



REPUBLIC of CROATIA
Ministry of Economy and
Sustainable Development

INVESTMENT GUIDE

2024



Investment Guide 2024

April 2024



REPUBLIC of CROATIA
Ministry of Economy and
Sustainable Development

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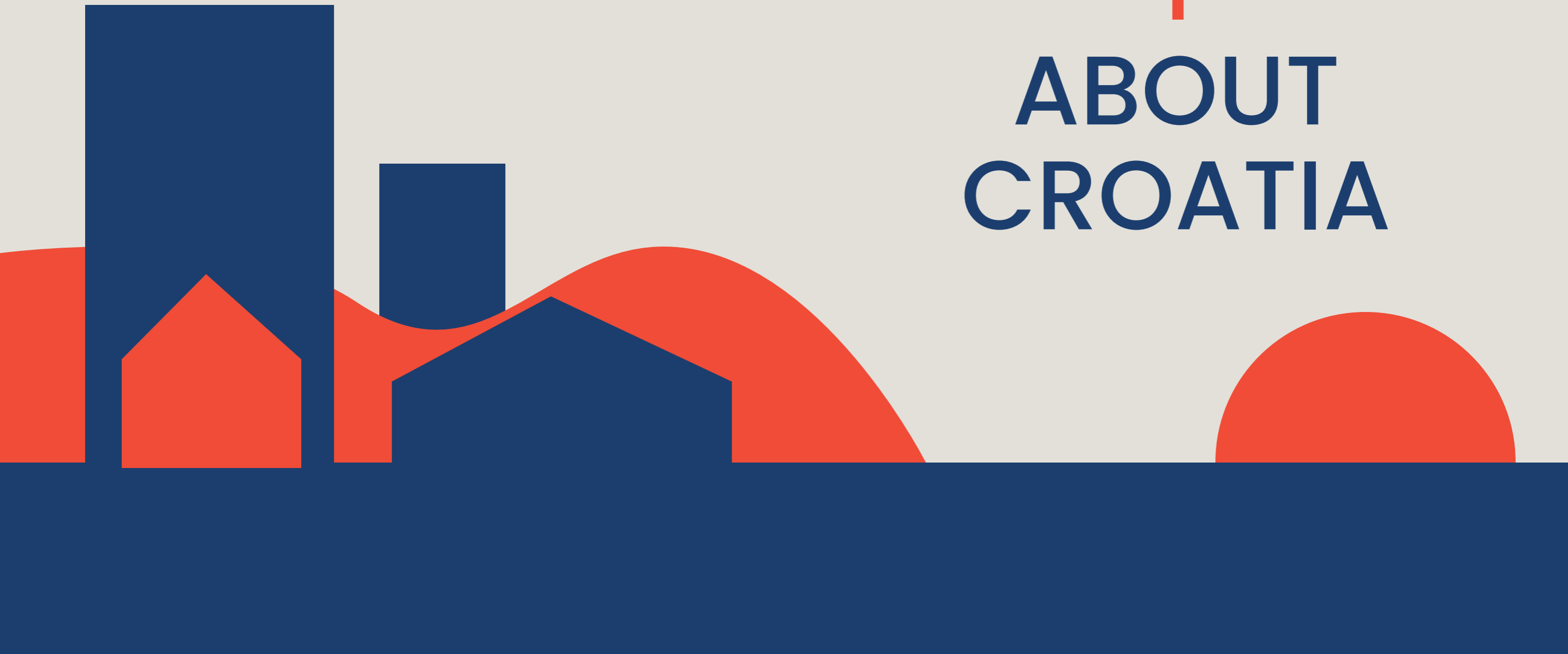
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ABOUT CROATIA

1.1. Basic Indicators

LAND AREA:
56,594 km²

POPULATION:
3,853 m

POLITICAL SYSTEM:
Parliamentary democracy

TERRITORIAL ORGANISATION:
20 counties and the City of Zagreb

CAPITAL:
Zagreb

OFFICIAL LANGUAGE:
Croatian

CURRENCY:
Euro (EUR)

INTERNATIONAL TELEPHONE CODE:
00 385

INTERNET COUNTRY CODE:
.hr

TIME ZONE:
Central European Time (CET)

CLIMATE:
Mediterranean,
Mountainous, Continental

Main Macroeconomic Indicators

Main macroeconomic indicators	2017	2018	2019	2020	2021	2022	2023
GDP (MILLION EUR, CURRENT PRICES)	49,626	52,061	54,910	50,569	58,408	67,993	75,855
GDP GROWTH RATE (IN %, CONSTANT PRICES)	3.4	2.8	3.4	-8.6	13.8	6.3	2.8
GDP PER CAPITA (IN EUR)	12,032	12,735	13,507	12,493	15,057	17,633	19,687
IMPORT OF GOODS AND SERVICES (AS % OF GDP)	48.9	50.9	51.7	48.5	52.6	65.4	56.8
EXPORT OF GOODS AND SERVICES (AS % OF GDP)	49.6	50.1	51.3	41.4	49.9	59.2	54.7
INFLATION (ANNUAL AVERAGE), %	1.1	1.5	0.8	0.1	2.6	10.8	8.0
UNEMPLOYMENT RATE (ILO), %	11.2	8.4	6.6	7.5	7.6	7.0	6.1

Source: CNB 2024

1.2. Strategic Location

- Shortest transit times
- Part of the EU single market (>450 million consumers)
- Member of the euro and the Schengen areas
- Borders with 3 CEFTA countries (Serbia, Montenegro, Bosnia and Herzegovina)

1.3. Infrastructure

- 9 international airports – all of Europe accessible within 3 hours
- Pan-European Transport Corridors (X, Xa, Vb, Vc, VII) cross its territory
- 13th place (out of 141) on the Quality of Road Infrastructure (WEF Global Competitiveness Report 2019)
- Shortest transit time from the Far East through 6 quality seaports
- Direct access to the Rhine – Main – Danube transport corridor through four main river ports



1.4. Foreign Trade in Goods and Services

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

Goods export, '000 EUR, %

Country	Export, '000 EUR	%
ITALY	2,793,524	12.21%
GERMANY	2,793,096	12.21%
SLOVENIA	2,565,022	11.21%
BOSNIA AND HERZEGOVINA	2,306,328	10.08%
HUNGARY	1,568,750	6.86%
OTHER	10,847,822	47.42%
TOTAL	22,874,542	

Goods import, '000 EUR, %

Country	Import, '000 EUR	%
ITALY	5,729,726	14.52%
GERMANY	5,625,632	14.26%
SLOVENIA	4,533,559	11.49%
HUNGARY	2,532,195	6.42%
AUSTRIA	2,190,211	5.55%
OTHER	18,841,528	47.76%
TOTAL	39,452,851.00	

Foreign trade in goods by SITC sections

Foreign trade in goods by SITC sections	Export, '000 eur	% Export	Import, '000 eur	% Import
FOOD AND LIVE ANIMALS	2,829,158	12.37%	4,598,709	11.66%
BEVERAGES AND TOBACCO	511,997	2.24%	641,886	1.63%
CRUDE MATERIALS, EXCEPT FUELS	1,456,553	6.37%	691,980	1.75%
MINERAL FUELS AND LUBRICANTS	2,741,816	11.99%	6,357,807	16.11%
ANIMAL AND VEGETABLE OILS AND FATS	95,699	0.42%	181,158	0.46%
CHEMICAL PRODUCTS	2,675,812	11.70%	5,103,968	12.94%
MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	3,784,563	16.54%	6,203,727	15.72%
MACHINERY AND TRANSPORT EQUIPMENT	5,633,893	24.63%	10,443,172	26.47%
MISCELLANEOUS MANUFACTURED ARTICLES	3,027,526	13.24%	5,072,467	12.86%
COMMODITIES AND TRANSACTIONS, N. E. S.	71,018	0.31%	155,580	0.39%
NOT CLASSIFIED	46,505	0.20%	2,397	0.01%
TOTAL	22,874,542		39,452,851	

Source: CBS 2024 for 2023

Services export, MIL EUR, %

Country	Revenue, MIL EUR	%
GERMANY	4,621.8	20.70%
AUSTRIA	2,038.9	9.13%
UNITED KINGDOM	1,730.9	7.75%
SLOVENIA	1,575.4	7.06%
ITALY	1,429.6	6.40%
OTHER	10,930.6	48.96%
TOTAL	22,327.1	

Services import, MIL EUR, %

Country	Expenditure, MIL EUR	%
BOSNIA AND HERZEGOVINA	733.5	11.17%
SLOVENIA	682.0	10.39%
GERMANY	629.2	9.58%
IRELAND	369.9	5.63%
UNITED KINGDOM	361.9	5.51%
OTHER	3,868.6	57.72%
TOTAL	6,564.9	



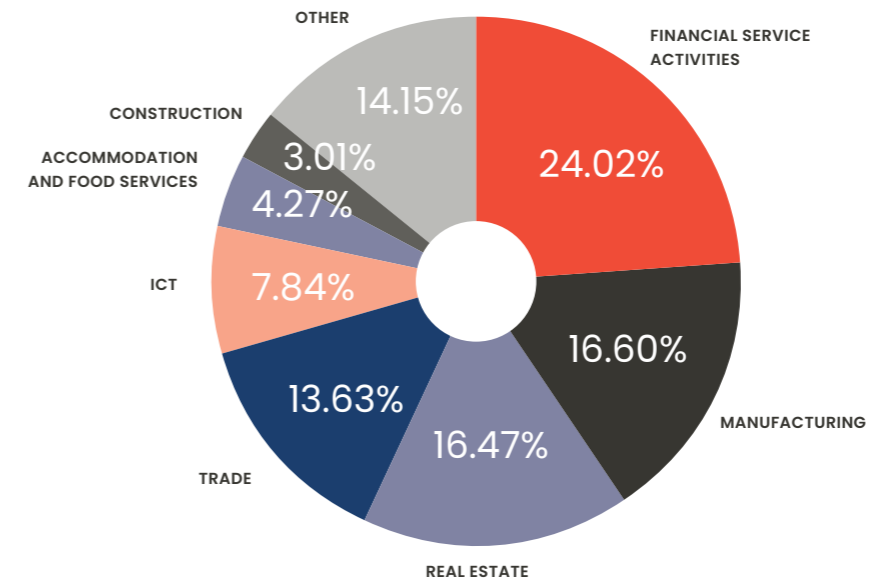
Trade in selected services

Trade in selected services	Revenue (MIL EUR)	% Revenue	Expenditure (MIL EUR)	% Expenditure
MANUFACTURING SERVICES ON PHYSICAL INPUTS OWNED BY OTHERS	632.1	2.83%	71.9	1.10%
MAINTENANCE AND REPAIR SERVICES	389.3	1.74%	121.0	1.84%
TRANSPORT	1,567.5	7.02%	1,017.7	15.50%
TRAVEL	14,597.8	65.38%	1,769.4	26.95%
CONSTRUCTION	461.2	2.07%	143.2	2.18%
INSURANCE	44.9	0.20%	109.2	1.66%
FINANCIAL SERVICES	214.8	0.96%	143.4	2.18%
TELECOMMUNICATION, COMPUTER AND INFORMATION SERVICES	1,697.5	7.60%	691.0	10.53%
CHARGES FOR THE USE OF INTELLECTUAL PROPERTY	125.2	0.56%	437.9	6.67%
RESEARCH AND DEVELOPMENT SERVICES	250.3	1.12%	53.3	0.81%
PROFESSIONAL AND MANAGEMENT CONSULTING SERVICES	956.3	4.28%	845	12.87%
TECHNICAL, TRADE-RELATED AND OTHER BUSINESS SERVICES	1,145.6	5.13%	1,046.5	15.94%
OTHER PERSONAL, CULTURAL AND RECREATIONAL SERVICES	244.6	1.10%	115.3	1.76%
TOTAL	22,327.1		6,564.9	

Source: CNB 2024 for 1-3 Q 2023

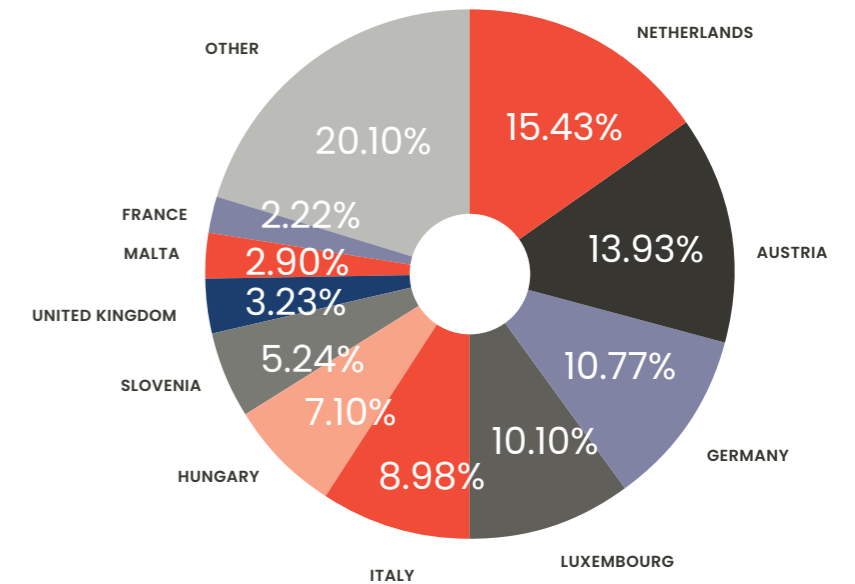
1.5. Foreign Direct Investment

Between 1993 and 2023, Croatia received foreign direct investments in the amount of EUR 45.22 billion.



Share of foreign direct investments in Croatia by activity (1993 – 2023)

Share of foreign direct investments in Croatia by country (1993 – 2023)



Source: CNB 2024



2 INVESTMENT LOCATIONS

2.1. Business Zones in Croatia

Business zones are designated areas of industrial real estate owned by the Republic of Croatia, local municipalities, or private entities. There are more than one hundred infrastructure-ready zones, ranging in size from ten thousand 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:

- full or partial exemption from the communal contribution fee;
- full or partial exemption from the communal contribution tax;
- low land prices;
- developed infrastructure; and
- direct and indirect state incentives.

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 real estate located in protected nature areas.

Citizens and legal persons of countries outside the European Union may acquire real estate in Croatia based on the principle of reciprocity, i.e. under those rules that apply to Croatian citizens in the foreigner's own country. To ascertain whether such reciprocity exists, please visit the webpage of the Croatian Ministry of Justice and Public Administration

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

The Ministry of Economy and Sustainable Development has one of the largest databases of available business zones in Croatia, which includes all relevant information about them.

The database is available at <https://investcroatia.gov.hr>

(<https://mpu.gov.hr/informacije-o-uzajamnosti-u-stjecanju-prava-vlasnistva-nekretnina-izmedju-republike-hrvatske-i-drzava-izvan-europske-unije-republike-island-knezevine-lihtenstajn-kraljevine-norveske-te-svicarske-konfederacije/6186>).

Consent for the acquisition of property rights is decided in administrative proceedings at the request of a non-EU citizen or legal person who intends to acquire ownership of a particular property, or the person who intends to alienate that property.

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 it may only be used with granted concessions. More information on this matter can be obtained from the Ministry of the Sea, Transport and Infrastructure (<https://mmpi.gov.hr>).

Purchase of real estate that has been identified as culturally significant is subject to a pre-emption right on the part of 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/>).

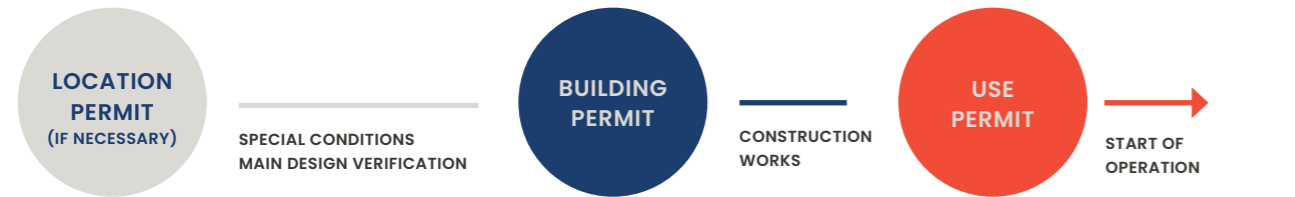
The ownership and possession status of real estate can be determined by accessing the Land Registry at the Municipal Court and the cadastre at the local cadastral office. It is necessary to check the physical planning documentation to determine the zoning of the land (e.g. construction, tourism, agriculture etc.). Croatia's land records are available online (<http://www.uredjenazemlja.hr/default.aspx?id=17>).

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 a 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 tax on the basis of the market value of the real estate. Transactions of construction land, i.e. land for which an executive act has been issued approving construction (e.g. a construction permit, location permit, construction decision and the like) in cases where the seller is a VAT taxpayer are subject to VAT (currently 25%).

2.3.

Construction Permit



Relevant laws:

- Physical Planning Act (OG 153/13, 65/17, 114/18, 39/19, 98/19, 67/23)
- Building Act (OG 153/13, 20/17, 39/19, 125/19)

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. Physical Planning Information System (ISPU)

The Physical Planning Information System is an application of the Ministry of Physical Planning, Construction and State Assets (<https://ispu.mgipu.hr/>) that merges the geoportals, cadastral and spatial plans into one unit, enabling end users (i.e. every citizen) simple access to information on the rules of space use and plans being produced.

2.3.1.2. 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 make a location information

request, which will then be issued by the administrative authority in whose area the land plot is situated.

2.3.2. Environmental Impact Assessment

Environmental impact assessment (EIA) is the process of assessing the acceptability of the intended intervention with regard to the environment and determining the necessary environmental protection measures, in order to reduce impacts as much as possible and achieve the greatest possible preservation of the quality of the environment.

The assessment procedure is carried out in the early stages of project planning, before the issuance of a location permit (or other approval regarding a project for which the issuance of a location permit is not mandatory).

The environmental impact assessment procedure is prescribed in the Environmental Protection Act (OG, 80/13, 153/13, 78/15, 12/18, 118/18) and in the Regulation on Environmental Impact Assessment (OG, 61/14, 3/17). The list in Annex I of the Regulation includes the interventions for which the



environmental impact assessment is obligatory. The lists in Annexes II and III of the Regulation on Environmental Impact Assessment include the interventions for which screening (assessment of the need for environmental impact assessment) is carried out.

2.3.3. Location Permit

In most cases, the location permit is not necessary. The Physical Planning Act prescribes that location permits need only be obtained for

- exploration fields, the construction of mining facilities and facilities supporting mining operations, and storage and permanent disposal of hydrocarbon gases in geological structures;
- determining the location of new military locations and military buildings;
- interventions in spaces that, under the special regulations that regulate construction, are not considered as construction work;
- a complex space intervention;
- 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.

2.3.4. Special Conditions and Main Design

Special conditions are those, determined by designated public law bodies, that 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 harmonised projects; it 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.

2.3.4.1. Notification on the Main Design Creation Requirements

In cases of building construction for which a location permit is not required, the investor may request the administrative authority or Ministry of Physical Planning, Construction and State Assets to inform them from which competent public bodies it is necessary to obtain special conditions. The main design for a specific building at a specific location must follow these special conditions.

2.3.4.2. 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 Physical Planning, Construction and State Assets, 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 specially classified buildings.

2.3.5. 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 request a change of the name in the building permit within 15 days of the date of the said change. Without the change of name in the building permit, the construction of the building for which the building permit has been issued will not be allowed to commence.

2.3.5.1. e-Permit

The e-Permit (e-Dozvola) information system of the Ministry of Physical Planning, Construction and State Assets is intended to facilitate and accelerate the issuance of building permits and other acts permitting construction pursuant to the Physical Planning Act and the Building Act. For more information about the e-Building permit, please visit: <https://dozvola.mgipu.hr/>

2.3.6. 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 has been built in accordance with the building permit.

For more information about physical plans and construction permits, please contact:

Ministry of Physical Planning,
Construction and State Assets
Ulica Republike Austrije 20,
HR – 10 000 Zagreb
P: +385 1 3782–484
<https://mgipu.gov.hr/>

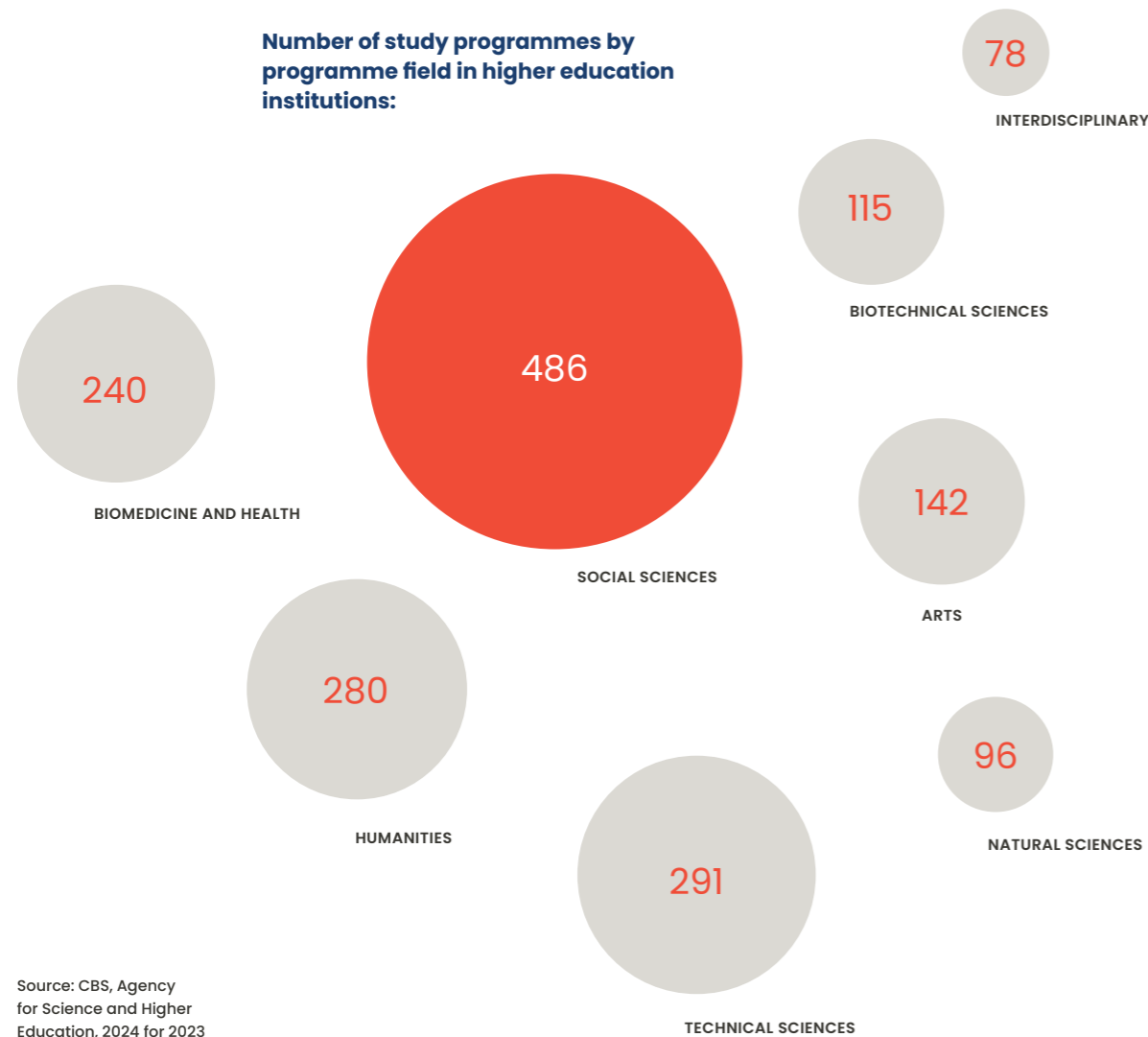


3 HUMAN CAPITAL

3.1. Education System

At the beginning of the 2022/23 school year, there were 1,727 preschool institutions, 1,971 primary schools, 743 secondary schools and 129 higher education institutions, which included 9 public universities, with 84 constituent units, 3 private universities, 13 public polytechnics, 9 private polytechnics, 1 public college and 9 private colleges.

Number of study programmes by programme field in higher education institutions:



Source: CBS, Agency for Science and Higher Education, 2024 for 2023

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 2022 was 30,875.

Graduates by education level and field of study:

ISCED FIELDS OF EDUCATION AND TRAINING	Graduates	
	UPPER SECONDARY EDUCATION - VOCATIONAL	TERTIARY EDUCATION (LEVELS 5-8)
TOTAL	26,891	34,673
BUSINESS AND ADMINISTRATION	5,127	6,288
NATURAL SCIENCES, MATHEMATICS AND STATISTICS	0	1,822
INFORMATION AND COMMUNICATION TECHNOLOGIES	0	1,679
ENGINEERING AND ENGINEERING TRADES	7,521	4,241
– ELECTRONICS AND AUTOMATION	3,739	1,728
– MECHANICS AND METAL TRADES	3,593	1,414
MANUFACTURING AND PROCESSING	1,104	673
AGRICULTURE, FORESTRY, FISHERIES AND VETERINARY	961	1,113
SERVICES	7,043	3,369
– HOTEL, RESTAURANT AND CATERING	4,054	140
– TRANSPORT SERVICES	1,696	1,189

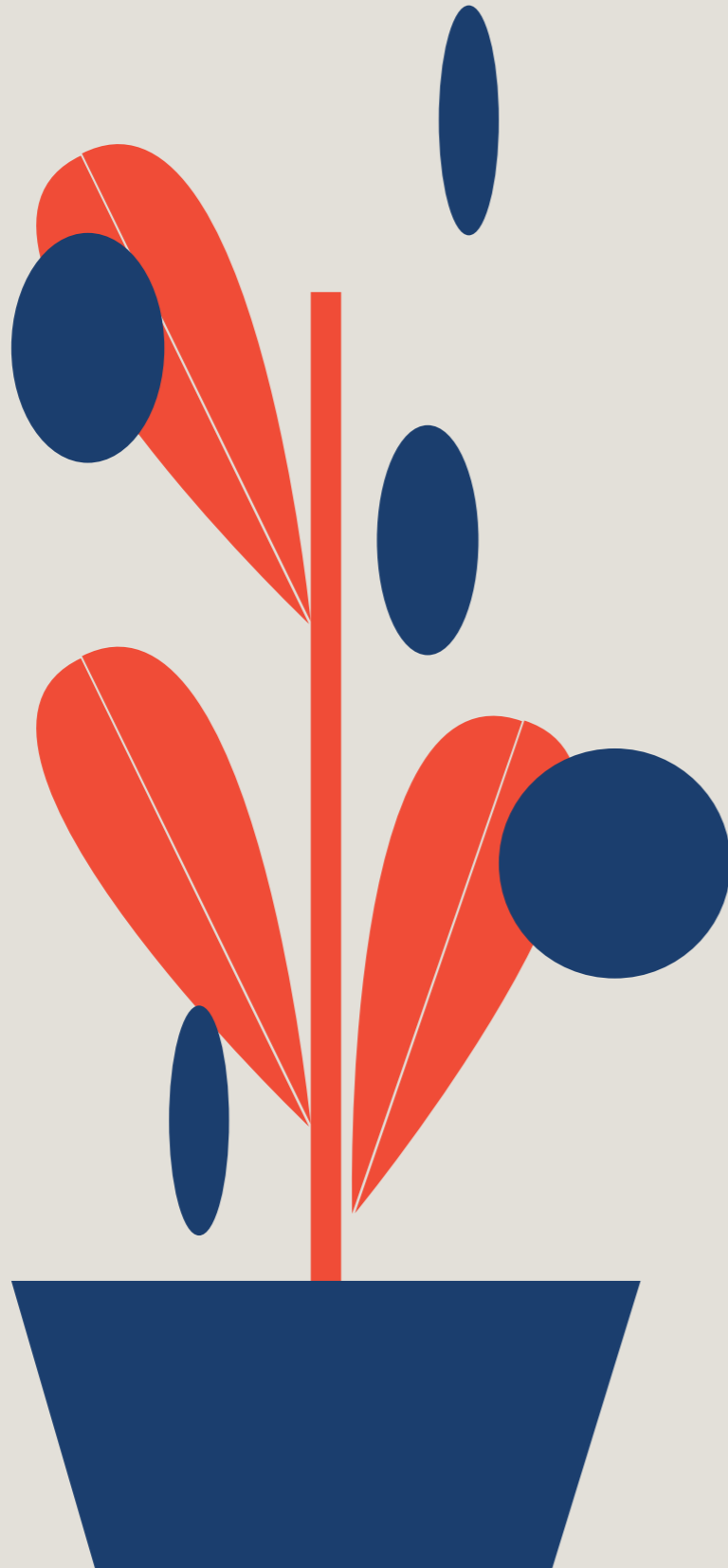
Source: Eurostat 2024 for 2021



Number of employed and unemployed persons by industry

	Employed persons	Registered Unemployed
TOTAL	1,419,668	119,720
AGRICULTURE, FORESTRY AND FISHING	25,970	3,956
MINING AND QUARRYING	3,681	123
MANUFACTURING	231,998	14,273
ELECTRICITY, GAS, STEAM, AND AIR CONDITIONING SUPPLY	14,536	117
WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	26,545	1,217
CONSTRUCTION	118,176	7,691
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	218,281	13,489
TRANSPORTATION AND STORAGE	78,568	3,944
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	81,897	17,772
INFORMATION AND COMMUNICATION	58,896	1,626
FINANCIAL AND INSURANCE ACTIVITIES	35,981	1,007
REAL ESTATE ACTIVITIES	10,079	658
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	70,989	3,816
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	56,135	6,253
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	109,073	9,541
EDUCATION	125,876	3,002
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	105,798	4,922
ARTS, ENTERTAINMENT AND RECREATION	27,814	1,614
OTHER SERVICE ACTIVITIES	19,375	7,203
WITHOUT PREVIOUS WORK EXPERIENCE		16,192

Source: CBS, CES, 2024 for January 2024



4 COST OF DOING BUSINESS

The costs of doing business in Croatia are significantly lower than the average costs of doing business in the European Union. Electricity and natural gas prices are among the lowest in the region.

4.1. Salaries

The average monthly gross salary per employee in legal entities in the Republic of Croatia amounted to EUR 1,584 in 2023. The prescribed minimum gross salary for 2024 is EUR 840.

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.

The table uses the example of a EUR 1,934 gross salary (average gross salary in 2023 in the City of Zagreb, where the local personal income tax rates equal 23.6% and 35.4%). Taxpayers are entitled to a personal allowance calculated on the basis of a factor of 1, which equals EUR 560.

	Liability	
TOTAL COST TO THE EMPLOYER		2,253.11 EUR
MANDATORY CONTRIBUTION PAID BY THE EMPLOYER: (HEALTHCARE CONTRIBUTION)	16.5%	319.11 EUR
GROSS SALARY		1,934.00 EUR
OBLIGATORY CONTRIBUTIONS PAID BY THE EMPLOYEE: (PENSION INSURANCE PILLAR I 15% (OBLIGATORY) AND PENSION INSURANCE PILLAR II 5% (OBLIGATORY))	20%	290.10 EUR 96.70 EUR
INCOME		1,547.20 EUR
TOTAL TAX EXEMPTION – PERSONAL ALLOWANCE*		560.00 EUR
TAX BASE		987.20 EUR
TAX FOR SALARY AMOUNTS BELOW 4,200.00 EUR	23.6%**	232.98 EUR
TAX FOR SALARY AMOUNTS ABOVE 4,200.00 EUR	35.4%**	
TOTAL TAX AMOUNT		232.98 EUR
TOTAL INCOME AFTER TAX		754.22 EUR
NET SALARY – PERSONAL ALLOWANCE + INCOME AFTER TAXATION		1,314.22 EUR

* The taxpayer's personal allowance is the basic personal deduction increased by the parts and amounts of the personal deduction to which the taxpayer is entitled under the conditions prescribed by the Income Tax Act

** The personal income tax rates depend on the place of residence / habitual residence of the taxpayer

Average Monthly Salaries in Croatian Counties

Source: CBS, 2024 for 2023

Average salaries in Croatian counties	Net salary (EUR)	Gross salary (EUR)
REPUBLIC OF CROATIA (OVERALL)	1,148	1,584
ZAGREB	1,163	1,596
KRAPINA-ZAGORJE	1,107	1,488
SISAK-MOSLAVINA	1,059	1,429
KARLOVAC	1,122	1,512
VARAŽDIN	1,064	1,440
KOPRIVNICA-KRIŽEVCI	1,042	1,403
BJELOVAR-BILOGORA	1,027	1,369
PRIMORJE-GORSKI KOTAR	1,147	1,583
LIKA-SENJ	1,048	1,405
VIROVITICA-PODRAVINA	998	1,326
POŽEGA-SLAVONIA	1,027	1,376
SLAVONSKI BROD-POSAVINA	1,031	1,380
ZADAR	1,072	1,448
OSIJEK-BARANJA	1,069	1,446
ŠIBENIK-KNIN	1,064	1,444
VUKOVAR-SIRMIUM	1,020	1,346
SPLIT-DALMATIA	1,096	1,499
ISTRIA	1,087	1,482
DUBROVNIK-NERETVA	1,074	1,458
MEĐIMURJE	1,066	1,420
CITY OF ZAGREB	1,345	1,934

4.2. Utilities

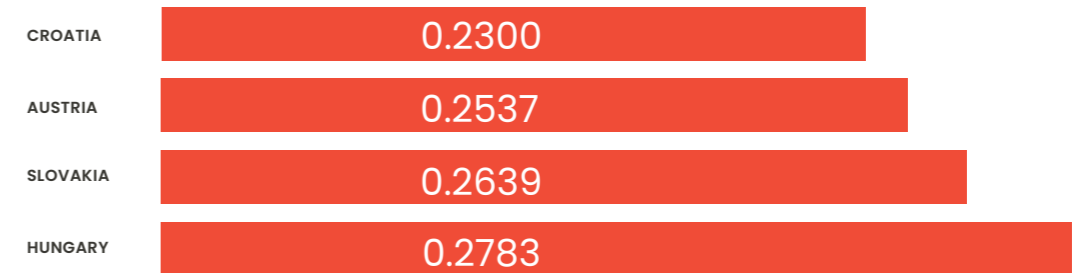
The communal contribution fee is a one-time charge, which is paid for the construction of facilities. It is calculated, on the amount of cubic metres intended to be built, before the start of construction. It is set by municipalities or cities, and can vary depending on the volume of the building (m³)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

The communal contribution tax is set by city or municipality authorities according to the built infrastructure, location of the infrastructure (by zones) and purpose of the infrastructure. It is paid monthly by physical and legal entities in specific cities or municipalities. 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, and so on. 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 2023S2 (20 000 MWh < Consumption < 69 000 MWh), EUR per Kilowatt-hour*

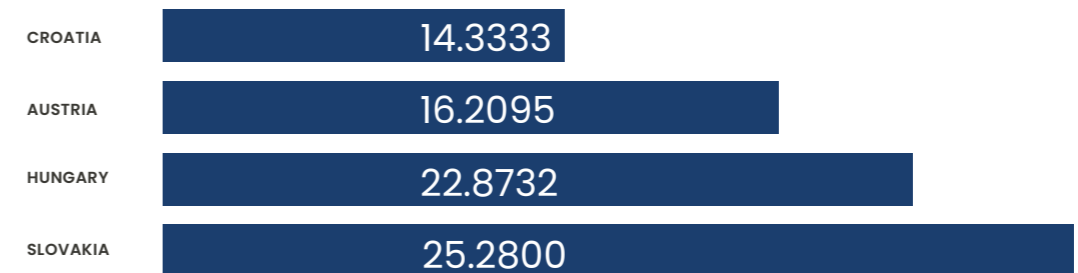


*All taxes and levies included
Source: Eurostat 2024



4.2.2. Natural Gas

Gas prices for industrial consumers, 2023S2 (100 000 GJ < Consumption < 999 999 GJ), EUR per Gigajoule*



*All taxes and levies included
Source: Eurostat 2024



5 LEGAL ENVIRONMENT

5.1. Status of Foreign Investors

Under the provisions of the Companies Act (OG 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, 40/19, 34/22, 114/22, 18/23, 130/23), 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 in the same way that any domestic investor may. Foreign investors with headquarters or residing in non-WTO member countries need to meet reciprocity conditions.

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 applicable 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 minimum amount of initial capital for establishing a joint-stock company is EUR 25,000, and the nominal value per share cannot be less than EUR 1. The minimum initial capital for establishing a limited liability company is EUR 2,500, while individual representation per investor cannot be

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).

less than EUR 10. Companies that have no more than five 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 EUR 1, while individual representation per investor cannot be less than EUR 1.

Types of Business Legal Structures:

Joint Stock Company (d.d.): Minimum share capital amounts to EUR 25,000 of which (if the shares are paid in cash) at least a quarter of the lowest amount of shares that may be issued must be paid before entry in the court register.

Limited Liability Company (d.o.o.): Minimum share capital amounts to EUR 2,500 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.): Minimum share capital

amounts to EUR 1, 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 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 the Croatian Tax Administration (Porezna uprava), Croatian Pension Insurance Institute (HZMO) and Croatian Health Insurance Institute (HZMO).

Establishing a Company Online

HITRO.hr
(<https://www.hitro.hr/en>)

HITRO.hr is a service founded by the Government of the Republic of Croatia to speed up communication between entrepreneurs and state administration, through which it is possible to found a limited liability company or a simple limited liability company.

e-Incorporation
<https://esudreg.pravosudje.hr/index.html>

e-Incorporation enables an entrepreneur to found a company – a limited liability company or a simple limited liability company – by using an electronic ID and without visiting the competent registration body in person. Besides a qualified electronic signature, an entrepreneur will need only an active e-mail address and a bank card that can be used for paying the stake in the company's share capital.

If an entrepreneur does not have a Croatian electronic ID but is a national of a European Economic Area (EEA) member state, he/she can use the credentials from his/her national electronic ID for identification and sign the documents using his/her qualified electronic signature issued by an EU trust service provider (<https://eidas.ec.europa.eu/efda/tl-browser/#/screen/home>).

Each founder of a company must have a Croatian personal identification number (OIB) issued by the Ministry of Finance, Tax Administration. If an entrepreneur does not have a Croatian OIB but is a national of an EEA member state, he/she will be redirected to the Tax Administration website to apply for an OIB. Once an

entrepreneur has received an OIB, he/she can proceed with the founding of a company.

START – electronic business start-up
(<https://start.gov.hr/st/index.html>)

The Ministry of Economy and Sustainable Development has launched the START system enabling users to start up a business electronically, i.e. found a limited liability company or a simple limited liability company with one or more domestic founders, as well as sole proprietorships. The new system allows entrepreneurs to launch a business in just a few days, at significantly lower costs.

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. 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: it carries out its activities under the founder's company and its purpose is limited to activities concerning market research and representation of the founder.

Exceptions are the representative offices of foreign airlines, which may sell flight tickets in accordance with international agreements signed by the Republic of Croatia and with international conventions. Since the Republic of Croatia became a member state of the EU, legal entities from the EU have no longer been able to establish representative offices in the Republic of Croatia, but must open either a branch office or establish a domestically registered company.

The representative office is to be registered in the Register of Representative Offices of Foreign Persons in the Republic of Croatia (<https://mingor.gov.hr/o-ministarstvu-1065/djelokrug/uprava-za-trgovinu-i-politiku-javne-nabave/trgovina-strana-predstavnistva-u-rh-i-posredovanje-u-prometu-nekretnina/registar-predstavnistava-stranich-osoba-u-rh/7738>), which is maintained by the Ministry of Economy and Sustainable Development, and the representative office may begin operating only after its registration in the Register.

5.4. Employment of Foreign Citizens

Under the provisions of the Aliens Act (OG 133/20, 114/22, 151/22), a foreigner (third-country national) wishing to work in Croatia must obtain either a residence and work permit or a work registration certificate. Each of them represents both a work permit and a temporary residence permit. In certain cases, special rules apply to seasonal workers.

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

5.4.1. Residence and Work Permit

Residence and work permits based on the opinion of the Croatian Employment Service

Employers wishing to employ third-country nationals must first contact the Croatian Employment Service to conduct a labour market test (finding labour in the domestic labour market) before applying for a residence and work permit to the Ministry of the Interior through the competent police department or police stations.

In the event that domestic workforce is unavailable, the Croatian Employment Service will notify the employer of the result of the labour market test. The employer may submit a request for a residence and work permit to the Ministry of the Interior, through the police department or police station, within 90

days of receiving the notification on the result of the labour market test.

Employers are not required to request a labour market test before submitting a request for a residence and work permit if

- an extension of the residence and work permit for the same employer and the same third-country national is being sought;
- employment is foreseen in deficit occupations enumerated in the Decision of the Management Board of the Croatian Employment Service;

or

- third-country nationals are employed in agriculture, forestry, catering and tourism for up to 90 days during a calendar year.

After receiving the request, the Ministry of the Interior will ask the Croatian Employment Service for an opinion on the issuance of a residence and work permit for the specific third-country national who will be working for a Croatian employer, i.e. whether the employer meets the conditions stipulated by law. Likewise, the Ministry of the Interior, through the competent police department or police station, will verify whether a third-country national meets the conditions stipulated by law.

The Ministry of the Interior, through the police department / police station, may issue a residence and work permit to a third-country national who meets the conditions for granting temporary residence in the Republic of Croatia, based on a positive opinion of the Croatian Employment Service. A residence and work permit will be issued to a third-country national for the time required to perform the work, i.e. for the

time for which the employment contract has been concluded, and for a maximum of one year.

Residence and work permits without a labour market test and the opinion of the Croatian Employment Service

The Ministry of the Interior, through the police department / police station, may issue residence and work permits without a labour market test and the opinion of the Croatian Employment Service, at the request of a third-country national or employer to, inter alia,

- key personnel in companies, branches and representative offices;
- a third-country national for the purpose of self-employment in a company in which he has an ownership share of at least 51% or in a trade in which he has an ownership share of at least 51%;
- a highly qualified third-country national who qualifies for an EU Blue Card;
- a third-country national who is a service provider on behalf of or for a foreign employer who does not have the right to establish a business in an EEA member state and is not a related company;
- scientific researchers who are employed in scientific, scientific-teaching or other research positions in scientific legal entities;
- a third-country national who is a manager, expert or trainee transferred within the company;
- a third-country national transferred within the company for the purpose of long-term mobility;
- a third-country national who has come for a certain period to perform certain tasks in accordance with

agreements concluded by the Croatian Government with third countries;

- a third-country national who has come to implement strategic investment projects or is the holder of incentive measures under the legislation on investment incentives; and
- other necessary persons, except for persons who have been transferred within the companies, as defined by the Protocol of Accession of the Republic of Croatia to the Marrakesh Treaty establishing the World Trade Organization.

The requests for issuance of residence and work permit for which it is not necessary to conduct a labour market test or obtain the opinion of the Croatian Employment Service also relate to

- the extension of the residence and work permit for the same employer and the same third-country national; and
- employment of third-country nationals in agriculture, forestry, catering and tourism for up to 90 days during a calendar year.

The Ministry of the Interior will decide on the request for the issuance of a residence and work permit through the police department or police station according to the place of residence or intended residence of the third-country national. A residence and work permit will be issued to a third-country national for the time required to perform the work, i.e. for the time for which the employment contract has been concluded.

Renewal of residence and work permit

The application for renewal of a residence and work permit will be submitted, no later than 30 days before the expiration of the residence and work permit, to the police department or police station that will decide on the extension, according to the place of residence of the third-country national. The police department or police station is obliged to decide on the request for extension of the residence and work permit before the expiry of the valid residence and work permit.

5.4.2. Work Registration Certificate

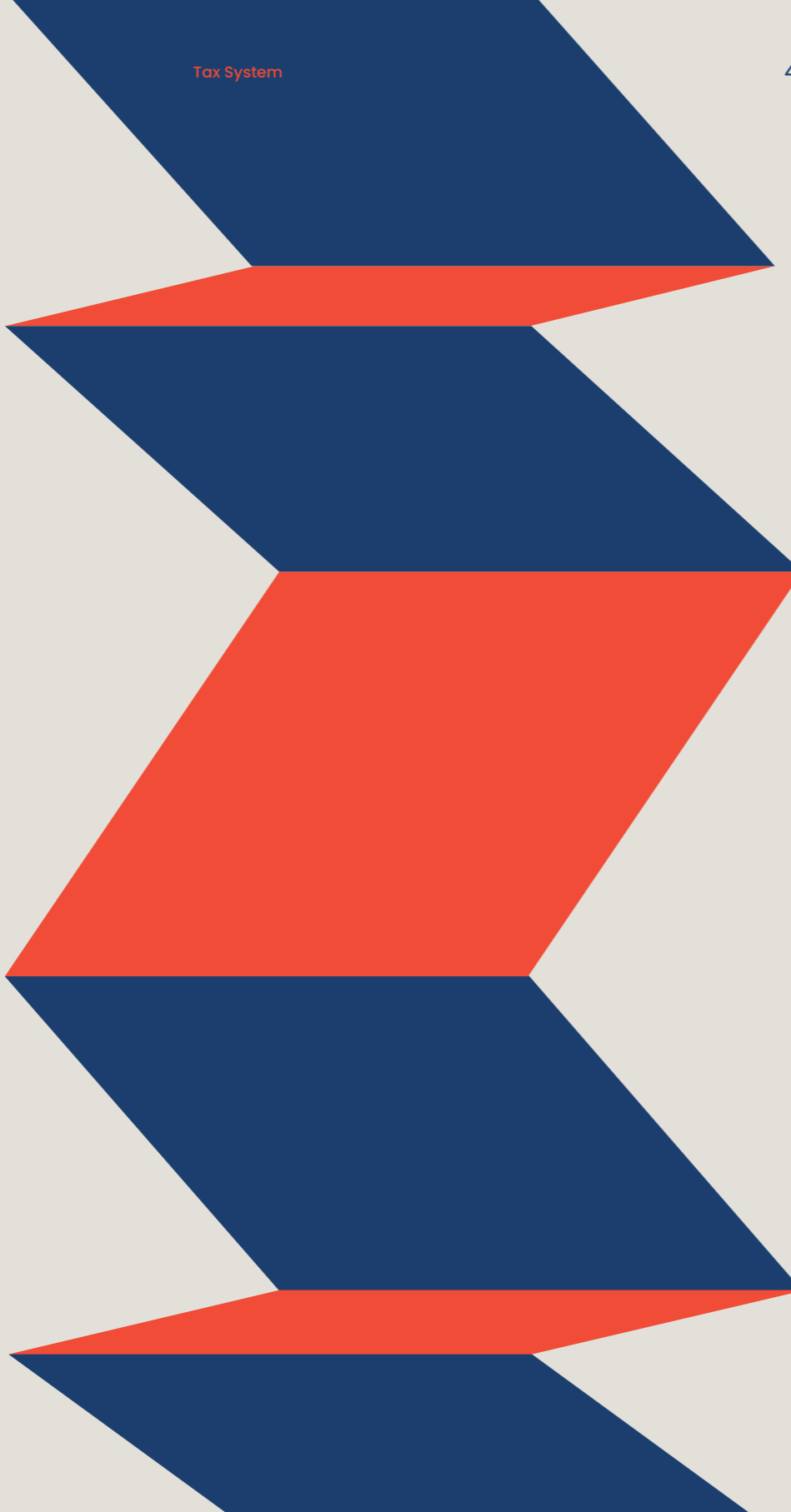
The work registration certificate for a third-country national may be issued by the Ministry of the Interior, through the police department or police station, to perform contracted work in the territory of the Republic of Croatia, the execution of which lasts a shorter period. The work registration certificate to perform the contracted work may be issued for up to 30 or 90 days in a calendar year.

5.4.3. Posted Worker

A posted worker is a worker whose employer (a 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 extended collective agreement.

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 3788 563
 E: sluzba.za.strance@mup.hr
<https://mup.gov.hr/>



6 TAX SYSTEM

6.1. Profit Tax

- The general profit tax rate is
- 10% if, during the taxation period, revenue has been generated up to EUR 1,000,000.00; or
 - 18% if, during the taxation period, revenue has been generated greater than EUR 1,000,000.00.

- The income tax rate on withholding tax is
- 15% in general;
 - 10% on dividends and shares in corporate income (profit) and foreign performers; or

6.2. Income Tax

The general income tax rate (for income from independent work, income from self-employment and other income) is

- 15%-23.6%* for a monthly basis of up to EUR 4,200.00 (EUR 50,400.00 per year); and
- 25%-35.4%* for a monthly basis over EUR 4,200.00 (EUR 50,400.00 per year).

* The levels of tax rates are determined by the representative bodies of local self-government units, by their decision. If the representative body of the local self-government unit has not made a decision to prescribe the level of tax rates, a rate of 20% is applied to the tax base up to EUR 50,400.00 per year and 30% to the part of the tax base that exceeds the amount of EUR 50,400.00 per year.

- 25% on all types of remunerations and services to non-residents and on services of market research as well as tax and business counselling and auditing, when paid to persons having their headquarters or place of effective management, or supervision of business, in the countries placed on the EU list of non-cooperative jurisdictions for tax purposes, with which the Republic of Croatia has no double taxation treaties applicable.

Tax on final income (income from property and property rights, income from capital and other income):

- 12%, 24% or 35%; depending on the source of income

The income tax on income from dependent work is reduced by

- 100% of the proportional part of the tax liability calculated on the part of the tax base for which the annual tax is paid at the rate of 20%, for natural persons up to 25 years of age; and
- 50% of the proportional part of the tax liability calculated on the part of the tax base for which the annual tax is paid at the rate of 20%, for natural persons from 26 to 30 years of age.

6.3. Value- Added Tax (VAT)

When calculating VAT, four rates are applied:

- 25% is the general rate

A reduced VAT rate of 13% is applied for the following goods and services:

- a) accommodation services and accommodation with breakfast, half board or full board services in hotels or facilities with a similar purpose, including holiday accommodation, accommodation rental, in holiday camps or places designated for camping and accommodation in nautical tourism vessels;
- b) newspapers and magazines of a newspaper publisher with 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 the VAT rate of 5% applies, that are issued periodically apart from those which overall or in part contain advertisements or are used for advertising, or which consist in whole or in part of video or music content;
- c) child car seats and baby diapers;
- d) menstrual supplies;
- e) water delivery, other than water placed on the market in bottles or other packaging, in terms of public water supply and public drainage according to a special regulation;
- f) electricity supply to another supplier or final user, including charges related to that supply;
- g) delivery of natural gas and heating from thermal stations, including fees related to these deliveries (the rate of 13% will be calculated and paid from 1 April 2025);
- h) firewood, pellets, briquettes and wood chips (the rate of 13% will be calculated and paid from 1 April 2025);
- i) public services of mixed municipal waste collection, biodegradable municipal waste and separate waste collection pursuant to a special regulation;
- j) urns and coffins;
- k) services and related copyrights of writers, composers and performers and holders of phonogram rights who are members of appropriate collective management organisations performing this activity pursuant to special regulations in the copyright field and related rights and with the prior approval of the state administration body responsible for intellectual property; and
- l) preparation and serving of dishes and desserts in a catering facility and outside the catering facility pursuant to a special regulation.

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

- a) all types of bread;
 - b) all types of milk (cow's, sheep's, goat's) put on the market under the same name in liquid form, fresh, pasteurised, homogenised, condensed (excluding sour milk, yoghurt, kefir, chocolate milk and other milk products), and substitutes for breast milk;
 - c) books of professional, scientific, artistic, cultural and educational content, textbooks for pedagogical education, for primary, secondary and higher education, except for those which contain or serve advertising in whole or in part and other than those which are entirely or mostly consist of videos or music content;
 - d) medicinal products authorised by the competent authority for medicinal products and medical devices;
 - e) medical equipment, aids and other devices used to alleviate the treatment of disability exclusively for the personal use of the disabled prescribed by the general act on orthopedic and other aids of the Croatian Health Insurance Institute;
 - f) cinema tickets, tickets for concerts, sports events and cultural events, other than cultural services and closely related supplies of goods, performed by cultural institutions, public authorities or other legal entities in culture exempt from VAT;
 - g) newspapers of a newspaper
- publisher having a media statute, which are published daily, other than those which contain or serve advertising in whole or in part and other than those which consist, in whole or in part, of video or music content;
 - h) scientific journals;
 - i) baby food and processed cereal-based foods for infants and young children;
 - j) edible oils and fats of vegetable and animal origin, butter and margarine;
 - k) delivery of live animals: cattle, pigs, sheep, goats, horses, donkeys, domestic poultry, hares and rabbits;
 - l) delivery of fresh or chilled meat and edible slaughter products from cattle, pigs, sheep, goats, horses, donkeys, domestic poultry, hares and rabbits;
 - m) delivery of fresh or chilled sausages and similar meat products, meat slaughter products or blood;
 - n) delivery of live fish;
 - o) delivery of fresh or chilled fish, molluscs and other aquatic invertebrates;
 - p) delivery of fresh or chilled crabs;
 - r) delivery of fresh or chilled vegetables, roots and tubers, including leguminous dried vegetables;
 - s) delivery of fresh and dried fruits and nuts;
 - t) delivery of fresh poultry eggs, in shell;

- u) seedlings and seeds;
- v) fertilisers and pesticides and other agrochemical products;
- w) products mainly used as animal feed, except pet food; and
- x) supply of natural gas and heating from thermal stations, including charges related to that supply and delivery of firewood, pellets, briquettes and wood chips (exceptionally, until March 31, 2025).

A reduced VAT rate of 0% is applied for delivery and installation of:

solar panels on private residential buildings, living spaces and public and other buildings used for activities of public interest and the delivery and installation of solar panels in the vicinity of such buildings, spaces and buildings.

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 real property 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
Katančićeva 5,
HR – 10 000 Zagreb
P: +385 1 4591 333
<https://mfin.gov.hr/>



7 INVESTMENT INCENTIVES

Incentive measures for investment projects in the Republic of Croatia are regulated by the Act on Investment Promotion and its by-laws.

Investor

The recipient of incentive measures is an entrepreneur – natural person (craftsperson) – who is subject to income tax, or a company, that is registered in the territory of the Republic of Croatia.

An undertaking in difficulty as prescribed in Article 1, paragraph 4, point (c) of the Commission Regulation (EU) N°651/2014 or an undertaking which is subject to an outstanding recovery order following a previous Commission decision declaring aid illegal and incompatible with the internal market cannot be beneficiaries of incentives measures.

Investment

Investment incentives may be granted for an initial investment or an initial investment in favour of a new economic activity.

Initial investment means an investment in tangible and intangible assets related to the setting up of a new establishment, extension of the capacity of an existing establishment, diversification of the output of an establishment into products not previously produced in that establishment or a fundamental change in the overall production process of an existing establishment.

For aid granted for diversification of an existing establishment, the eligible costs must exceed by at least 200% the book value of the assets that are reused, as

registered in the fiscal year preceding the start of works.

For aid granted for a fundamental change in the production process, the eligible costs must exceed the depreciation in the course of the preceding three fiscal years of the assets linked to the activity to be modernised.

Initial investment in favour of new economic activity means an investment in tangible and intangible assets related to the setting up of a new establishment (or in the City of Zagreb large enterprises may receive incentive measures only for initial investments that create a new economic activity to the diversification of the activity of an establishment), under the condition that the new activity is not the same or a similar activity to the activity previously performed in that establishment. The same or a similar activity means an activity falling under the same class (four-digit numerical code) of the NACE Rev. 2 statistical classification of economic activities.

Investment incentives may be granted to investment projects in

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

Incentive measures cannot be granted to the fishery, aquaculture and primary agricultural production sector; the steel, coal, synthetic fibres and transport sector as well as its related infrastructure; energy generation, distribution and infrastructure; broadband infrastructure; research infrastructure; the shipbuilding sector;

the financial and insurance sector; the health, welfare and education sector; the trade sector; the construction and real estate sectors; the sectors of water management, waste management and environmental remediation; the mining and extraction sectors; and the transport and storage sectors.

Incentive measures can be used by enterprises registered in the Republic of Croatia investing in fixed assets the minimum amount of

- EUR 50,000 together with creating at least three new jobs for microenterprises;
- EUR 150,000 together with creating at least five new jobs for small, medium-sized and large enterprises;
- EUR 50,000 together with creating at least ten new jobs for ICT system and software development centres; or
- EUR 500,000 for investment projects in modernising and increasing business process productivity.

Long-term assets are tangible and intangible assets entered into the ownership and shown in the balance sheet of the beneficiary. This must be done in accordance with accounting standards and they must be in operation for at least five years for large, or three years for micro, small and medium enterprises, that is, for the entire period of the use of incentive measures.

The project realisation period lasts for three years from the starting date of the investment project and includes all investments initiated by the beneficiary of incentives during that period.

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

Maximum Aid Intensity

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).

Enterprise category*	Number of employees**	Annual turnover**	Annual balance sheet**	Maximum aid intensity				
				PANNONIAN CROATIA	SISAK-MOSLAVINA COUNTY	NORTH CROATIA	ADRIATIC CROATIA	CITY OF ZAGREB
LARGE	≥ 250	> EUR 50 million	> EUR 43 million	50%	60%	50%	40%	35%***
MEDIUM	< 250	≤ EUR 50 million	≤ EUR 43 million	60%	70%	60%	50%	45%
SMALL	< 50	≤ EUR 10 million	≤ EUR 10 million	70%	75%	70%	60%	55%
MICRO	< 10	≤ EUR 2 million	≤ EUR 2 million	70%	75%	70%	60%	55%

AND OR

*In accordance with Annex I of Commission Regulation (EU) N°651/2014 of 17 June 2014

**when calculating staff headcount and financial amounts, 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 must also be taken into account

***in the City of Zagreb, large enterprises may receive incentive measures only for initial investments that create a new economic activity

For a large investment project (above EUR 50 million), maximum aid intensity is calculated according to the following formula:

$$\text{maximum aid amount} = R \times (A + 0.50 \times B + 0 \times C)$$

where: R is the maximum aid intensity applicable in the area concerned, excluding the increased aid intensity for SMEs;

- A is the initial EUR 50 million of eligible costs,
- B is the part of eligible costs between EUR 50 million and EUR 100 million and
- C is the part of eligible costs above EUR 100 million.

The amount of aid will be calculated as a percentage of investment value, which is determined based on eligible investment costs.

Eligible investment costs are

- tangible assets (construction costs based on the building permit, i.e. based on the confirmation of the main design and the purchase of new equipment/machinery (standard basis)) and intangible assets (patent rights, licences, know-how or unpatented technical knowledge); or
- costs of job creation calculated as the gross wage of newly employed workers calculated over a period of two years.

Costs of acquiring land, previously constructed buildings/facilities and used equipment/machinery and material assets procured from related companies or made by beneficiaries of incentives measures cannot be calculated as eligible costs of investment. For large undertakings, costs of intangible assets

are eligible only up to a limit of 50% of the total eligible investment costs for the project.

Job creation means a net increase in the number of employees compared to the initial number of employees, employment from affiliated companies being excluded. The initial number of employees is determined as the average number of employees during the 12 months preceding the start of the investment. Jobs lost during the three-year realisation period of the investment project will be subtracted from the apparent number of newly created jobs. In the tourism sector, seasonally employed persons are also included in the number of employees in accordance with their annual labour unit fractions (but for these workers an investor cannot receive incentives for job creation).

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 and Sustainable Development 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 the start of the investment.

Incentives

Profit Tax Incentives

Investment amount (€ MIL.)	Number of newly employed	Period of preservation of new jobs (years)	Profit tax rate reduction	Period (years)
0.15 (>0.05 FOR MICRO AND FOR CENTRES DEVELOPING INFORMATION AND COMMUNICATION SYSTEMS AND SOFTWARE) -1	5 (3 FOR MICRO, 10 FOR CENTRES DEVELOPING INFORMATION AND COMMUNICATION SYSTEMS AND SOFTWARE)	3 (SME), 5 (LARGE)	50%	10 (5 FOR MICRO)
1-3	10	3 (SME), 5 (LARGE)	75%	10
>3	15	3 (SME), 5 (LARGE)	100%	10

Employment incentives

County unemployment 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. EUR 3,000)*	+50% (EUR 1,500)*	+25% (EUR 750)*
	4% (MAX. EUR 1,200)	+50% (EUR 600)	+25% (EUR 300)
10-15%	20% (MAX. EUR 6,000)*	+50% (EUR 3,000)*	+25% (EUR 1,500)*
	8% (MAX. EUR 2,400)	+50% (EUR 1,200)	+25% (EUR 600)
>15%	30% (MAX. EUR 9,000)*	+50% (EUR 4,500)*	+25% (EUR 2,250)*
	12% (MAX. EUR 3,600)	+50% (EUR 1,800)	+25% (EUR 900)

* the amount of support is calculated as a percentage of eligible costs for creating a new job and refers to those persons registered in the unemployment register for a duration of at least 6 months, regardless of length of service and level of education, persons over 50 registered in the unemployment register and persons without employment length of service registered in the unemployment records of the Croatian Employment Service, and persons whose employment contract has been terminated due to the opening of bankruptcy proceedings. 40 per cent of the aid amount will be granted for the employment of other categories of workers.

** Development and innovation activities – activities that affect the development of new and significant improvements of existing products, production series and processes and production technologies.

*** Business support activities:

1. Business activity centres focused on the separation and/or concentration of business activities, such as: data centres, product design and design centres, multimedia contact centres and information technology development centres.
2. Logistics and distribution centres aimed at establishing and building high-tech logistics-distribution centres that enable intermodal transport of goods, packaging and handling of goods to significantly improve logistics and distribution operations within business processes and delivery of goods, and relate to investment projects in the manufacturing industry.
3. Centres for development of information and communication systems and software: development and application of information systems, outsourcing

of IT management operating systems, development of telecommunications network operation centres and development and application of new software solutions.

**** High value-added service activities:

1. Creative services activities: activities in the field of architecture, design, media communication, promotion and other activities in the field of creative industry.
2. Activities of sustainable high value – added tourism services that provide the beneficiary, after the expiration of the three-year period of implementation of the investment project, with an operational tourism business for a minimum of six months during the calendar year, and represent: 1. projects of catering and tourist facilities for accommodation, categories of at least four stars, types: hotel, aparthotel, tourist settlement and camps 2. projects of catering and tourist facilities: heritage hotel and diffuse hotel, created by the restoration of cultural and historical heritage, in accordance with the regulations governing the protection and preservation of cultural property 3. projects of accompanying contents of all previously mentioned types of accommodation facilities, including: health, congress, nautical, cultural, golf, sports-recreational, entertainment-thematic and tourist-ecological content, as well as other innovative contents in high value-added tourism 4. nautical tourism projects, categories of at least four anchors 5. amusement and theme park projects.
3. The activities of industrial engineering services focused on modelling, design, restructuring and optimisation of production and manufacturing business processes.

Incentive measures for labour-intensive investment projects

Number of newly created jobs	Increase of incentive rate in relation to eligible costs of job creation
100 and higher	25%
300 and higher	50%
500 and higher	100%

Incentives for Education and Training*

The amount cannot exceed the maximum intensities as follows:

up to 50% OF ELIGIBLE TRAINING COSTS **

+ 10% FOR THE TRAINING OF WORKERS WITH DISABILITIES *

+ 10% IF THE AID IS GRANTED TO A MEDIUM-SIZED ENTERPRISE *

+ 20% IF THE AID IS GRANTED TO A SMALL AND MICRO ENTREPRENEUR *

* May not exceed 70% of the eligible training costs, nor 50% of the grant amount for creating new jobs directly related to the investment

** Eligible training costs are the costs for the lecturer, for the hours spent by lecturers in training, operating costs related to lecturers and trainees, and those directly related to the training project, such as travel costs, costs of materials and consumables directly related to the project, depreciation of tools and equipment, if used exclusively for the training project; accommodation costs are excluded

Incentives for investment in development and innovation activities

For investment in development and innovation activities, a non-repayable grant will 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, provided that the purchased plant / machinery represents high-technology equipment.

Incentive measures for the capital costs of an investment project in production and manufacturing activities

Investment amount (EUR mil.)	Newly Employed	County Unemployment Rate	Incentives for Capital Expenses
5	50	10% - 15%	10% OF THE ELIGIBLE COSTS OF INVESTMENTS IN LONG-TERM ASSETS (MAX. EUR 500,000) *
		>15%	20% OF THE ELIGIBLE COSTS OF INVESTMENTS IN LONG-TERM ASSETS (MAX. EUR 1,000,000) *

* eligible costs of investments in long-term assets are the construction of a new factory, production facility and buying of new machines, i.e. production equipment, with the condition that the proportion 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

Incentive measures for investment projects through the economic activation of inactive property owned by the Republic of Croatia

Inactive property is land and/or buildings owned by the Republic of Croatia managed by the Ministry of Physical Planning, Construction and State Assets, which is not in function and on which no economic activities are performed.

Inactive property owned by the Republic of Croatia having unresolved property relations, property on which there is any type of registered burden and property that has the status of agricultural, forestry or tourist land is not considered as an inactive property within the meaning of the Act on Investment Promotion.

Investment amount (mil euro)	Number of newly employed	Obligatory investment into inactive property granted for lease	Incentive	The procedure for obtaining a lease
3	15	50% INCREASE OF THE VALUE OF THE PROPERTY WITHIN 3 YEARS OF LEASING THE PROPERTY IN RELATION TO THE ESTIMATED VALUE OF INACTIVE PROPERTY AT THE TIME OF STARTING THE LEASE	FREE LEASE OF INACTIVE PROPERTY FOR UP TO 10 YEARS* FROM THE START OF THE INVESTMENT	FOR INVESTMENT LOCATED IN LOWER- DEVELOPED LOCAL SELF-GOVERNMENT UNITS (I-IV) – WITHOUT ANY ADDITIONAL CONDITIONS
				FOR INVESTMENT LOCATED IN HIGHER DEVELOPED LOCAL SELF-GOVERNMENT UNITS (V-VIII) – AFTER THREE ROUNDS OF PUBLIC TENDER FOR SALE OF THE INACTIVE PROPERTY

*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 the inactive property or extend the lease contract without using investment incentives for the economic activation of inactive property owned by the Republic of Croatia for a period of ten years with the Ministry of Physical Planning, Construction and State Assets

Incentives for the Modernisation of Business Processes – Automation, Robotisation and Digitalisation of Production and Manufacturing Processes

This is only for investment projects in the manufacturing industry, that is, for investment projects in production and processing activities.

The minimum amount of investment in fixed assets is EUR 500,000 provided that the initial balance of employees is maintained throughout the use of the aid, and not less than the minimum period of preservation of the investment project in question for which the aid is intended to be used to modernise business processes.

Investment amount (mil euro)	Differences in productivity level per employee after 3 years	Aid for modernisation * of business processes (reduction of profit tax rate)
0.5 – 1	>10% RELATIVE TO THE LEVEL OF PRODUCTIVITY PER EMPLOYEE IN THE ONE-YEAR PERIOD PRIOR TO FILING OF THE INVESTMENT PROJECT	50%
1 – 3		75%
> 3		100%

* Modernisation, meaning a fundamental change in production and manufacturing, implies transferring fixed assets such as equipment/machinery into the ownership of investment aid beneficiaries, where such assets are categorised as a technologically more advanced generation of high-tech equipment/machinery (fixed assets) compared to the long-term assets being modernised, such as specialised robots, robotic systems and robotic stations, equipment/machinery for automation and self-control of production processes, automatic production management systems and equipment/machinery for digitisation of production and production processes. Also, modernisation, meaning a fundamental change in production and processing, implies transferring long-term intangible assets to the ownership of investment aid beneficiaries, where such

assets are categorised as a technologically advanced generation of high-tech intangible fixed assets compared to the fixed assets being modernised such as: the latest generation of automated management software production processes in the manufacturing industry, software for the digitisation of production processes and production, software for the development of self-controlling systems, logic controllers and automated production process lines and software for machine learning, artificial intelligence development and system visualisation. For large enterprises, the eligible costs for a fundamental change in the production process for which support for the modernisation of business processes is granted must exceed the value of depreciation of assets related to the activity being modernised during the previous three tax years.





8

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 and Ordinance on State Aid for Research and Development Projects. The state aid provider is the Ministry of Economy and Sustainable Development, while the implementing body is the Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO).

Beneficiaries of state aid are legal and natural persons, corporate or personal income taxpayers.

State aid is given as a tax relief for research and development projects and feasibility studies (income tax base deduction).

The research and development (R&D) project can fall under one or more research categories:

- basic research;
- industrial research;
- 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 the Act on State Aid for Research and Development Projects, 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* and
- 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 10 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 the Act on State Aid for Research and Development Projects is as follows:

- a) for predominantly basic research: up to EUR 300,000 per entrepreneur per project;
- b) for predominantly industrial research: up to EUR 200,000 per entrepreneur per project;
- c) for predominantly experimental development: EUR 100,000 per entrepreneur per project; and
- d) for feasibility studies in the preparation of research activities: EUR 50,000 per study.

The total amount of state aid for an R&D project that an individual entrepreneur can achieve under the Act on State Aid for Research and Development Projects may be increased if more than 50% of the cost of research conducted on the basis of contracts, knowledge, and patents obtained or licensed by the other parties under market conditions, and the costs of consultancy and similar services provided solely for the project, are contracted with organisations for research and dissemination of knowledge, as follows:

- a) for predominantly basic research: up to EUR 40 million per entrepreneur per project;

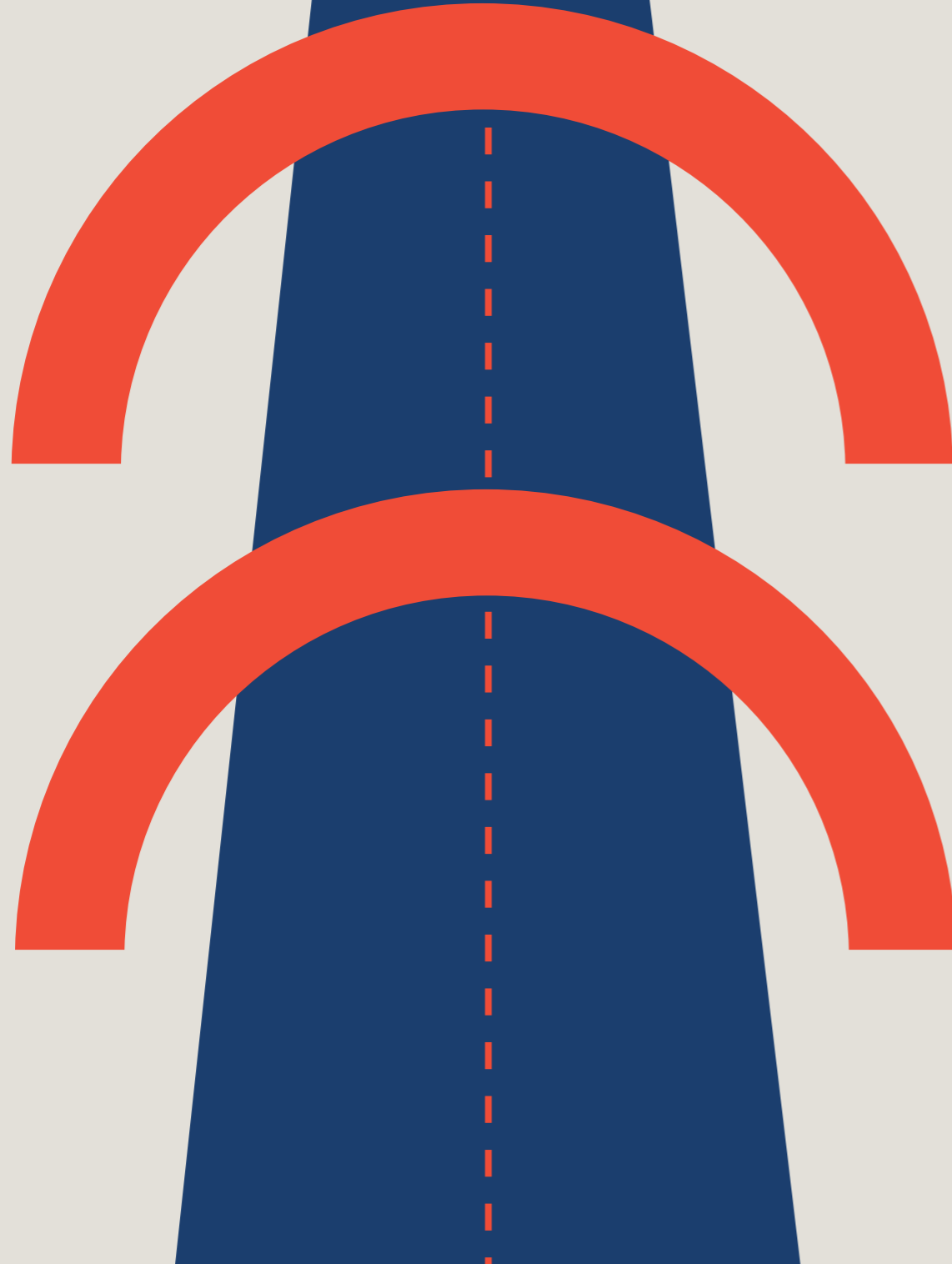
- b) for predominantly industrial research: up to EUR 20 million per entrepreneur per project;
- c) for predominantly experimental development: up to EUR 15 million per entrepreneur per project; and
- d) for feasibility studies in the preparation of research activities: up to EUR 7.5 million per study.

The beneficiary is supported by an additional deduction of the tax base for the eligible costs of R&D projects or the feasibility study for R&D, in accordance with the corporate income tax or personal income tax regulations, in the following total percentages:

- a) 200% of eligible project costs for basic research;
- b) 150% of eligible project costs for industrial research;
- c) 125% of eligible project costs for experimental development; and
- d) 150% of eligible costs for the feasibility study.

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

Project implementation period: up to three years from the beginning of the project.



9 STRATEGIC INVESTMENT PROJECTS

The Act on Strategic Investment Projects of the Republic of Croatia 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: the 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;
- the employment of a significant number of persons must be planned;
- it must align with existing physical plans;
- the minimum value of prescribed total capital investment costs must be around EUR 10 million or EUR 1.32 million (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; and 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 and Sustainable Development.





10 RESPONSIBLE BUSINESS CONDUCT



Responsible business conduct (RBC) sets out an expectation that all businesses – regardless of their legal status, size, ownership or sector – avoid and address negative impacts of their operations, while contributing to sustainable development in the countries where they operate.

Responsible business conduct can enable the creation of equal conditions in global markets, stimulate a dynamic business sector that functions well, and strengthen the contribution of companies to sustainable development outcomes, which includes solutions for combating climate change.

Building a healthy business environment is in the interest and requires the effort of all stakeholders. Governments have the responsibility to protect internationally recognised fundamental rights and improve the functioning of markets through good governance, fair regulations, and transparency. Businesses have the responsibility to adopt responsible business practices that consider the end result and the impact of their activities on society. Workers and civil society have to be involved proactively and constructively and have a key role to play in ensuring accountability.

The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct to which Croatia has acceded in 2019 provide a comprehensive framework for responsible business behaviour. They are based on the consensus view of the participating governments and are supported by representatives of employers, trade unions, and non-governmental organizations through the OECD Business

and Industry Advisory Committee (BIAC), the OECD Trade Union Advisory Committee (TUAC), and the OECD Watch.

For more information about RBC policies in Croatia, please contact:

Croatian National Contact Point (NCP) for Responsible Business Conduct
 E: oeed-nkt@mingor.hr / nkt-oeed@mvep.hr
RBCroatia.gov.hr



11

MINISTRY OF ECONOMY AND SUSTAINABLE DEVELOPMENT

About the Ministry

As a government body responsible for the administration of Croatian economic affairs, the Ministry of Economy and Sustainable Development of the Republic of Croatia is in charge of investment processes in Croatia. The Ministry also carries out 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, as well as activities related to the protection and preservation of the environment and nature, waste management and environmental impact assessment, climate change mitigation and adaptation, water management and energy.

Our services to investors

The Ministry of Economy and Sustainable Development 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.;
- providing professional and tailor-made assistance throughout all stages of the investment process;
- organising visits to investment sites and arranging meetings with public and private bodies; and
- 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:

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Disclaimer:

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