

THINK Business

INVEST Croatia

Investment guide



**INVEST
IN CROATIA**

Agency for Investments
and Competitiveness

Investment guide

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01 About Croatia

1.1. Basic Indicators

1.2. Strategic location

1.3. Infrastructure

1.4. Trade Exchange

1.5. Foreign Direct Investments

Share of foreign direct investments in Croatia by activity

Share of foreign direct investments in Croatia by country

(cumulative from 1993 to Q1 2017)

1.1.

Basic Indicators

Land area

56 594 km²

Population (2016)

4.171 m

Political System

**Parliamentary
democracy**

Territorial Organization

**20 counties &
the City of Zagreb**

Capital

Zagreb

Official Language

Croatian

Currency

Kuna (HRK)

Average Exchange Rate (2016)

1 EUR = 7.5294

1 USD = 6.8037

International Telephone Code

00 385

Internet Country Code

.hr

Time Zone

**Central European
Time (CET)**

Climate

**Continental &
Mediterranean**

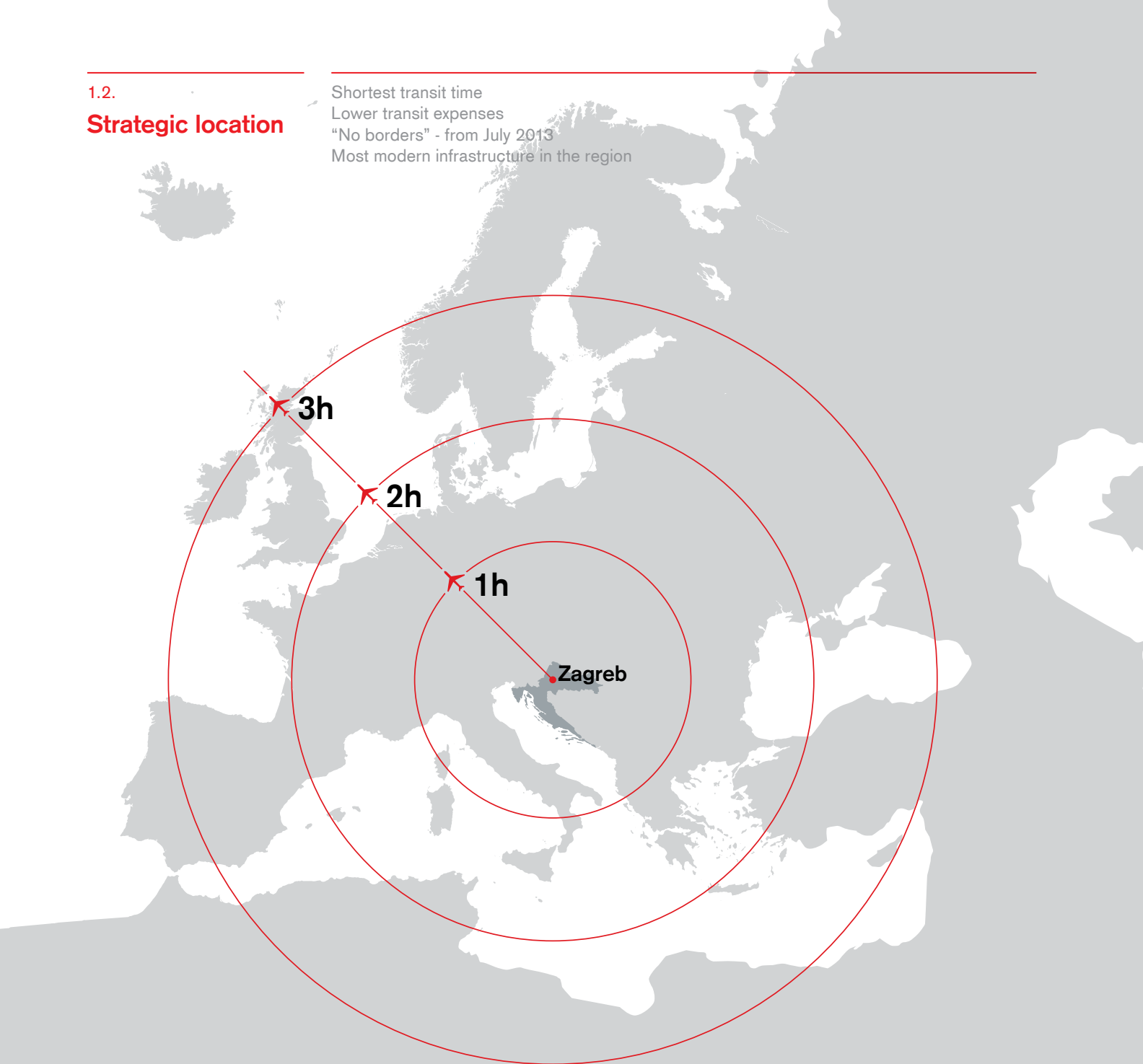
SOURCE: CNB, CBS 2017 for 2016

Main Macroeconomic Indicators	2009	2010	2011	2012	2013	2014	2015	2016
GDP (million EUR, current prices)	45 093	45 022	44 737	43 959	43 516	43 045	43 921	45 581
GDP growth rate (constant prices) %	-7,4	-1,7	-0,3	-2,2	-1,1	-0,4	1,6	2,9
GDP per capita, current prices (EUR)	10 181	10 191	10 453	10 300	10 225	10 157	10 364	10 929
Import of goods and services (% GDP)	38,2	38,1	40,9	41,2	42,7	44,4	47,2	46,9
Export of goods and services (% GDP)	34,5	37,8	40,5	41,7	43,1	46,4	50	50
Unemployment Rate (ILO) %	9,2	11,6	13,7	15,9	17,3	17,3	16,3	13,1
Inflation (Year Average) %	2,4	1,1	2,3	3,4	2,2	-0,2	-0,5	-1,1

1.2.

Strategic location

Shortest transit time
Lower transit expenses
"No borders" - from July 2013
Most modern infrastructure in the region



1.3.

Infrastructure



1.4.

Trade
Exchange

Source: CBS 2017 for 2016

With regard to foreign trade exchange, more than half of it occurs with EU countries. Croatia's most important foreign trade partners are Italy, Germany, Slovenia, Italy, Austria and Bosnia and Herzegovina.



Source: CNB, 2017 for 2016

Products	Export %	Import %
Food and live animals	11,17	11,13
Beverages and tobacco	1,57	1,18
Crude materials, except fuels	7,44	1,69
Mineral fuels and lubricants	9,45	12,30
Animal and vegetable oils and fats	0,40	0,50
Chemical products	13,24	15,28
Manufactured goods classified chiefly by material	15,65	17,81
Machinery and transport equipment	23,52	25,62
Miscellaneous manufactured articles	16,91	14,40
Commodities and transactions, n.e.s.	0,37	0,03
Not classified	0,21	0,02
TOTAL	100	100



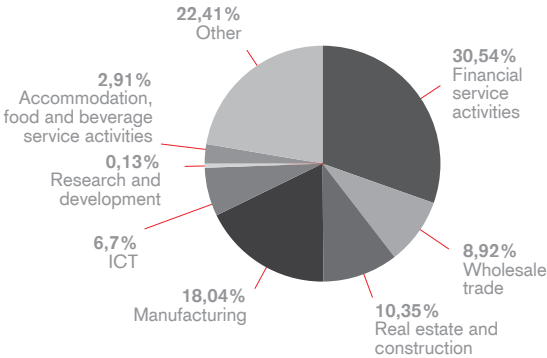
1.5.

Foreign Direct
Investments

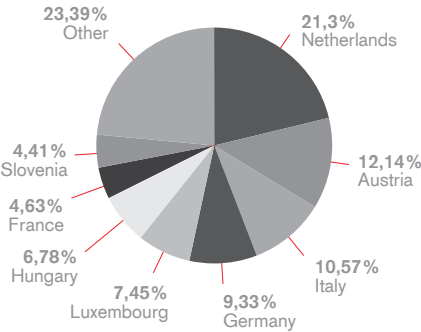
Source: Source, CNB 2017

From 1993 to Q1 2017 Croatia has received foreign direct investments in the amount of 31,20 billion EUR.

Share of foreign direct investments in Croatia by activity (1993-Q1 2017):



Share of foreign direct investments in Croatia by country (1993-Q1 2017):



02 Investment locations

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. Special conditions determination and the Main Design verification

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 meters to several million square meters.

The land located within the business zones is ready for investment projects:

- legal issues regarding the land ownership have been settled;
- physical plans have been adopted; and
- land is equipped with the utilities, 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 quick and successful establishment of business activities, and are often equipped with available office space.

The Agency for Investments and Competitiveness has one of the largest data-bases of the available business zones in Croatia, including all relevant information about the business zones (www.aik-invest.hr/en/zone/).

2.2.

Land Acquisition

Citizens and legal persons of the European Union may acquire real estate in Croatia without any obstacles, 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 web-pages 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-i-ostalih-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 provided differently 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. It may only be used with granted concessions. More information on this issue can be obtained from the Ministry of the Sea, Transport and Infrastructure (www.mppi.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,

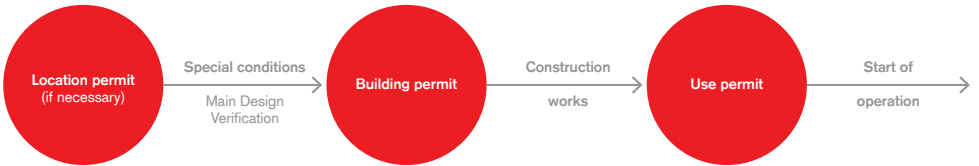
which can provide all relevant information (www.mps.hr). The ownership and possession status of real estate can be determined by accessing the Land Registry at the Municipal Court and the Cadastre at the local Cadastre Office. It is necessary to check the physical planning documentation in order to determine the zoning of the land (example.g. construction, tourism, agriculture etc.). Croatia's land records are available on-line (see <http://e-izvadak.pravosudje.hr/home.htm> and www.katastar.hr).

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. In order 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 (4%) and the purchaser is obliged to give notice of the tax duty to the relevant Tax Authority. The Tax Authority may at it's 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 of 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) whereby sale of construction land is obliged to VAT (currently 25%).

2.3.
Construction Permits



Relevant laws:
· Physical Planning Act (Official Gazette No 153/13, 65/17)
· Building Act (Official Gazette No 153/13, 20/17)

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

In order to familiarize itself 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, and the administrative authority in whose area the land plot is situated will issue, the Location information.

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 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 harmonized projects which provides technical building solutions and demonstrates the fulfilment of basic building requirements and other prescribed and determined requirements and conditions. Main Design for the construction of buildings for which a Location Permit is issued needs to be made in accordance with site conditions stipulated in that license. Main Design for the construction of buildings, for which a Location Permit is not required, needs to be made in accordance with 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 public law bodies it is necessary to obtain Special conditions. Main Design for a specific building on a specific location must be in accordance with these special conditions.



2.3.3.2.

Special conditions determination and the Main Design verification

The investor is required to align the Main Design with the Special conditions and to submit the Main Design to the public law body for obtaining Main Design verification.

If the public law body does not determine Special conditions for building construction within eight days from the receipt of investor’s valid application, the investor can file an application for issuance of a Building Permit even without Special conditions and Main Design verification. In this case, the Ministry of Construction and Physical Planning will again invite the public law body to determine the Special conditions.

2.3.4.

Building Permit

An application for a Building Permit is submitted by an investor.

Under the provisions of the Building Act, a Building Permit must be obtained for:

- construction of an entire building;
- execution of works on an existing building prescribed by Building Act;
- construction of one or more complete buildings within a complex building (phases) determined by Location Permit; and
- one or more phases of certain individual buildings determined by 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 within fifteen days from the date of the said change to request the change of name in the Building Permit. Without the change of name on the Building Permit, construction of the building for which the Building Permit is issued is not allowed to commence.

2.3.4.1.

e-Building Permit

The e-Building project is intended to facilitate and accelerate even the Building Permit process by allowing the issuance of the e-Building Permits over the Internet. For more information about the e-Bulding Permit please visit: <https://dozvola.mgipu.hr/>

2.3.5.

Use Permit

In order 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 3782-143; 3782-444
F: +385 1 3772-822
www.mgipu.hr



03 Human capital

3.1. Education System

3.2. Available Labour Force

3.1.

Education System

Source: CSB, Agency for science and higher education

At the beginning of the 2016/2017 school year, there were 1.727 pre-schools, 2.118 elementary schools, 743 upper secondary schools and 131 higher education institutions; consisting of 8 public universities, 2 private universities, 82 faculties and academies, 4 private polytechnics, 11 public polytechnics, 21 private colleges and 3 public colleges.

Number of higher education institutions by type	
Public university	8
Private university	2
Faculties and academies	82
Private polytechnics	4
Public polytechnics	11
Private college	21
Public college	3

Having signed the Bologna Declaration, Croatia undertook an obligation to become 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 2016 in Croatia was 32.895.

Student who graduated from university study or completed professional study by institution

	Schools of professional higher education	Polytechnics	Professional study	University study	Art academies
TOTAL	1.884	5.030	3.390	21.994	597

Source: CBS 2017 for 2016

Number of employees and unemployed persons by industries, 2015

Source: CBS, 2017 for 2015

	Employees	Unemployed persons
TOTAL	1.141.222	202.416
Agriculture, forestry and fishing	22.196	9.348
Mining and quarrying	4.923	563
Manufacturing	199.152	41.238
Electricity, gas, steam and air conditioning supply	14.503	312
Water supply; sewerage, waste management and remediation activities	21.500	4.120
Construction	68.636	20.809
Wholesale and retail trade; repair of motor vehicles and motorcycles	176.711	35.730
Transportation and storage	58.475	6.672
Accommodation and food service activities	55.394	18.546
Information and communication	33.046	3.339
Financial and insurance activities	36.041	2.721
Real estate activities	6.766	1.172
Professional, scientific and technical activities	58.553	7.583
Administrative and support service activities	40.998	9.792
Public administration and defence; compulsory social security	102.804	13.019
Education	11.175	9.396
Human health and social work activities	91.277	6.893
Arts, entertainment and recreation	21.998	2.626
Other service activities	17.074	9.382



04

Costs of doing business

- 4.1. Salaries
- 4.2. Utilities
 - 4.2.1. Electricity
 - 4.2.2. Natural Gas
 - 4.2.3. Water

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 37.2% - where 20% is paid by the employee and 17.2% is paid by the employer. Using an example of 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 on the basis of factor 1., which equals 504,65 EUR (exchange rate used for this calculation 1 EUR = 7,53 HRK).

	Liability	
Total Cost to the Employer		1.172,00 EUR
Mandatory contribution paid by the employer 17.2% (comprising of health contribution, employment contribution and work injuries contribution)		172,00 EUR
Gross Salary		1.000,00 EUR
Obligatory contributions paid by the employee (Pension insurance pillar I 15% (obligatory) and pension insurance pillar II 5% (obligatory))		200,00 EUR
Income		800,00 EUR
Personal allowance (1)		504,65 EUR
Tax base		295,35 EUR
Tax (24%) for salary amounts below 2.324,04 EUR		71,04 EUR
Tax (36%) for salary amounts above 2.324,04 EUR		0,00 EUR
Total tax amount		71,04 EUR
Surtax - 18% of total tax amount		12,78 EUR
Total tax and surtax		83,82 EUR
Total income after tax and surtax		211,53 EUR
NET SALARY - personal allowance + income after taxation		716,18 EUR

* Zagreb has highest average salaries and surtax rate

Source: CBS, 2017 for 2015
Exchange rate: HRK/EUR= 7,61
(2015)

Average Salaries in Croatian Counties	Net salary (EUR)	Gross salary (EUR)
Republic of Croatia	742,44	1.048,36
Bjelovar-Bilogora County	721,68	1.014,45
Brod-Posavina County	642,18	876,87
City of Zagreb	679,76	927,07
Dubrovnik-Neretva County	689,09	949,15
Istria County	597,24	811,56
Karlovac County	682,00	934,56
Koprivnica-Križevci County	620,24	841,92
Krapina-Zagorje County	738,50	1.033,25
Lika-Senj County	672,01	918,40
Međimurje County	613,27	826,68
Osijek-Baranja County	640,60	865,18
Požega-Slavonia County	652,30	887,39
Primorje-Gorski Kotar County	700,39	965,83
Sisak-Moslavina County	678,84	929,96
Split-Dalmatia County	683,05	931,93
Šibenik-Knin County	644,94	865,57
Varaždin County	692,51	959,40
Virovitica-Podravina County	736,93	1.028,91
Vukovar-Syrmia County	739,55	1.029,96
Zadar County	611,30	829,30
Zagreb County	870,70	1.280,16

4.2.
Utilities

Source: Official Gazettes of the City of Zagreb (2016), Official Gazettes of the City of Osijek (2017) Official Gazettes of the City of Split (2016), Official Gazettes of the City of Rijeka (2016).

The Communal Contribution Fee is a one-time charge, which is paid for construction of objects. It is calculated on newly developed cubic meters, before the start of construction. It is set by municipalities or cities, and can vary depending on volume of the building (m³) and its location.

The Communal Contributions 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 of the utilities 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.

	Communal contribution fee (Average)		Communal contribution tax (Average)	
	Living Space	Office Space	Living Space	Office Space
Zagreb	11,85 EUR/m³	11,85 EUR/m³	0,07 EUR/m²	1,06 EUR/m²
Split	13,95 EUR/m³	17,00 EUR/m³	0,06 EUR/m²	0,52 EUR/m²
Rijeka	7,08 EUR/m³	12,28 EUR/m³	0,06 EUR/m²	1,05 EUR/m²
Osijek	8,18 EUR/m³	9,96 EUR/m³	0,06 EUR/m²	0,40 EUR/m²

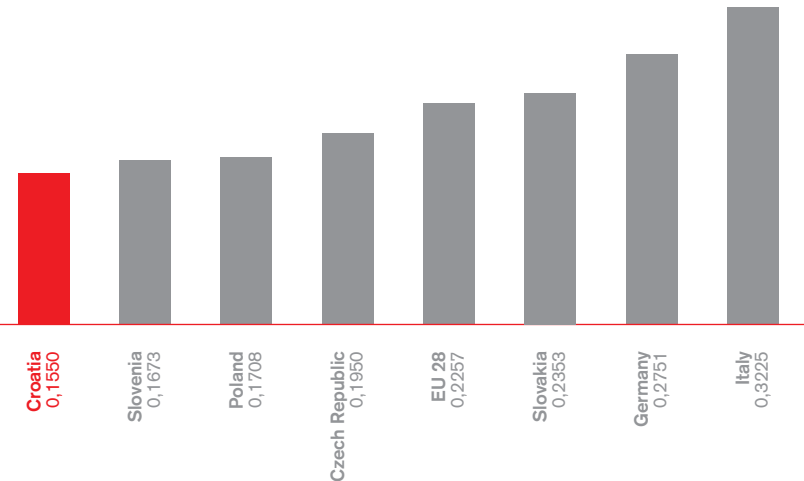


4.2.1.

Electricity

Electricity prices for industrial consumers 2016S2 (Consumption<20 MWh), unit Kilowatt-hour

Source: Eurostat, 2017

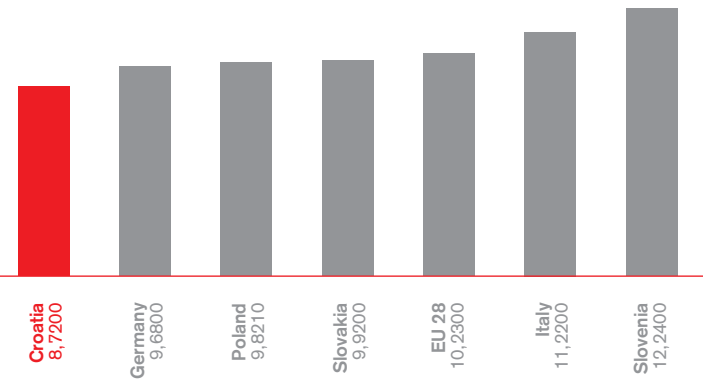


4.2.2.

Natural Gas

Gas prices for industrial consumers, 2016S2 (1000 GJ<Consumption<10000 GJ), unit Gigajoules

Source: Eurostat, 2017



4.2.3.

Water

The water contribution fee is one of the sources of financing water management system and is paid for construction of buildings. Divided in three areas and the water contribution fee is different 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 - the areas of special state concern

Source: Decree on Water Contribution (Official Gazette No 83/2015) (EUR/HRK 7,53)

Water Contribution Fee	ZONES		
	A	B	C
Office space, except production plants	2,22 EUR/m³	1,33 EUR/m³	0,67 EUR/m³
Production plants	0,40 EUR/m³	0,24 EUR/m³	0,08 EUR/m³
Open business buildings	0,65 EUR/m³	0,39 EUR/m³	0,13 EUR/m³



05

Legal environment

5.1. Foreign Investors Status

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 Worker

5.1.

Foreign Investors Status

Under the provisions of the Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15), 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 resided 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).

5.3.

Establishing a Company

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 10 HRK. Minimum initial capital for establishing a limited liability company is 20.000 HRK, while individual representation per investor cannot be less than 200 HRK. Companies that have no more than three members and one Board member may be established through a simplified procedure as a simple limited liability company. The minimum initial amount for the establishment of such companies is 10 HRK, while individual representation per investor cannot be less than 1 HRK.

Company	Short Description
Joint Stock Company (d.d.)	Minimal funding capital amounts to approximately 26.560 EUR (200.000 HRK) 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 the entry into the Court Register.
Limited Liability Company (d.o.o.)	Minimal funding capital amounts to approximately 2,656 EUR (20.000 HRK) be paid in cash before the entry into the Court Register.
Simple Limited Liability Company (j.d.o.o.)	Minimal funding capital amounts to approximately 1,33 EUR (10 HRK) and it must be paid in cash before the entry into the Court Registry.
European Company (Societas Europea)	A European Company is a type of public limited liability company regulated under EU law. Minimal founding capital for its establishment is 120.000 EUR.

Procedure for establishing a company:

- Step

01

Check availability of the company's name (<https://sudreg.pravosudje.hr>), choose activities according to the National classification of activities and determine the company's headquarters address in Croatia
- Step

02

Notarize memorandum of association and other necessary documents, pay the funding capital in the bank and submit the application to the Commercial Court (by hand or electronically via public notary or hitro.hr for LLC and SLLC if the funding capital is paid in cash)
- Step

03

Apply for statistical registration number and open a bank account
- Step

04

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

05

Croatian Institute for Pension Insurance (HZMO) and Croatian Institute for Health Insurance (HZZO)

More detailed information about establishing companies and necessary documents can be obtained from the Ministry of Justice (pravosudje.gov.hr) and 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 state administration through which limited liability companies can be established if the funding capital is paid in cash.



5.3.1.

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. The Branch Office is set up by a special decision brought by the sole trader or a relevant body of the company, in accordance with the statement about the establishment of the company which must be notarized. 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 the activities concerning market research and representation of the founder. One exception is 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 coming 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.

Ministry of Economy, Entrepreneurship and Crafts (www.mingo.hr/en) 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 and 69/17), a foreigner wishing to work in Croatia must obtain either a stay and work permit, within the annual quota determined annually by the Government of Croatia, or a stay and work permit outside the annual quota. Both simultaneously represent a work permit and a temporary residence permit. Last amendments also introduced special rules for sessional workers.

Aliens should submit their stay 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 stay 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. The application for the issue of a stay and work permit may also be submitted by the employer.

Nationals of an European Economic Area (EEA) and members of their families (irrespective of their nationality) as well as the nationals of Swiss Confederation who have the right to stay in Croatia, have equal rights as Croatian citizens in accordance with the Treaty on the Functioning of the EU. They may work and provide services without stay and work permits or certificate of work registration.

Stay and work permit – EU Blue Card – of third country nationals who are highly skilled workers will be held to encompass authorization for temporary stay and work on the Croatian territory.



Permits Issuance Procedure:

- Step 01

Submit the request - An alien or an employer shall submit stay 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 stay 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 02

Decision - 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 03

Payment of fees / Issuance of Permit - If the application is approved, the alien shall be issued a stay and work permit in a form of a sticker in a travel document after the prescribed fees have been paid.
- Step 04

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 a police administration / police station, not later than 30 days upon having received the stay and work permit, otherwise the stay and work permit shall be invalidated.

An alien shall register his/her dwelling address at the appropriate police administration / police station not later than 3 days upon entering the Republic of Croatia.

A stay and work permit and the renewal of a temporary stay 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 stay 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 temporary or occasional cross border provision of services. Posted workers are guaranteed certain rights prescribed by Croatian law and collective agreements.

The responsible Ministry for the employment of foreign citizens and obtaining work permits is the Ministry of the Interior:

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

06 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

Profit tax rate is:

- 12% if income tax amounted up to 3.000.000,00 HRK in the tax period, or
- 18% if income in the tax period is equal to or greater than 3.000.000,01 HRK.

Income tax rate on withholding tax:

- 15% in general;
- 12% on dividends and shares in corporate income (profit)
- 20% on all types of services that are paid to entities who have their headquarters or place of effective management and supervision of operations in countries that are considered as tax haven or financial centers, other than the EU Member States and the countries with which the Republic of Croatia has concluded and applies double taxation avoidance contracts, and the state is included in the Country Census maintained by the Minister of Finance and published on the website of the Ministry of Finance and the Tax Administration of the Republic of Croatia.

6.2.

Income Tax and Surtax

Income Tax rate is:

- 24% for income to 210.000 HRK / 27.888 EUR per year (up to 17.500 HRK / 2.324,04 EUR per month)
- 36% for income above 210.000 HRK / 27.888 EUR per year (above 17.500 HRK / 2.324,04 EUR per month)

1 EUR = 7,53 HRK

In the addition to income tax, the taxpayer also pays 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%
- Cities below 30,000 inhabitants up to 12%
- Cities over 30,000 inhabitants up to 15%
- City of Zagreb up to 18%

Value Added Tax (VAT)

When calculating VAT, three rates are applied:

- 25% is general rate

Reduced VAT rate of 13% is applied for following goods and services:

- A) 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 in places designated for camping and accommodation on nautical tourism vessels,
- B) 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 5% applies, printed on paper that goes out periodically and other than those which overall or in part contain ads or are used for advertising,
- C) Edible oils and fats, of plant and animal origin,
- D) Car seats for children and baby food and processed cereal-based foods for infants and young children,
- E) Water delivery, other than water placed on the market in bottles or in other packaging, in terms of public water supply and public drainage according to a special regulation,
- F) Tickets for concerts,
- G) Supply of electricity to other supplier or end-user, including the fees related to a delivery,
- H) Public service of collecting of mixed municipal waste, biodegradable municipal waste and separate collection of waste according to a special regulation,
- I) Urns and coffins,
- J) Seedlings and seeds,
- K) Fertilizers and pesticides and other agrochemicals,
- L) Animal feed, other than pet food.

Reduced VAT rate of 5% is applied for following goods and services:

- A) All types of bread,
- B) All types of milk (cows, sheep, goats), put on the market under the same name in liquid form, fresh, pasteurized, homogenized, condensed (except sour milk, yogurt, kefir, chocolate milk and other dairy products), substitutes for breast milk,
- C) Books of professional, scientific, artistic, cultural and educational content, textbooks for pedagogical education, primary, high school and higher education, in all physical forms,
- D) Medicines sold on a prescription and having the approval of a competent body for medicines and medical products,
- E) Medical equipment, aids and other devices used to relieve the disability treatment exclusively for the personal use of the disabled prescribed by the Ordinance on Orthopedic and Other Aids of the Croatian Institute for Health Insurance,
- F) Cinema tickets,
- G) Newspaper of a newspaper publisher who has media statue, and is printed on paper and issued daily, other than those containing, overall or in major part ads or advertising,
- H) Scientific journals.



Real Estate Transfer Tax

Real estate Transfer Tax rate is 4% 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. Object of taxation is a 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.

Please note that the information on Croatian Tax System is updated according to a major tax reform that took effect since January 1st 2017. For more information, please contact the Croatian Ministry of Finance:

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

07 Investment incentives

Incentive measures for investment projects in the Republic of Croatia are regulated by the Act on Investment Promotion 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, small or micro). Classification of enterprises is done in accordance with Annex I of Commission Regulation (EU) N°651/2014 of 17 June 2014:

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

Enterprise category*	Number of employees		Annual turnover		Annual balance sheet
Large	≥ 250	and	> 50 million €	or	> 43 million €
Medium	< 250		≤ 50 million €		≤ 43 million €
Small	< 50		≤ 10 million €		≤ 10 million €
Micro	< 10		≤ 2 million €		≤ 2 million €

The amount of aid shall be calculated as a percentage of investment value, which is determined on the basis of eligible investment cost.

Eligible investment costs are:

- tangible (value of buildings, machinery and equipment) and intangible assets (patent rights, licences, know-how), or
- gross salary (total cost to the employer) calculated over a period of two years

The minimum period for maintaining the investment and newly created jobs linked to an investment is five years for large enterprises, and three years for micro, small and medium-sized enterprises, but no less than the period of use of the incentive measures.

Profit tax incentives

Investment amount (€ mil.)	Number of newly Employed	Period (years)	Period of employment (years)	Profit tax rate deduction
<1 (>0,05 for micro)	5 (3 for micro)	10 (5 for micro)	3 (SME), 5 (large)	50%
1-3	10	10	3 (SME), 5 (large)	75%
>3	15	10	3 (SME), 5 (large)	100%



Employment incentives

County un-employment rate	Incentive rate in relation to eligible costs of job creation	Increase for development and innovation activities	Increase for business support activities and high added value activities
<10%	10% (max. 3.000 EUR) for employing groups of persons specified in the Regulation *	+50% (1,500 €)	+25% (750 €)
	4% (max. 1,200 €) for employing other groups of persons	+50% (600 €)	+25% (300 €)
10-20%	20% (max. 6.000 EUR) for employing groups of persons specified in the Regulation *	+50% (3,000 €)	+25% (1,500 €)
	8% (max. 2,400 €) for employing other groups of persons	+50% (1,200 €)	+25% (600 €)
>20%	30% (max. 9.000 EUR) for employing groups specified in the Regulation *	+50% (4,500 €)	+25% (2,250 €)
	12% (max. 3,600 €) for employing other groups of persons	+50% (1,800 €)	+25% (900 €)

* Regulation on Investment Promotion (OG, 31/16) prescribes that the specified amount of the grant refers to the long-term unemployed, regardless of length of service and level of education, who are registered as unemployed with Croatian Employment Service (CES) for at least 6 months, persons older than 50 years registered as unemployed with CES, persons without work experience registered as unemployed with CES, persons whose contract was cancelled because of the bankruptcy proceedings. For other categories of workers the incentive rate is 40% of the specified amount as shown in the table.

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 500.000 EUR in equivalent HRK value, provided that the purchased plant/machinery represents high technology equipment.

Incentives for Education and Training

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 and training cannot exceed 70% of eligible costs of education and training or 50% of incentive in relation to eligible costs of jobs creation
** 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 relating 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; trainees' personnel costs and general indirect costs (administrative costs, rent, overheads) for the hours during which the trainees participate in the training. Accommodation costs are excluded. Incentives will not be awarded for the training conducted to ensure compliance with the mandatory training prescribed by national norms.

Incentive measures for labour-intensive investment projects

Number of newly created jobs	Increase of support for creating new jobs
100 and higher	25%
300 and higher	50%
500 and higher	100%

Incentive measures for the capital costs of the investment project
Eligibility conditions for incentive measures for capital expenditures in an investment project: investment in long-term assets of at least EUR 5 million and with the condition of opening at leasat 50 new work places.

County unemployment rate	Incentives for capital expenses
10-20%	Cash grant in amount of 10% of the eligible costs of investments for: · construction of the new factory, production facility or tourist facility; · buying of new machines, i.e. production equipment, (max amount up to 0.5 million EUR*.
>20%	Cash grant in amount of 20% of the eligible costs of investments for: · construction of the new factory, production facility or tourist facility; · buying of new machines, i.e. production equipment, (max amount up to 1 million EUR with the condition that the part of 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).
* With the condition that the part of 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).	

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 means the earlier of 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. Buying land and preparatory works such as obtaining permits and conducting feasibility studies are not considered start of investment.



08 Strategic investment projects



The Act on Strategic Investment Projects in the Republic of Croatia was enacted at the end of 2013. It provides strategic investment project with:

- quicker investment implementation;
- less procedures and licences needed;
- each step of the investment process specified;
- exact deadlines for each step of the investment process.; and
- operational group appointed to provide support to project implementation.

To qualify as strategic investment projects, the following criteria must be met:

- it must be private, public or public-private partnership;
- it must entail construction of structures in one of the following sectors: economy, energy, tourism, transport, infrastructure, electronic communications, postal services, environmental protection, public utilities, agriculture, forestry, water management, fisheries, health care, culture, science, technology, education, defence and judiciary;
- it must meet the prescribed requirements:
- employment of significant number of persons;
- alignment with existing physical plans;
- minimum value of prescribed total capital investment costs;
- alignment with strategic documents of the EU and the Republic of Croatia;
- positively affect multiple economic activities and create added value, raise the overall safety and quality of life, improve environmental protection and contribute to the overall Croatian competitiveness;
- additionally, private investment project must be in production and processing activities, development and innovation activities, business support activities, activities of high added value services, activities in energy sector, infrastructure, or activities related to agriculture and fisheries.

In order 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.

Private and public-private partnership investors nominate their projects to the Agency for Investments and Competitiveness. (<http://www.aik-invest.hr/en/>)

Public investments are nominated to the Ministry of Economy, Entrepreneurship and Crafts.

09

Public private partnership



Republic of Croatia has a sound and comprehensive legal framework for PPP projects preparation and implementation. PPP projects are regulated by the Public Private Partnership Act, Regulation on the implementation of Public Private Partnership Projects, Ordinance on Small Value PPP Projects, Concessions Act and Public Procurement Act.

Agency for Investments and Competitiveness is a central national body responsible for evaluating, approving and monitoring the implementation of PPP projects, keeping the Public Private Partnership Contract Register.

Currently, there are 15 PPP Contracts registered in the Register with total value of cca 340.000.000,00 EUR. Most of the implemented projects are from transport, education and recreation sectors.

Public Authorities prepare and propose PPP projects.

Assessment and approval procedure is the following:

1. Public Authority develops the Investment program for the period of 3-5 years out of which PPP Projects are selected and PPP Project Proposals (which content is stipulated by the law) are made.
2. Public Authority delivers two copies of the Project Proposal to the Agency which delivers one copy to the Ministry of Finance for prior consent.
3. After receiving the prior consent from the Ministry and the approval of the Agency, Public Authority may initiate the public procurement procedure for the selection of private partner.
4. Public Authority concludes the PPP contract with the SPV established by the preferred bidder selected in the tender procedure.
5. The period of project implementation starts after the PPP contract comes into force (usually after financial close).
6. Private Partner shall transfer the public asset to the Public Authority after contract expiry, without compensation.

10 Agency for Investments and Competitiveness

Who are we?

The Agency for Investments and Competitiveness (AIK) is an agency established by the Government of the Republic of Croatia. Its key objectives are: promotion of Croatia as a desirable investment destination, proactively encouraging investment into Croatia and enabling successful implementation of investment projects, as well as enhancing the competitiveness of the Croatian economy on a global level.

Our role is to serve as the central place for investors in the Republic of Croatia, in order to ensure a transparent, professional and tailor-made full service completely free of charge, through all stages of investment projects, from the initial inquiry through to investment completion.

Mission

AIK's mission is to enable investors to efficiently and successfully achieve their business goals in Croatia and through its professional services, promote sector specialization, cluster competitiveness and to identify all necessary measures needed to boost investors' business activities, as well as raising the level of competitiveness in the Republic of Croatia.

Vision

AIK's vision is to attract and encourage investments and improve the competitiveness of the Croatian economy in order to ensure that Croatia becomes a highly competitive country in the EU. The goal is to achieve significant growth and development based on knowledge, quality products and services with high added value with an emphasis on creating new employment opportunities.

Our services

1. Promotion of Croatia as an investment destination
 - Strengthening Croatia's image as a globally competitive economy
 - Preparation and organization of subject-specific seminars
 - Coordination of all promotional activities on international markets with partner institutions
2. Support of investment projects implementations through:
 - Offering all necessary information on business opportunities in Croatia
 - Project preparation for investments in Croatia
 - Supporting investments projects in all phases of implementation through a tailor-made approach
3. Increasing competitiveness levels of the Croatian economy by:
 - Improving the investment environment
 - Removing administrative barriers
 - Supporting the work of clusters of competitiveness
4. Evaluating, approving and monitoring the implementation of PPP projects
 - Organizing and keeping of the Register of PPP contracts
 - Applying international best practices in the field of PPP

Our strength lies in a young and experienced team of professionals, who will use their knowledge and expertise to offer you the best possible support in all stages of implementation of your investment projects. All our services are free of charge.

Agency for Investments and Competitiveness
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e-mail: info@aik-invest.hr
www.aik-invest.hr

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