<td>CONSTRUCTION</td>
<td>73,727</td>
<td>10,037</td>
</tr>
<tr>
<td>WHOLESALE AND RETAIL TRADE;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>REPAIR OF MOTOR VEHICLES AND MOTORCYCLES</td>
<td>189,065</td>
<td>20,238</td>
</tr>
<tr>
<td>TRANSPORTATION AND STORAGE</td>
<td>68,414</td>
<td>4,709</td>
</tr>
<tr>
<td>ACCOMMODATION AND FOOD SERVICE ACTIVITIES</td>
<td>81,526</td>
<td>26,623</td>
</tr>
<tr>
<td>INFORMATION AND COMMUNICATION</td>
<td>34,814</td>
<td>1,801</td>
</tr>
<tr>
<td><strong>FINANCIAL AND INSURANCE ACTIVITIES</strong></td>
<td>36,384</td>
<td>1,366</td>
</tr>
<tr>
<td>REAL ESTATE ACTIVITIES</td>
<td>8,222</td>
<td>794</td>
</tr>
<tr>
<td>PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES</td>
<td>53,496</td>
<td>4,644</td>
</tr>
<tr>
<td>ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES</td>
<td>47,404</td>
<td>8,331</td>
</tr>
<tr>
<td>PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY</td>
<td>107,925</td>
<td>12,400</td>
</tr>
<tr>
<td>EDUCATION</td>
<td>111,599</td>
<td>3,336</td>
</tr>
<tr>
<td>HUMAN HEALTH AND SOCIAL WORK ACTIVITIES</td>
<td>88,613</td>
<td>3,866</td>
</tr>
<tr>
<td>ARTS, ENTERTAINMENT AND RECREATION</td>
<td>24,454</td>
<td>2,184</td>
</tr>
<tr>
<td>OTHER SERVICE ACTIVITIES</td>
<td>17,892</td>
<td>6,284</td>
</tr>
<tr>
<td>HOUSEHOLDS</td>
<td></td>
<td>2,009</td>
</tr>
<tr>
<td>WITHOUT PREVIOUS WORK EXPERIENCE</td>
<td></td>
<td>22,170</td>
</tr>
</tbody>
</table>

*Source: CBS 2018 for 2017*
4. Costs of Doing Business

4.1. Salaries

4.2. Utilities
   4.2.1. Electricity
   4.2.2. Natural Gas
   4.2.3. Water
The costs of doing business in Croatia are significantly lower than the average costs of doing business in the European Union. The prices of electricity, natural gas and telephone prices are among the lowest in the region.

4.1. Salaries

Contributions (social taxes) from and on salaries are paid at the rate of 36.5% – where 20% is paid by the employee, and 16.5% is paid by the employer. Example in the table uses a 1,000 EUR gross salary, earned in Zagreb* where the local surtax rate equals 18% and as such is the highest surtax rate in the country. Taxpayers are entitled to a personal allowance calculated based on a factor of 1, which equals 512.82 EUR (exchange rate used for this calculation: 1 EUR = 7.41 HRK).
### AVERAGE SALARIES IN CROATIAN COUNTIES IN 2016

<table>
<thead>
<tr>
<th>County</th>
<th>Net Salary (EUR)</th>
<th>Gross Salary (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republic of Croatia</td>
<td>756,44</td>
<td>1,067,33</td>
</tr>
<tr>
<td>Bjelovar-Bilogora County</td>
<td>639,31</td>
<td>868,13</td>
</tr>
<tr>
<td>Brod-Posavina County</td>
<td>683,93</td>
<td>938,37</td>
</tr>
<tr>
<td>Dubrovnik-Neretva County</td>
<td>762,02</td>
<td>1,065,34</td>
</tr>
<tr>
<td>City of Zagreb</td>
<td>895,09</td>
<td>1,314,21</td>
</tr>
<tr>
<td>Istria County</td>
<td>749,93</td>
<td>1,050,20</td>
</tr>
<tr>
<td>Karlovac County</td>
<td>705,18</td>
<td>970,92</td>
</tr>
<tr>
<td>Koprivnica-Križevci County</td>
<td>693,76</td>
<td>950,73</td>
</tr>
<tr>
<td>Krapina-Zagorje County</td>
<td>637,85</td>
<td>868,92</td>
</tr>
<tr>
<td>Lika-Senj County</td>
<td>671,05</td>
<td>911,55</td>
</tr>
<tr>
<td>Medimurje County</td>
<td>617,93</td>
<td>838,91</td>
</tr>
<tr>
<td>Osijek-Baranja County</td>
<td>682,74</td>
<td>934,13</td>
</tr>
<tr>
<td>Pozega-Slavonia County</td>
<td>660,16</td>
<td>894,02</td>
</tr>
<tr>
<td>Primorje-Gorski Kotar County</td>
<td>755,64</td>
<td>1,058,57</td>
</tr>
<tr>
<td>Sisak-Moslavina County</td>
<td>700,40</td>
<td>957,50</td>
</tr>
</tbody>
</table>

### Average Salaries in Croatian Counties in 2016

<table>
<thead>
<tr>
<th>County</th>
<th>Net Salary (EUR)</th>
<th>Gross Salary (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Split-Dalmatia County</td>
<td>711,02</td>
<td>985,13</td>
</tr>
<tr>
<td>Šibenik-Knin County</td>
<td>702,79</td>
<td>959,36</td>
</tr>
<tr>
<td>Varaždin County</td>
<td>624,83</td>
<td>850,86</td>
</tr>
<tr>
<td>Virovitica-Podravina County</td>
<td>629,08</td>
<td>846,35</td>
</tr>
<tr>
<td>Vukovar-Syrmia County</td>
<td>644,49</td>
<td>867,07</td>
</tr>
<tr>
<td>Zadar County</td>
<td>717,66</td>
<td>989,24</td>
</tr>
<tr>
<td>Zagreb County</td>
<td>722,97</td>
<td>1,017,00</td>
</tr>
</tbody>
</table>

4.

4.2. Utilities

The communal contribution fee is a one-time charge, which is paid for the construction of facilities. It is calculated on newly-developed cubic metres, before the start of construction. It is set by municipalities or cities, and can vary depending on the volume of the building (m³) and its location.

The communal contribution tax is set by city or municipality authorities according to built infrastructure, location of the infrastructure (by zones) and the purpose of the infrastructure. It is paid monthly by physical and legal entities in a specific city or municipality. It is used for financing the utility system, which includes: potable water supply, wastewater disposal and purification, public passenger transport, municipal waste disposal, maintenance of public surfaces, etc. The Communal Contribution Tax is charged per square metre (m²) and is calculated as a multiplication of the point value, zone coefficient and purpose coefficient.

4.2.1. Electricity

Electricity prices for industrial consumers 2018 (70,000 MWh < Consumption < 150,000 MWh), unit Kilowatt-hour

<table>
<thead>
<tr>
<th>Country</th>
<th>Price (€/kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Croatia</td>
<td>0.0654</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.0787</td>
</tr>
<tr>
<td>Italy</td>
<td>0.0775</td>
</tr>
<tr>
<td>Poland</td>
<td>0.0810</td>
</tr>
<tr>
<td>Hungary</td>
<td>0.0835</td>
</tr>
<tr>
<td>EU 28</td>
<td>0.0840</td>
</tr>
<tr>
<td>Slovakia</td>
<td>0.1114</td>
</tr>
<tr>
<td>Germany</td>
<td>0.1235</td>
</tr>
</tbody>
</table>

Source: Eurostat 2019
4.2.2. Natural Gas

Gas prices for industrial consumers, 2018S1 (100,000GJ<Consumption <1,000,000), unit Gigajoules

4.2.3. Water

The water contribution fee is one of the sources for financing the water management system and is paid for the construction of buildings. It is divided into three areas, with a different water contribution fee for each area:

Zone A — City of Zagreb and the protected coastal area
Zone B — the rest of Croatian territory, except Zone A and Zone C
Zone C — areas of special state concern

<table>
<thead>
<tr>
<th>ZONES</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFFICE SPACE, EXCEPT PRODUCTION PLANTS</td>
<td>2.25 EUR/m³</td>
<td>1.42 EUR/m³</td>
<td>0.67 EUR/m³</td>
</tr>
<tr>
<td>PRODUCTION PLANTS</td>
<td>0.40 EUR/m³</td>
<td>0.24 EUR/m³</td>
<td>0.08 EUR/m³</td>
</tr>
<tr>
<td>OPEN BUSINESS BUILDINGS</td>
<td>0.66 EUR/m³</td>
<td>0.40 EUR/m³</td>
<td>0.13 EUR/m³</td>
</tr>
</tbody>
</table>

Source: Decree on Water Contribution (Official Gazette No 83/2015) (EUR/HRK 7.41)

Source: Eurostat 2019

Gas prices for industrial consumers, 2018S1 (100,000GJ<Consumption <1,000,000), unit Gigajoules

CROATIA 0.0234
POLAND 0.0261
ITALY 0.0243
HUNGARY 0.0248
EU 28 0.0249
SLOVAKIA 0.0250
SLOVENIA 0.0253
GERMANY 0.0257

Source: Eurostat 2019
Legal Environment

5.

5.1. Status of Foreign Investors
5.2. Intellectual Property Rights
5.3. Establishing a Company
  5.3.1. Setting up a Branch Office
  5.3.2. Opening a Representative Office
5.4. Employment of Foreign Citizens
  5.4.1. Work Registration Certificate
  5.4.2. Posted Workers
5. Status of Foreign Investors

Under the provisions of the Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/09, 137/09, 125/11, 125/11, 111/12, 68/13, 110/15, 40/19), domestic and foreign companies conduct their business activities on an equal footing. A foreign investor may establish or participate in the establishment of a company and may acquire rights and/or obligations as any other domestic investor. Foreign investors with headquarters or residing in non-WTO member countries need to meet reciprocity conditions.

5.2. Intellectual Property Rights

Croatia is a member of the World Intellectual Property Organization (WIPO) and is a signatory of all basic international instruments in the field of intellectual property. All relevant information about Intellectual Property Rights protection can be obtained from the State Intellectual Property Office (www.dziv.hr).

Foreign companies and sole traders, under conditions prescribed by law, are considered to be domestic legal entities with all rights and obligations as applied to Croatian nationals. However, they cannot continuously perform activities on Croatian territory until they have established a subsidiary in Croatia. Activities shall not be considered as continuous if they are an occasional or one-time undertaking of the activity or specific work (the concept of freedom to provide services in accordance with the EU).

Both foreign and domestic legal entities have the right to establish and own businesses and engage in income-producing activities. Foreign investors can acquire ownership and shares of joint stock companies. The lowest amount of initial capital for establishing a joint stock company is HRK 200,000, and the nominal value per share cannot be less than HRK 10. The minimum initial capital for establishing a limited liability company is HRK 20,000, while individual representation per investor cannot be less than HRK 1.

Types of Business Legal Structures:

JOINT STOCK COMPANY (D.D.): Minimal share capital amounts to approximately EUR 26,990 (HRK 200,000) of which, if the shares are paid in cash, at least a quarter of the lowest amount of shares which may be issued must be paid before entry in the Court Register.

LIMITED LIABILITY COMPANY (D.O.O.): Minimal share capital amounts to approximately EUR 2,699 (HRK 20,000) of which at least a quarter must be paid in cash before entry in the Court Register.

SIMPLE LIMITED LIABILITY COMPANY (J.D.O.O.): Minimal share capital amounts to approximately EUR 1.35 (HRK 10), and it must be paid in cash before entry into the Court Register.

EUROPEAN COMPANY: A European Company is a type of public limited liability company regulated under EU law. The minimum share capital for its establishment is EUR 120,000.

Procedure for establishing a company:

STEP 1: Check the availability of the company’s name, select activities according to the National Classification of Activities and determine the address of the company’s headquarters in Croatia.

STEP 2: Notarise the memorandum of association and other necessary documents, pay the share capital at the bank and submit the application to the Commercial Court (by hand or electronically via a notary public or hitro.hr for LLC and SLLC if the share capital is paid in cash).

STEP 3: Apply for the statistical registration number and open a bank account.

STEP 4: Register with tax authority (Porezna uprava) for VAT, profit tax and employee income tax.

STEP 5: Register with the Croatian Institute for Pension Insurance (HZMO) and Croatian Institute for Health Insurance (HZMO)

More detailed information about establishing companies and the necessary documents can be obtained from the Ministry of Justice (pravosudje.gov.hr) and a commercial court (depending on the location of the company).

Investors can also consult www.hitro.hr, a service provided by the Government of the Republic of Croatia intended to expedite investor communication with the state administration, through which limited liability companies can be established if the share capital is paid in cash.

By the end of 2019, the on-line establishment of a Limited Liability Company (d.o.o.) and a Simple Limited Liability Company (j.d.o.o.) should become possible via the START system.

5.3. Establishing a Company

PROCEDURE FOR ESTABLISHING A COMPANY:

Step 1: Check the availability of the company’s name.

Step 2: Apply for the statistical registration number and open a bank account.

Step 3: Register with tax authority (Porezna uprava) for VAT, profit tax and employee income tax.

Step 4: Register with the Croatian Institute for Pension Insurance (HZMO) and Croatian Institute for Health Insurance (HZMO).

More detailed information about establishing companies and the necessary documents can be obtained from the Ministry of Justice (pravosudje.gov.hr) and a commercial court (depending on the location of the company).

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By the end of 2019, the on-line establishment of a Limited Liability Company (d.o.o.) and a Simple Limited Liability Company (j.d.o.o.) should become possible via the START system.

5.3. Setting up a Branch Office

A Branch Office is not a legal entity, but accepts the rights and obligations for the account of its foreign founder while executing its activities. The Branch Office executes its activity under the company name of the founder. A Branch Office is set up by a special decision brought forward by the sole trader or a relevant body of the company, in accordance with the statement on the establishment of the company which must be notarised. A Branch Office can only conduct the same business activities as its founder and must be registered in the Court Register at the Croatian Commercial Court.
5.3.2. Opening a Representative Office

A Representative Office is not a legal entity and its purpose is limited to activities concerning market research and representation of the founder. One exception are the Representative Offices of foreign airlines, which may sell flight tickets in accordance with international agreements signed by the Republic of Croatia and international conventions. The Representative Office carries its activities under the founder’s company. Any foreign party executing a business activity or a national or international business association may open a Representative Office in Croatia.

After the Republic of Croatia became a member state of the EU, legal entities arriving from the EU can no longer establish Representative Offices in the Republic of Croatia, but must open either a Branch Office or establish a domestically registered company. The Ministry of Economy, Entrepreneurship and Crafts (gospodarstvo.gov.hr) is the responsible ministry for Representative Offices and can provide more detailed information about Representative Offices.

5.4. Employment of Foreign Citizens

Under the provisions of the Aliens Act (Official Gazette 130/11, 74/13, 69/17 and 46/18), a foreigner wishing to work in Croatia must obtain either a residence and work permit within the annual quota determined annually by the Government of Croatia, or a residence and work permit outside the annual quota. Each of them represents both a work permit and a temporary residence permit. In certain cases, special rules apply to seasonal workers.

Aliens should submit their residence and work permit applications to the diplomatic mission/consular post of the Republic of Croatia in their country. Aliens who do not require a visa for entry into the Republic of Croatia may apply for a residence and work permit at a police administration/police station based on the place of their intended stay, their employer’s registered office or their place of work.

Step 2 Decision – The police administration/police station makes a decision on the permit that is delivered to the applicant. An appeal against the decision may be submitted to the Commission established to deal with the appeals.

Payment of fees / Issuance of Permit – If the application is approved, the alien shall be issued a residence and work permit in the form of a sticker on a travel document after the prescribed fees have been paid.

Step 4 Registration of Dwelling/Renewal – If an application has been submitted at a diplomatic mission/consular post, the alien shall register his/her dwelling address at the appropriate police administration/police station not later than 30 days upon having received the residence and work permit, otherwise the residence and work permit shall be invalidated. An alien shall register his/her dwelling address at the appropriate police administration/police station not later than three days upon entering the Republic of Croatia. A residence and work permit and the renewal of a temporary residence permit shall be issued with a validity period of up to one year. The application for renewal shall be submitted at a police administration/police station not later than 60 days before the existing residence and work permit expires.

5.4.1. Work Registration Certificate

On the basis of a Certificate of Work Registration, aliens may work in certain fields for up to 90 days per year in the Republic of Croatia.

5.4.2. Posted Worker

A posted worker is a worker whose employer (natural or legal person established in another member state of the EEA) is posted for a limited period of time in the Republic of Croatia for the purpose of the temporary or occasional cross-border provision of services. Posted workers are guaranteed certain rights prescribed by Croatian law and collective agreements.

For more information regarding the employment of foreign citizens please contact:

Ministry of the Interior
Ulica grada Vukovara 33, HR – 10 000 Zagreb
P: +385 1 6122 111
e-mail: pitanja@mup.hr
https://mup.gov.hr/

permit expires.

Permits Issuance Procedure:

STEP 1 Submit the request – An alien or an employer shall submit a residence and work permit application to the diplomatic mission/consular post of the Republic of Croatia in their country. Aliens who do not require a visa for entry into the Republic of Croatia may apply for a residence and work permit at a police administration/police station based on the place of their intended stay, their employer’s registered office or their place of work.

STEP 2 Decision – The police administration/police station makes a decision on the permit that is delivered to the applicant. An appeal against the decision may be submitted to the Commission established to deal with the appeals.

STEP 3 Payment of fees / Issuance of Permit – If the application is approved, the alien shall be issued a residence and work permit in the form of a sticker on a travel document after the prescribed fees have been paid.

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6.

Tax System

6.1. Profit Tax
6.2. Income Tax and Surtax
6.3. Value Added Tax (VAT)
6.4. Real Estate Transfer Tax
6.1. Profit Tax

The profit tax rate is:
- 12% if income amounts up to HRK 3,000,000.00 (EUR 404,858) in the tax period, or
- 18% if income in the tax period is equal to or greater than HRK 3,000,001.00 (EUR 404,858).

The income tax rate on withholding tax:
- 15% in general;
- 12% on dividends and shares in corporate income (profit)
- 20% on all services and all types of fees taxable when paid to persons who have their registered office, headquarters or supervision in the countries listed on the EU list of non-cooperative jurisdictions for tax purposes and to which the Republic of Croatia does not apply the double taxation avoidance contract.

1 EUR = 7.41 HRK

6.2. Income Tax and Surtax

The income tax rate is:
- 24% for income to HRK 360,000 / EUR 48,583 per year (up to HRK 30,000 / EUR 4,048.58 per month)
- 36% for income above HRK 360,000 / EUR 48,583 per year (above HRK 30,000 / EUR 4,048.58 per month)

1 EUR = 7.41 HRK

In addition to income tax, the taxpayer also pays a surtax on income tax, stipulated by municipalities and cities. The basis for the surtax calculation is the amount of income tax. The surtax rates range (as shown below) from 0% to 18%, with the highest rate applied only in Zagreb (18%).

Surtax Rates Range:
- Municipalities: up to 10%
- Towns under 30,000 inhabitants: up to 12%
- Cities over 30,000 inhabitants: up to 15%
- City of Zagreb: up to 18%

6.3. Value-Added Tax (VAT)

When calculating VAT, three rates are applied:
- 23% is the general rate (24% from 1 January 2020)

A reduced VAT rate of 13% is applied for the following goods and services:
- Accommodation or accommodation services with breakfast, half-board or full-board in hotels or similar purposes, including holiday accommodation, rental of premises in camps or places designated for camping and accommodation on nautical tourism vessels,
- Newspapers and periodicals of a newspaper publisher having a media statute and newspapers and periodicals of publishers for which there is no obligation to adopt a media statute under a special regulation, other than those to which VAT rate of 13% applies, printed on paper and issued periodically and other than those which overall or in part contain ads or are used for advertising,
- Edible oils and fats, of plant and animal origin,
- Car seats for children and baby food and processed cereal-based foods for infants and young children,
- Water delivery, other than water placed on the market in bottles or another packaging, in terms of public water supply and public drainage according to a special regulation,
- Tickets for concerts,
- Supply of electricity to other suppliers or end-users, including the fees related to delivery,
- Public service of collecting mixed municipal waste, biodegradable municipal waste and separate collection of waste according to a special regulation,
- Urns and coffins,
- Seedlings and seeds,
- Fertilisers and pesticides and other agrochemicals,
- Animal feed, other than pet food.

A reduced VAT rate of 5% is applied for the following goods and services:
- All types of bread,
- All types of milk (cow, sheep, goat), put on the market under the same name in liquid form, fresh, pasteurised, homogenised, condensed (except sour milk, yoghurt, kefir, chocolate milk and other dairy products), substitutes for breast milk,
- Books of professional, scientific, artistic, cultural and educational content, textbooks for pedagogical education, primary school, secondary school and higher education, in all physical forms,
- Prescription medicines approved by a competent body for medicines and medical products,
- Medical equipment, aids and other devices used to in the treatment of disability, exclusively for the personal use of the disabled, as prescribed by the Ordinance on Orthopaedic and Other Aids of the Croatian Institute for Health Insurance,
- Cinema tickets,
- Scientific journals.

6.4. Real Estate Transfer Tax

The real estate transfer tax rate is 3% and is paid by the buyer.

The tax base is the market value of the property at the time of the tax liability. The market value of a property is the price of a real estate that is achieved or can be achieved on the market at the moment of the tax liability. The object of taxation is the real estate transaction. The real estate transfer is not considered to be the acquisition of real estate for which the value-added tax (VAT) is payable.

For more information, please contact the Croatian Ministry of Finance:

Ministry of Finance
Kataniceva 5,
HR – 10 000 Zagreb
P: +385 1 4591 333
www.mfin.hr

1 EUR = 7.41 HRK
Investment Incentives

7.

Investment Guide

Invest Croatia

2019

Investment Incentives
Incentive measures for investment projects in the Republic of Croatia are regulated by the Act on Investment Promotion (OG 102/15, 25/18, 114/18) and pertain to investment projects in:

- manufacturing and processing activities,
- development and innovation activities,
- business support activities,
- high added value activities.

Maximum aid intensity is calculated by taking into account the maximum aid intensity for a specific region and the category of the enterprise (large, medium-sized, small or micro). Classification of enterprises is performed in accordance with Annex I of Commission Regulation (EU) N°651/2014 of 17 June 2014:

<table>
<thead>
<tr>
<th>ENTERPRISE CATEGORY*</th>
<th>STAFF HEADCOUNT</th>
<th>ANNUAL TURNOVER</th>
<th>MAXIMUM AID INTENSITY (% OF ELIGIBLE INVESTMENT COSTS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LARGE</td>
<td>&gt; 250</td>
<td>&gt; 50 MILLION €</td>
<td>&gt; 43 MILLION €</td>
</tr>
<tr>
<td>MEDIUM-SIZED</td>
<td>&lt; 250</td>
<td>≤ 50 MILLION €</td>
<td>≤ 43 MILLION €</td>
</tr>
<tr>
<td>SMALL</td>
<td>&lt; 50</td>
<td>≤ 10 MILLION €</td>
<td>≤ 10 MILLION €</td>
</tr>
<tr>
<td>MICRO</td>
<td>&lt; 10</td>
<td>≤ 2 MILLION €</td>
<td>≤ 2 MILLION €</td>
</tr>
</tbody>
</table>

ENTERPRISE CATEGORY:
- LARGE: > 250 staff headcount
- MEDIUM-SIZED: < 250 staff headcount
- SMALL: < 50 staff headcount
- MICRO: < 10 staff headcount

When calculating staff headcount and financial amounts, one also has to take into account partner enterprises (proportional to the percentage interest in the capital or voting rights (whichever is greater)) and affiliated enterprises (100%) as prescribed in Annex I of Commission Regulation (EU) N°651/2014 of 17 June 2014.

*When calculating staff headcount and financial amounts, one also has to take into account partner enterprises (proportional to the percentage interest in the capital or voting rights (whichever is greater)) and affiliated enterprises (100%) as prescribed in Annex I of Commission Regulation (EU) N°651/2014 of 17 June 2014.
Employment incentives

<table>
<thead>
<tr>
<th>COUNTY UNEMPLOYMENT RATE</th>
<th>INCENTIVE RATE IN RELATION TO ELIGIBLE COSTS OF CREATING JOBS</th>
<th>INCREASE FOR DEVELOPMENT AND INNOVATION ACTIVITIES**</th>
<th>INCREASE FOR BUSINESS SUPPORT ACTIVITIES*** AND HIGH ADDED VALUE 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></td>
<td>4% (MAX. 1,200 €)</td>
<td>+50% (600 €)</td>
<td>+25% (300 €)</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></td>
<td>8% (MAX. 2,400 €)</td>
<td>+50% (1,200)</td>
<td>+25% (600 €)</td>
</tr>
<tr>
<td>&gt; 20%</td>
<td>30% (MAX. 9,000 €)*</td>
<td>+50% (4,500 €)*</td>
<td>+25% (2,250 €)*</td>
</tr>
<tr>
<td></td>
<td>12% (MAX. 3,600 €)</td>
<td>+50% (1,800)</td>
<td>+25% (900 €)</td>
</tr>
</tbody>
</table>

* The specified amount of the grant refers to unemployed persons who have been registered as unemployed with Croatian Employment Service (CES) for at least 6 months, regardless of the length of their work experience and level of education, persons above the age of 50 registered as unemployed with the CES and persons without work experience registered as unemployed with the CES. For other categories of workers, the incentive rate is 40% of the above-specified amount.
Incentives for investment in development and innovation activities

For investment in development and innovation activities, a non-repayable grant shall be approved for the purchase of plant/machinery amounting to 20% of the actual eligible costs for purchasing plant/machinery, in the maximum amount of EUR 500,000 in equivalent HRK value, provided that the purchased plant/machinery represents high technology equipment.

Incentives for Education and Training*

**Up to 50% of the eligible costs of education and training**

+ 10% if the training is given to workers with disabilities

+10% if the aid is granted to medium-sized enterprises

+20% if the aid is granted to small and micro-sized enterprises

*Incentives for education cannot exceed 70% of the eligible costs of education and training or 50% of the incentive in relation to eligible costs of creating jobs

**The eligible costs for the purpose of training may include trainers’ personnel costs for the hours during which the trainers participate in the training; trainers’ and trainees’ operating costs directly related to the training project such as travel expenses, materials and supplies directly related to the project, depreciation of tools and equipment, to the extent that they are used exclusively for the training project; costs of advisory services linked to the training project; trainers’ personnel costs and general indirect costs (administrative costs, rent, overheads) for the hours during which the trainers participate in the training. Accommodation costs are excluded. Incentives will not be awarded for training conducted to ensure compliance with the mandatory training prescribed by national norms.

Incentive measures for labour-intensive investment projects

<table>
<thead>
<tr>
<th>&gt; 100 newly-created jobs*</th>
<th>+ 25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 300 newly-created jobs*</td>
<td>+ 50%</td>
</tr>
<tr>
<td>&gt; 500 newly-created jobs*</td>
<td>+ 100%</td>
</tr>
</tbody>
</table>

*On incentive rate in relation to eligible costs of creating jobs.

Incentives for investment in development and innovation activities

For investment in development and innovation activities, a non-repayable grant shall be approved for the purchase of plant/machinery amounting to 20% of the actual eligible costs for purchasing plant/machinery, in the maximum amount of EUR 500,000 in equivalent HRK value, provided that the purchased plant/machinery represents high technology equipment.

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**The eligible costs for the purpose of training may include trainers’ personnel costs for the hours during which the trainers participate in the training; trainers’ and trainees’ operating costs directly related to the training project such as travel expenses, materials and supplies directly related to the project, depreciation of tools and equipment, to the extent that they are used exclusively for the training project; costs of advisory services linked to the training project; trainers’ personnel costs and general indirect costs (administrative costs, rent, overheads) for the hours during which the trainers participate in the training. Accommodation costs are excluded. Incentives will not be awarded for training conducted to ensure compliance with the mandatory training prescribed by national norms.

Incentives for education cannot exceed 70% of the eligible costs of education and training or 50% of the incentive in relation to eligible costs of creating jobs.

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Eligible costs of investments in long-term assets include the construction of the new factory, production facility and purchase of new machines, i.e. production equipment, with the condition that the part of the investment in the machines/equipment equals at least 40% of the investment and that at least 50% of those machines/equipment are of high technology.
Incentive measures for investment projects through the economic activation of inactive property owned by the Republic of Croatia

The inactive property consists of land and/or buildings owned by the Republic of Croatia and administered by the Ministry of State Property, which are not in operation and in which no economic activity is performed.

<table>
<thead>
<tr>
<th>INVESTMENT AMOUNT (€ MIL.)</th>
<th>NEWLY-EMPLOYED</th>
<th>OBLIGATORY INVESTMENT INTO INACTIVE PROPERTY GRANTED FOR LEASE</th>
<th>INCENTIVE</th>
<th>PROCEDURE FOR GETTING THE LEASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>15</td>
<td>50% INCREASE OF THE VALUE OF THE PROPERTY WITHIN THREE YEARS IN RELATION TO THE ESTIMATED VALUE OF INACTIVE PROPERTY AT THE TIME OF STARTING THE LEASE</td>
<td>FREE LEASE OF INACTIVE PROPERTY FOR UP TO 10 YEARS* FROM THE START OF THE INVESTMENT</td>
<td>FOR INVESTMENTS LOCATED IN LOWER DEVELOPED LOCAL SELF-GOVERNMENT UNITS (I – IV) – WITHOUT ANY ADDITIONAL PRECONDITIONS</td>
</tr>
</tbody>
</table>

* After the expiration of the free lease or after reaching the maximum aid intensity, the beneficiary of the incentive measure can conclude the agreement on the purchase of an inactive property with the Ministry of State Property.

Application

According to the procedure for applying for incentive measures under the Act on Investment Promotion, an enterprise intending to acquire the status of a beneficiary of incentive measures must file an Application for the use of incentives using the prescribed forms to the Ministry of Economy, Entrepreneurship and Crafts before the start of the investment.

Start of investment refers to either the start of construction works relating to the investment, or the first legally-binding commitment to order equipment or any other commitment that makes the investment irreversible, whichever occurs earlier. The purchase of land and preparatory works such as obtaining permits and conducting feasibility studies are not considered the start of the investment.
Support for Research and Development Projects
State aid for research and development projects is regulated by the Act on State Aid for Research and Development Projects (NN 64/18) effective from 26 July 2018.

STATE AID PROVIDER: Ministry of Economy, Entrepreneurship and Crafts

IMPLEMENTING BODY: Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO)

BENEFICIARIES: legal and natural persons, corporate or personal income taxpayers

TYPE OF STATE AID: tax relief for research and development projects and feasibility studies (income tax base reduction)

The research and development (R&D) project can fall under one or more research categories: basic research, industrial research and experimental development or feasibility study for the R&D project.

The total maximum intensity of state aid for a particular R&D category in an R&D project to which a user can exercise the right on any grounds based on this Act, including other legal grounds, may be up to:

A) 100% of the eligible project costs for basic research
B) 50% of eligible project costs for industrial research*
C) 25% of eligible project costs for experimental development*
D) 50% of eligible costs for feasibility studies**

* Support intensity for industrial research and experimental development may in some cases be increased to a maximum aid intensity of 80% of eligible costs for industrial research and experimental development.

** Intensity of support for feasibility studies can be increased by ten percentage points for medium-sized entrepreneurs and 20-percentage points for small entrepreneurs.

The total amount of state aid that a beneficiary can achieve under this Act is as follows:

A) for predominantly basic research: the amount in HRK equivalent of up to EUR 300,000 per entrepreneur per project
B) for predominantly industrial research: the amount in HRK equivalent of up to EUR 200,000 per entrepreneur per project
C) for predominantly experimental development: the amount in HRK equivalent of up to EUR 500,000.00 per entrepreneur per project
D) for feasibility studies in the preparation of research activities: the amount in HRK equivalent to EUR 50,000.00 per study.

Application: Entrepreneurs must submit an application before starting the project activities.

Application forms can be found at the link: https://hamagbicro.hr/bespovratne-popolje/programi-podrske-inovacijskom-procesu/drzavna-potpora-za-iri-projekte/

PROJECT IMPLEMENTATION PERIOD: up to three years from the beginning of the project.
Strategic Investment Projects
The new Act on Strategic Investment Projects in the Republic of Croatia was enacted in April 2018. It provides strategic investment projects with:
— quicker investment implementation;
— fewer procedures and licences needed;
— each step of the investment process specified;
— exact deadlines for each step of the investment process; and
— an operational group appointed to provide support to project implementation.

To qualify as a strategic investment project, the following criteria must be met:
— it must be a private, public or public-private partnership;
— it must entail the construction of structures in one of the following sectors: economy, mining, energy, tourism, transport, infrastructure, electronic communications, postal services, environmental protection, public utilities, agriculture, forestry, water management, fisheries, health care, culture, audiovisual activities, science, technology, education, defence and judiciary;
— it must meet the prescribed requirements:
  — employment of a significant number of persons;
  — alignment with existing physical plans;
  — the minimum value of prescribed total capital investment costs: EUR 10 M EUR 1.3 M (if implemented in assisted areas, on the islands or in sectors of farming, forestry and fisheries)
— it must positively affect multiple economic activities and create added value, raise the overall level of safety and quality of life, improve environmental protection and contribute to the overall competitiveness of Croatia;
— additionally, the private investment project must be related to production 
and processing activities, development and innovation activities, business support activities, activities of high added value services, activities in the energy sector, infrastructure, or activities related to agriculture and fisheries.

To be considered as a strategic investment project, the investment project needs to meet the above-listed prerequisites and be proclaimed as such by the Government of the Republic of Croatia.

Strategic investment projects should be nominated to the Ministry of Economy, Entrepreneurship and Crafts.
Ministry of Economy, Entrepreneurship and Crafts
About the Ministry

As a government body responsible for the administration of Croatian economic affairs, the Ministry of Economy, Entrepreneurship and Crafts of the Republic of Croatia is in charge of investment processes in Croatia. The Ministry also carries out the tasks related to the competitiveness of the Croatian economy, instruments and measures of economic policy, industrial policy and the policy of applying innovations and new technologies.

Our services to investors

The Ministry of Economy, Entrepreneurship and Crafts is a central point for investors in the Republic of Croatia. We provide support during the implementation of the investment projects by:

— Offering all the necessary information relevant to investments in Croatia, such as analyses of the business climate and investment framework, investment opportunities (projects, business zones etc.), investments incentives, etc.
— Professional and tailor-made assistance throughout all stages of the investment process,
— Organising visits to investments sites and arranging meetings with public and private bodies,
— Promoting Croatia as a business and investment destination through specific seminars and conferences on investment opportunities in Croatia, promotional materials and cooperation with partner institutions on the domestic and international market.

Please feel free to contact us:

Ministry of Economy, Entrepreneurship and Crafts of the Republic of Croatia

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