**CROATIA**

<table>
<thead>
<tr>
<th><strong>Name of the firm</strong></th>
<th>Složena organizacija d.o.o. (SOUR.CE)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Address</strong></td>
<td>Dr. Franje Ra•kog 10</td>
</tr>
<tr>
<td></td>
<td>10000 Zagreb</td>
</tr>
<tr>
<td></td>
<td>Croatia</td>
</tr>
</tbody>
</table>

**Contact**

<table>
<thead>
<tr>
<th>Name</th>
<th><a href="mailto:steven.brkich@sour-ce.com">steven.brkich@sour-ce.com</a></th>
<th>Tel. No. +35816413314</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steven Brkich</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Partner</td>
<td><a href="http://www.sour.ce.com">www.sour.ce.com</a></td>
<td></td>
</tr>
</tbody>
</table>

**AT A GLANCE**

<table>
<thead>
<tr>
<th><strong>Name of the tax</strong></th>
<th>Value Added Tax (VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local name</strong></td>
<td>Porez na dodanu vrijednost (PDV)</td>
</tr>
<tr>
<td><strong>Date introduced</strong></td>
<td>1 January 1998</td>
</tr>
<tr>
<td><strong>Date of membership in EU</strong></td>
<td>1 July 2013</td>
</tr>
<tr>
<td><strong>Administered by</strong></td>
<td>Ministry of Finance (<a href="http://www.mfin.hr">www.mfin.hr</a>)</td>
</tr>
</tbody>
</table>

**VAT rates**

<table>
<thead>
<tr>
<th><strong>Standard</strong></th>
<th>25%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reduced</strong></td>
<td>13% and 5%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>Exempt supplies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>VAT Number format</strong></th>
<th>HR 01234567890</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>VAT return periods</strong></td>
<td>Monthly and quarterly</td>
</tr>
<tr>
<td><strong>Thresholds registration</strong></td>
<td>230,000.00 HRK (c. 30,400.00 EUR)</td>
</tr>
<tr>
<td><strong>Recovery of VAT by non-EU established Businesses</strong></td>
<td>YES</td>
</tr>
</tbody>
</table>
HISTORY OF VAT

Croatia introduced VAT with the Valued Added Tax Act on 1 January 1998. With that, Croatia adopted the system of taxation that was already present in the EU member states.

During the years, the VAT system has undergone several changes. At first the system was known as the flat rate VAT system with only one VAT rate of 22%. The following year, a zero taxation rate was introduced for several products of wide consumption (such as bread, milk, scientific books, medicine etc.).

After Croatia joined the EU in July 2013, Directive 2006/112/EC has been implemented in the National VAT system.

SCOPE OF VAT

- Supply of goods and/or services
- The intra-Community acquisition of goods
- Import of goods

VAT TAXPAYER

- Any person who, independently, carries out any economic activity, whatever the purpose or results of that activity.
- Any person who, on an occasional basis, supplies a new means of transport.
- State government bodies, state administrative bodies, bodies and units of local and regional self-government, chambers and other legal persons with public authority if they carry out economic or other activity and non-taxation of those activities would lead to significant distortions of competition.

VAT REGISTRATION AND VAT REPRESENTATIVE

The obligatory VAT registration threshold in Croatia for resident companies is HRK 230,000 (approximately €30,000). Once this threshold is crossed within the fiscal year, the company is obliged to submit an application for registration by 15 January of the following year. An enterprise may, if it wishes, voluntarily apply on the basis of the expected turnover.

An enterprise carrying out deliveries of goods or services in Croatia without having a registered office, business unit, permanent residence or habitual abode in Croatia will be treated as a Croatian VAT payer - unless the Croatian service recipient is liable to self-assess and pay VAT (i.e. if the reverse charge mechanism applies). The rule also applies where a foreign enterprise acquires goods in Croatia and makes further deliveries in Croatia. The foreign enterprise is required to register for VAT purposes and may appoint a tax representative authorized to carry out functions related to the calculation of tax and payment on behalf of the non-resident. Non-
EU companies obliged to VAT register in Croatia must appoint a tax representative (Croatia domiciled VAT taxpayer), who will be jointly and severally liable for payment of VAT.

**VAT RATES**

- 5%, 13% or 25%
- Standard rate: 25%
- Reduced rate: 13% for accommodation, food and newspapers
- Reduced rate: 5% for to selected foodstuffs, books and medical equipment

**PLACE OF SUPPLY RULES**

Place of supply of goods:

- for goods that are not dispatched or transported, the place of supply shall be deemed to be the place where the goods are located at the time when the supply takes place;
- in general, for goods that are dispatched or transported by the supplier, or by the customer, or by a third person, the place of supply shall be deemed to be the place where the goods are located at the time when dispatch or transport of the goods to the customer begins (there are several exemptions to this rule).

Place of supply of services:

- for business to business services: location of the recipient;
- for business to consumer services: location of the service provider.

Exceptions to the general rule:

- some of the exemptions regard the following supplies: intermediary business to customer services, real estate services, appraisal services of movable tangible goods and works on these goods, cultural services and food preparation services.

**EXEMPTIONS**

VAT exemptions in Croatia are divided into several categories:

1) activities in the public interest (such as universal postal service, medical, educational, cultural), insurance services, financial services (granting loans, guarantees, current, giro and other accounts, lease of residential property (note that this is not an exhaustive list)
2) intra-community transactions (supply of goods, acquisition of goods)
3) exemptions for certain transport services
4) exemptions for international transport
5) exemption for import
6) exemption for export
7) other exemptions provided by the law (such as exemptions for certain intermediary services, exemptions for transactions treated as export, exemptions related to international trade

RECOVERY OF INPUT VAT

• In general, a taxable person can deduct the following from the VAT which he is liable to pay (i.e. VAT invoiced to him on the value of goods or services acquired insofar as these goods or services are used for the needs of his taxable supplies):
  o VAT due or paid in respect of supplies to him of goods or services, carried out or to be carried out by another taxable person;
  o VAT due in respect of transactions treated as supplies of goods or services;
  o VAT due in respect of intra-Community acquisitions of goods;
  o VAT due on transactions treated as intra-Community acquisitions;
  o VAT due or paid in respect of the importation of goods.

• The following list sets out some expenses that are not eligible for VAT recovery under Croatian VAT rules:
  o Supply, lease, repair and maintenance of aircrafts, vessels, cars (there are exemptions from this general rule);
  o Business related entertainment expenses.

• EU and non-EU persons can also claim a VAT refund (under conditions stipulated by the VAT laws that are based on the EU legislation, e.g. 2008/9/EC and 86/560/EEC.

COMPLIANCE OBLIGATIONS

Invoicing requirements

Invoices must include the following:

a) the date of issue;
b) identification of the taxable person supplying the goods or services and identification of the type of goods or services supplied (name, address, tax number);
c) description of goods/services supplied, quantity
d) date of supply
e) unit price without VAT
f) the amount of VAT and the applied VAT rate (25%, 13% or 5%)
g) remark that VAT is not charged with the reference to the applicable provision of the VAT laws; or remark that VAT is charged based on the “reverse charge mechanism” or other remarks required by the law (e.g. identification of the VAT representative)
h) price with VAT included

Invoices may be issued on paper or as an electronic document
Returns

As a general rule, periodic returns must be submitted and must include all the information needed to calculate the tax that has become chargeable and the deductions, the total value of the transactions relating to such tax and deductions and the value of any exempt transactions.

- Monthly VAT returns must be submitted on a monthly or quarterly basis. The deadline for submitting returns is the 20th of the following month for which the return pertains to. The deadline for submitting an annual VAT return is the end of February of the current year for the previous year.
- The deadline for submitting recapitulative return (e.g. for intra-community acquisitions) is also the 20th of the following month for which the return pertains to.

SPECIAL CASES

Special VAT regimes can be divided in several categories:

1) Special taxation procedure for small tax payers
   - Small tax payer is a legal entity based in Croatia or a natural person with domicile or habitual residence in Croatia, whose value of supply of goods or services performed in the previous calendar year did not exceed 230,000.00 HRK.
   - The tax payer referred to shall be exempted from paying VAT on supplies of goods or services, he cannot indicate VAT on invoices issued and is not entitled to deduct input tax (unless it has opted to register as a VAT taxpayer).
2) Special taxation procedure for travel agencies
   - The special tax procedure is applicable to the activities of travel agencies, if they do business with customers in their own name and use the supplies of goods and services of other tax payers for the services of travel.
   - Performed service is taxable according to the seat or a permanent establishment of travel agencies by which the services are performed.
3) Special procedure of margin taxation for second-hand goods, works of art, collectors' items or antiques.
4) Special procedure for sale by public auction.
5) Special procedure for taxation of investment gold.
6) Special procedures for telecommunications services, radio and television broadcasting and electronically provided services to non-taxable persons.

RIGHTS OF THE TAX PAYER AND THE VAT AUTHORITIES

Rights of the VAT Authorities:

- The implementation of the VAT Act is supervised by the Ministry of Finance, Tax Administration and Customs Administration.
• Ministry of Finance, Tax Administration can issue a decision prohibiting further work if the taxpayer has not calculated or not paid VAT within the prescribed deadline. The Prohibition of work may last as long as the person does not fulfill his obligations.
• The above mentioned prohibition shall be executed by sealing business premises in which the taxpayer carries out the activity, as well as sealing of equipment and funds that are used for his activities.
• the VAT laws stipulate very high misdemeanor pecuniary penalties in case of breach of obligations from the VAT laws, up to amount of HRK 500.000,00 or approx. EUR 66.500 (e.g. in case that VAT is not charged at all or at the applicable tax rate, when invoice has not been issued or in case that invoice does not contain all relevant data, VAT deduction is utilized contrary to VAT laws or in cases when no VAT returns or recapitulative statements are not filed in a timely manner etc).

Rights of the tax payer:

• The taxpayer can file an appeal against a resolution issued by the Ministry of Finance, within 30 days from the day of its delivery to the taxpayer.
• The appeal is dealt by second instance body within the Ministry of Finance.
• Against the second instance decision, a procedure before a special court could be initiated (the Administrative Court).

EU DECLARATIONS

• **Intrastat reporting**: a taxpayer, whose value of trade in goods with the Member States exceeds the exemption (exemption threshold value in 2015 is set to 1.800.000 HRK for arrivals and 1.000.000 HRK for dispatches) is obliged to declare Intrastat data.
• Intrastat reporting is carried out for statistical purposes and should be done electronically on the prescribed form, on a monthly basis. The deadline for submission of Intrastat reports is the 15th day of the month following the end of the reporting period.