


# Investment Guide

 HUMAN CAPITAL

 STRATEGIC INVESTMENT PROJECTS

LEGAL ENVIRONMENT 


 ABOUT CROATIA

 COSTS OF DOING BUSINESS

 TAX SYSTEM

 INVESTMENT INCENTIVES

MINISTRY OF ECONOMY AND SUSTAINABLE DEVELOPMENT 

 INVESTMENT LOCATIONS

 SUPPORT FOR RESEARCH AND DEVELOPMENT PROJECTS

**INVEST**  
in Croatia 

# Investment Guide

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# About Croatia

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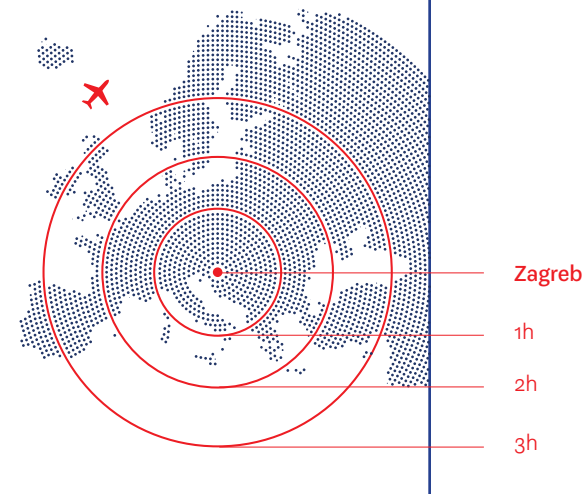


## 1.1. Basic Indicators

Land Area	<b>56,594 km<sup>2</sup></b>
Population	<b>3,854 m</b>
Political System	<b>Parliamentary democracy</b>
Territorial Organisation	<b>20 counties and the City of Zagreb</b>
Capital	<b>Zagreb</b>
Official Language	<b>Croatian</b>
Currency	<b>Euro (EUR)</b>
International Telephone Code	<b>00 385</b>
Internet Country Code	<b>.hr</b>
Time Zone	<b>Central European Time (CET)</b>
Climate	<b>Mediterranean, Mountainous, Continental</b>

MAIN MACROECONOMIC INDICATORS	2017	2018	2019	2020	2021	2022
GDP (MILLION EUR, CURRENT PRICES)	49,516	51,933	54,784	50,451	58,207	67,390
GDP GROWTH RATE (IN %, CONSTANT PRICES)	3.4	2.8	3.4	-8.6	13.1	6.3
GDP PER CAPITA, (IN EUR)	12,005	12,704	13,476	12,464	15,006	17,486
IMPORT OF GOODS AND SERVICES (AS OF % GDP)	49.0	51.1	51.8	48.6	52.7	65.5
EXPORT OF GOODS AND SERVICES (AS OF % GDP)	49.7	50.2	51.5	41.5	50.0	59.8
INFLATION (ANNUAL AVERAGE), %	1.1	1.5	0.8	0.1	2.6	10.8
UNEMPLOYMENT RATE (ILO), %	11.2	8.4	6.6	7.5	7.6	7.1

SOURCE: CNB 2023



## 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 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 waterway through four main river ports



## 1.

## 1.4.

## Trade Exchange

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

EXPORT, '000 EUR			IMPORT, '000 EUR		
ITALY	2,911,559	12.2	ITALY	5,728,850	13.8
SLOVENIA	2,758,567	11.5	GERMANY	5,170,855	12.4
HUNGARY	2,723,584	11.4	SLOVENIA	4,463,817	10.7
GERMANY	2,647,458	11.1	HUNGARY	3,027,154	7.3
BOSNIA AND HERZEGOVINA	2,488,865	10.4	AUSTRIA	2,160,091	5.2
OTHER	10,421,512	43.5	OTHER	21,003,322	50.5
TOTAL	23,951,545		TOTAL	41,554,089	

SOURCE: CBS 2023 FOR 2022

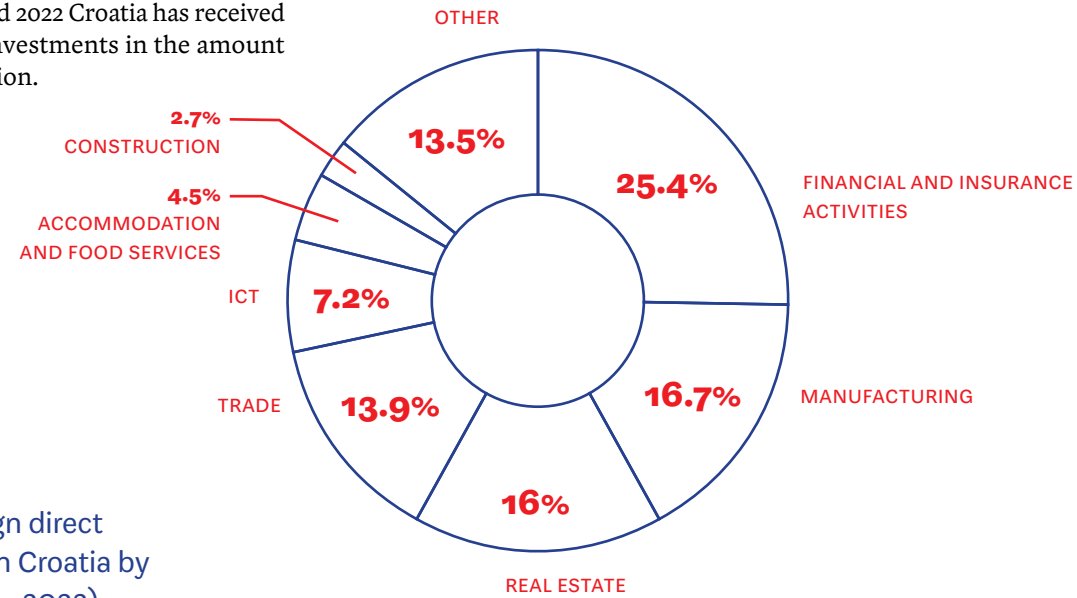
	EXPORT, '000 EUR	% EXPORT	% IMPORT	IMPORT, '000 EUR
TOTAL	23,951,545			41,554,089
FOOD AND LIVE ANIMALS	2,655,992	11.1	9.3	3,855,442
BEVERAGES AND TOBACCO	404,947	1.7	1.4	573,639
CRUDE MATERIALS, EXCEPT FUELS	1,780,496	7.4	1.9	800,157
MINERAL FUELS AND LUBRICANTS	4,706,625	19.7	25.7	10,674,471
ANIMAL AND VEGETABLE OILS AND FATS	157,200	0.7	0.6	229,556
CHEMICAL PRODUCTS	2,550,266	10.6	12.4	5,153,701
MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	3,849,644	16.1	15.6	6,491,345
MACHINERY AND TRANSPORT EQUIPMENT	4,739,118	19.8	21.5	8,929,234
MISCELLANEOUS MANUFACTURED ARTICLES	2,922,417	12.2	11.0	4,585,740
COMMODITIES AND TRANSACTIONS, N.E.S.	135,372	0.6	0.6	258,609
NOT CLASSIFIED	49,470	0.2	0.1	2,195

SOURCE: CBS 2023 FOR 2022

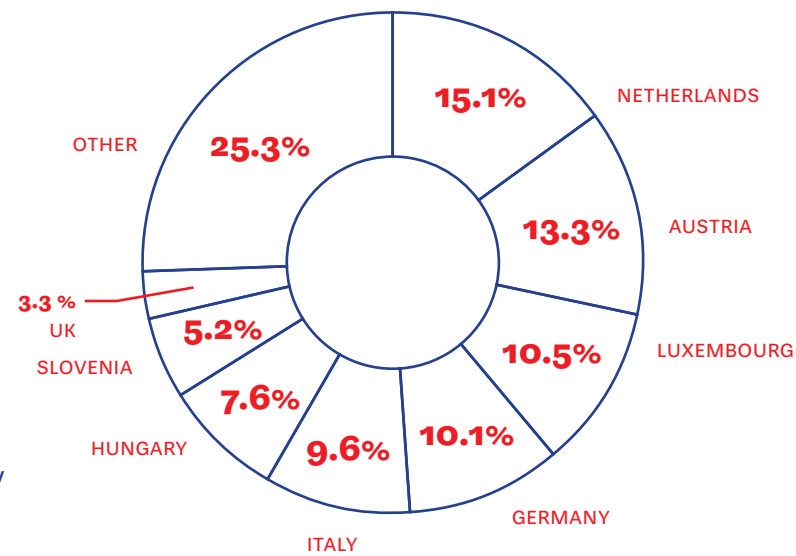
# 1.

## 1.5. Foreign Direct Investment

Between 1993 and 2022 Croatia has received foreign direct investments in the amount of EUR 42.55 billion.



Share of foreign direct investments in Croatia by activity (1993—2022)



Share of foreign direct investments in Croatia by country (1993—2022)

SOURCE: CNB 2023

# Investment Locations

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- 2.1. Business Zones in Croatia**
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## 2.

### 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 one hundred infrastructure-ready zones, ranging in size from ten thousand square metres to several million square metres.

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

- legal issues regarding land ownership have been settled;
- physical plans have been adopted; and
- the land is equipped with utility, transport and ICT infrastructure.

Each of these business zones offers numerous benefits to potential investors, such as:

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

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

The Ministry of Economy and Sustainable Development has one of the largest databases of the available business zones in Croatia, which includes all relevant information about the business zones. The database is available at <https://investcroatia.gov.hr>

### 2.2. Land Acquisition

Citizens and legal persons of the European Union may acquire real estate in Croatia without any hindrances, i.e. under the same conditions as Croatian citizens, with the exception of agricultural land (until 30 June 2023) and real estate located in protected nature areas.

Non-EU citizens and legal persons may acquire real estate in Croatia based on the principle of reciprocity, i.e. under the same rules which apply to Croatian citizens in the foreigner's own country. To ascertain whether this reciprocity exists, please visit the webpage of the Croatian Ministry of Justice and Public Administration <https://mpu.gov.hr/informacije-o-uzajamnosti-u-stjecanju-prava-vlasnistva-nekretna-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 a 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 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 iden-

tified as culturally significant is subject to a pre-emption right of the local and national authorities.

Agricultural real estate owned by the Republic of Croatia may only be acquired in exceptional circumstances, although long-term leases of the same may be acquired. Acquisition of agricultural land owned by the State is within the responsibility of the Ministry of Agriculture, which can provide all relevant information (<https://poljoprivreda.gov.hr/>).

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

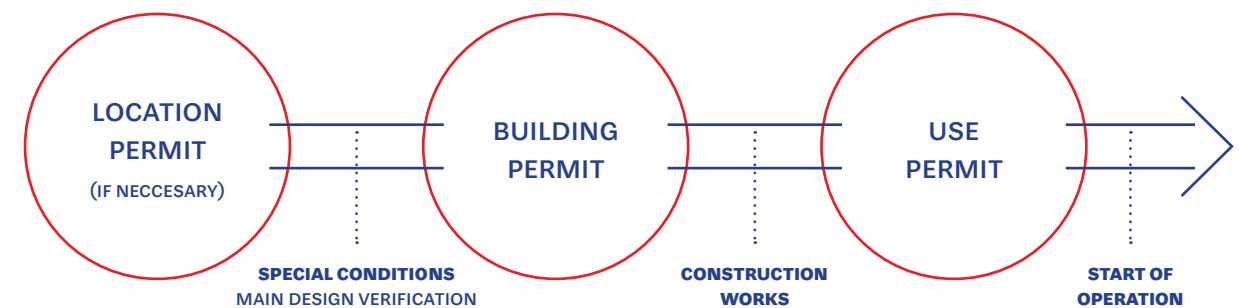
In Croatia, the acquisition of real estate requires a written agreement in the form of a notarial deed. After the purchase contract has been signed, ownership must be registered in the land registry. To do this, it

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 the real estate transfer tax (3%), and the purchaser is obliged to give notice of the tax duty to the relevant Tax Authority. The Tax Authority may, at its discretion, re-evaluate the value stated in the sale and purchase contract and calculate the tax based on the market value of the real estate.

Transactions of construction land, i.e. land for which an executive act has been issued approving construction (e.g. construction permit, location permit, construction decision and the like) in case when the seller is a VAT taxpayer are subject to VAT (currently 25%).

### 2.3. Construction Permits



#### RELEVANT LAWS:

- PHYSICAL PLANNING ACT (OG 153/13, 65/17, 114/18, 39/19, 98/19)
- BUILDING ACT (OG 153/13, 20/17, 39/19, 125/19)

## 2.

### 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 into one unit the Geoportal, Cadastre and spatial plans, enabling to end-users, i.e., every citizen simple access to information on 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 request a Location Information, which shall 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 the impacts to the smallest possible extent 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 for 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 and 118/18) and in the Regulation on Environmental Impact Assessment (OG, 61/14 and 3/17).

The competent body is the Ministry of Economy and Sustainable Development. The list in Annex I of the Regulation includes the interventions for which the environmental impact assessment is obligatory. The lists in Annex 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, 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;
- 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 conditions determined by designated public law bodies which need to be met in building construction, excluding the conditions determined in the process of environmental impact assessment and the review procedure of project acceptability for the ecological network.

The Main Design is a set of mutually harmonised projects which provides technical building solutions and demonstrates the fulfilment of basic building requirements and other prescribed and determined requirements and conditions. The Main Design for the construction of buildings for which a Location Permit has been issued needs to be made following the site conditions stipulated in the said permit.

The Main Design for the construction of buildings, for which a Location Permit is not required, needs to be made following the Special Conditions.

#### 2.3.4.1. Notification on the Main Design Creation Requirements

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

#### 2.3.4.2. 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

## 2.

to determine the Special Conditions. The public law body is obliged to determine the special conditions within 15 days from the date of receipt of the request or within 30 days if the special conditions are for the specially classified buildings.

### 2.3.5. 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, within fifteen days from the date of the said change, request the change of name in the Building Permit. Without the change of name in the Building Permit, the construction of the building for which the Building Permit has been issued shall not be allowed to commence.

#### 2.3.5.1. 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 was built in accordance with the Building Permit.

For more information about the 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 3782–444  
F: +385 1 3772–822  
<https://mgipu.gov.hr/>

# Human Capital

3.

- 3.1. Education System
- 3.2. Available Labour Force

# 3.

## 3.1. Education System

At the beginning of the 2021/2022 school year, there were 1,708 preschool institutions, 2,082 primary schools, 741 secondary schools and 129 higher education institutions, which included 9 public universities, with 84 faculties and art academies and 1 university centre, 3 private universities, 13 public polytechnics, 5 private polytechnics, 1 public professional school of higher education and 14 private professional schools of higher education.

### NUMBER OF HIGHER EDUCATION INSTITUTIONS BY TYPE

PUBLIC UNIVERSITIES	9
PRIVATE UNIVERSITIES	3
FACULTIES AND ACADEMIES	84
PRIVATE POLYTECHNICS	5
PUBLIC POLYTECHNICS	13
PRIVATE PROFESSIONAL SCHOOLS OF HIGHER EDUCATION	14
PUBLIC PROFESSIONAL SCHOOLS OF HIGHER EDUCATION	1

SOURCE: CBS, AGENCY FOR SCIENCE AND HIGHER EDUCATION, 2022

## 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 2021 was 33,415.

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

	SCHOOLS OF PROFESSIONAL HIGHER EDUCATION	POLYTECHNICS	FACULTIES — PROFESSIONAL STUDY	FACULTIES — UNIVERSITY STUDY	ART ACADEMIES
TOTAL	1,341	4,453	4,249	22,656	716

SOURCE: CBS 2023 FOR 2021

Number of employed and  
unemployed persons by industry

	EMPLOYED PERSONS	REGISTERED UNEMPLOYED
TOTAL	1,402,240	116,127
AGRICULTURE, FORESTRY AND FISHING	26,233	3,679
MINING AND QUARRYING	3,763	201
MANUFACTURING	233,503	14,592
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	14,574	117
WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	26,177	1,136
CONSTRUCTION	110,937	7,627
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	213,101	13,902
TRANSPORTATION AND STORAGE	76,782	3,625
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	86,486	13,067
INFORMATION AND COMMUNICATION	53,798	1,543

	EMPLOYED PERSONS	REGISTERED UNEMPLOYED
FINANCIAL AND INSURANCE ACTIVITIES	37,047	1,071
REAL ESTATE ACTIVITIES	9,377	563
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	69,493	3,810
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	55,671	5,593
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	108,869	9,917
EDUCATION	122,760	4,183
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	105,673	4,708
ARTS, ENTERTAINMENT AND RECREATION	27,255	1,606
OTHER SERVICE ACTIVITIES	20,741	6,813
WITHOUT PREVIOUS WORK EXPERIENCE		16,959

SOURCE: CBS, CES 2023 FOR 2022

# Costs of Doing Business

4.

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

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

## 4.1. Salaries

Contributions (social taxes) from and on salaries are paid at the rate of 36.5% – where 20% is paid by the employee, and 16.5% is paid by the employer.

Example in the table uses a 1,000 EUR gross salary, earned in Zagreb\* where the local surtax rate equals 18% and as such is the highest surtax rate in the country. Taxpayers are entitled to a personal allowance calculated based on a factor of 1, which equals 530.89 EUR.

	LIABILITY	
<b>TOTAL COST TO THE EMPLOYER</b>		<b>1,607.70 EUR</b>
MANDATORY CONTRIBUTION PAID BY THE EMPLOYER (HEALTHCARE CONTRIBUTION)	16.50%	227.60 EUR
GROSS SALARY		1,380.00 EUR
OBLIGATORY CONTRIBUTIONS PAID BY THE EMPLOYEE (PENSION INSURANCE PILLAR I 15% (OBLIGATORY) AND PENSION INSURANCE PILLAR II 5% (OBLIGATORY))	20%	207.00 EUR 69.00 EUR
INCOME		1,104.00 EUR
TOTAL TAX EXEMPTION - PERSONAL ALLOWANCE (1)		530.90 EUR
TAX BASE		573.10 EUR
TAX FOR SALARY AMOUNTS BELOW 3,981.69 EUR	20%	114.62 EUR
TAX FOR SALARY AMOUNTS ABOVE 3,981.69 EUR	30%	
TOTAL TAX AMOUNT		114.62 EUR
SURTAX – % OF TOTAL TAX AMOUNT	18%	20.63 EUR
TOTAL TAX AND SURTAX		135.25 EUR
TOTAL INCOME AFTER TAX AND SURTAX		437.85 EUR
NET SALARY – PERSONAL ALLOWANCE + INCOME AFTER TAXATION		968.75 EUR

\* ZAGREB HAS HIGHEST AVERAGE SALARIES AND SURTAX RATE



AVERAGE SALARIES IN CROATIAN COUNTIES	NET SALARY (EUR)	GROSS SALARY (EUR)
REPUBLIC OF CROATIA	1.016	1.380
BJELOVAR-BILOGORA COUNTY	896	1.177
BROD-POSAVINA COUNTY	896	1.180
CITY OF ZAGREB	1.205	1.710
DUBROVNIK-NERETVA COUNTY	942	1.263
ISTRIA COUNTY	970	1.303
KARLOVAC COUNTY	990	1.315
KOPRIVNICA-KRIŽEVCI COUNTY	923	1.226
KRAPINA-ZAGORJE COUNTY	976	1.290
LIKA-SENJ COUNTY	921	1.214
MEĐIMURJE COUNTY	938	1.231
OSIJEK-BARANJA COUNTY	939	1.250
POŽEGA-SLAVONIA COUNTY	901	1.191
PRIMORJE-GORSKI KOTAR COUNTY	1.016	1.382
SISAK-MOSLAVINA COUNTY	926	1.230

AVERAGE SALARIES IN CROATIAN COUNTIES	NET SALARY (EUR)	GROSS SALARY (EUR)
SPLIT-DALMATIA COUNTY	959	1.290
ŠIBENIK-KNIN COUNTY	930	1.238
VARAŽDIN COUNTY	943	1.256
VIROVITICA-PODRAVINA COUNTY	873	1.144
VUKOVAR-SYRMIA COUNTY	890	1.156
ZADAR COUNTY	940	1.250
ZAGREB COUNTY	1.027	1.389

SOURCE: CBS, 2023 FOR 2022

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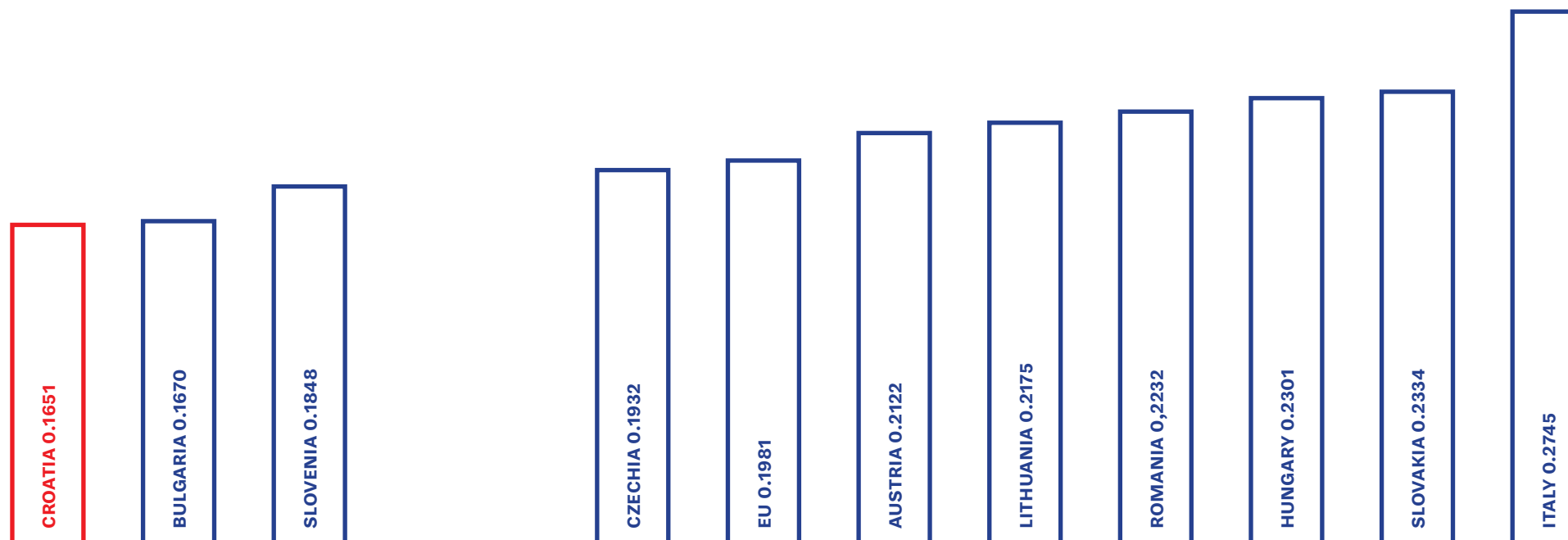
## 4.2. Utilities

The communal contribution fee is a one-time charge, which is paid for the construction of facilities. It is calculated on newly-developed cubic metres, before the start of construction. It is set by municipalities or cities, and can vary depending on the volume of the building (m<sup>3</sup>) and its location.

The communal contribution tax is set by city or municipality authorities according to built infrastructure, location of the infrastructure (by zones) and the purpose of the infrastructure. It is paid monthly by physical and legal entities in a specific city or municipality. It is used for financing the utility system, which includes: potable water supply, wastewater disposal and purification, public passenger transport, municipal waste disposal, maintenance of public surfaces, etc. The Communal Contribution Tax is charged per square metre (m<sup>2</sup>) and is calculated as a multiplication of the point value, zone coefficient and purpose coefficient.

### 4.2.1. Electricity

Electricity prices for industrial consumers 2022S1 (70 000 MWh < Consumption < 150 000 MWh), unit Kilowatt-hour\*



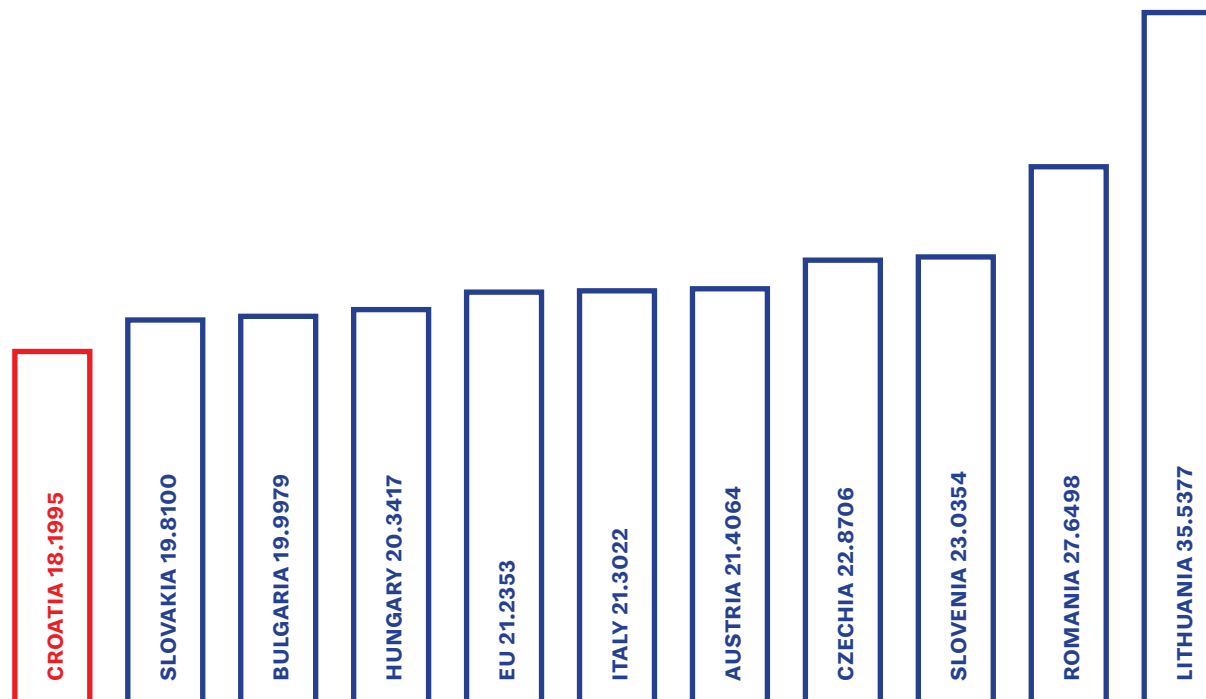
\*ALL TAXES AND LEVIES INCLUDED

SOURCE: EUROSTAT 2023

## 4.

4.2.2.  
Natural Gas

Gas prices for industrial consumers,  
2022S1 (1 000 GJ < Consumption <  
10 000 GJ), unit Gigajoules\*



\*ALL TAXES AND LEVIES INCLUDED

SOURCE: EUROSTAT 2023

4.2.3.  
Water

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

Zone A — City of Zagreb and the protected coastal area

Zone B — the rest of Croatian territory, except Zone A and Zone C

Zone C — areas of special state concern

## WATER CONTRIBUTION FEE

## ZONES

	A	B	C
OFFICE SPACE, EXCEPT PRODUCTION PLANTS	1.11 EUR/m <sup>3</sup>	0.67 EUR/m <sup>3</sup>	0.33 EUR/m <sup>3</sup>
PRODUCTION PLANTS	0.20 EUR/m <sup>3</sup>	0.12 EUR/m <sup>3</sup>	0.04 EUR/m <sup>3</sup>
OPEN BUSINESS BUILDINGS	0.33 EUR/m <sup>3</sup>	0.20 EUR/m <sup>3</sup>	0.06 EUR/m <sup>3</sup>

SOURCE: DECREE ON WATER CONTRIBUTION (OG 78/10, 76/11, 19/12, 151/13, 83/15, 42/19, 73/20)

# Legal Environment

## 5.

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

# 5.

## 5.1. Status of Foreign Investors

Under the provisions of the Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22, 114/22, 18/23), 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 as any other domestic investor. Foreign investors with headquarters or residing in non-WTO member countries need to meet reciprocity conditions.

## 5.2. Intellectual Property Rights

Croatia is a member of the World Intellectual Property Organization (WIPO) and is a signatory of all basic international instruments in the field of intellectual property. All relevant information about Intellectual Property Rights protection can be obtained from the State Intellectual Property Office ([www.dziv.hr](http://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 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 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 1.00, while individual representation per investor cannot be less than EUR 1.00.

### Types of Business Legal Structures:

**JOINT STOCK COMPANY (D.D.):** Minimal share capital amounts to approximately EUR 25,000 of which, if the shares are paid in cash, at least a quarter of the lowest amount of shares which may be issued must be paid before entry in the Court Register.

**LIMITED LIABILITY COMPANY (D.O.O.):** Minimal share capital amounts to approximately EUR 2,500 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.):** Minimal share capital amounts to approximately EUR 1.00, and it must be paid in cash before entry into the Court Register.

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

### Procedure for establishing a company:

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

**STEP 2:** Notarise the memorandum of association and other necessary documents, pay the share capital at the bank and submit the application to the Commercial Court (by hand or electronically via a notary public or [hitro.hr](http://hitro.hr) for LLC and SLIC 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/homepage>) HITRO.hr is a service founded by the Government of the Republic of Croatia, to speed up communication between entrepreneurs and state administration, and

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, an entrepreneur can use the credentials from his/hers national electronic ID for identification and sign the documents using his/hers 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 the Economy and Sustainable Development has launched the START system enabling users to electronically start up a business, i.e. found a limited liability company and a simple limited liability company with one or more domestic founders and also sole proprietorships. The new system allows entrepreneurs to launch

# 5.

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 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, it carries 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 international conventions.

After the Republic of Croatia became a

member state of the EU, legal entities from the EU can no longer establish Representative Offices in the Republic of Croatia, but must open either a Branch Office or establish a domestically registered company.

The 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-stranik-osebaj-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 (Official Gazette 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 a European Economic Area (EEA) and members of their families (irrespective of their nationality), as well as the nationals of the Swiss Confederation who have the right to stay in Croatia, have equal rights as 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 case of not finding a domestic workforce, the Croatian Employment Service will notify the employer on 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:

- it is an extension of the residence and work permit for the same employer and the same third-country national,
- employment is foreseen in deficit occupations enumerated in the Decision of the Management Board of the Croatian Employment Service,
- 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 a 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 shall 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%,

# 5.

- a highly qualified third-country national who qualifies for an EU Blue Card,
- third-country national that 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 nationals who 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 comes 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 which 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 relates 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 shall 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 shall 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.

### Renewal of residence and work permit

The application for renewal of a residence and work permit shall be submitted no later than 30 days before the expiration of the residence and work permit in the police department or police station (which decides 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 is 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 (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/>

# Tax System

6.

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



# 6.

## 6.1. Profit Tax

The general profit tax rate is:

- 10% if income amounts up to EUR 995,421.06 in the tax period, or
- 18% if income in the tax period is equal to or greater than 995,421.06

The income tax rate on withholding tax is:

- 15% in general;
- 10% on dividends and shares in corporate income (profit) and foreign performers;
- 20% on all services and all types of fees taxable when paid to persons who have their registered office, headquarters or supervision in the countries listed on the EU list of non-cooperative jurisdictions for tax purposes and to which the Republic of Croatia does not apply the double taxation avoidance contract.

## 6.2. Income Tax and Surtax

The general income tax rate is:

- 20% for income to 47,780.28 per year (up to EUR 3,981.69 per month)
- 30% for income above EUR 47,780.28 per year (EUR 3,981.69 per month)

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;
- 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%, to natural persons from 26 to 30 years of age

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

Surtax Rates Range:

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

## 6.3. Value-Added Tax (VAT)

When calculating VAT, the following rates are applied:

- 25% is the general rate

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

- A)** Accommodation or accommodation services with breakfast, half-board or full-board in hotels or similar purpose facilities, including holiday accommodation, rental of premises in camps or 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, that are issued periodically apart from those which overall or in part contain ads or are used for advertising, or which consist in whole or in part of video or music content,

**C)** Car seats for children and baby diapers,

**D)** Menstrual supplies,

**E)** Water delivery, other than water placed on the market in bottles or another packaging, in terms of public water supply and public drainage according to a special regulation,

**F)** Supply of electricity to other suppliers or end-users, including the fees related to delivery,

**G)** Firewood, pellets, briquettes and wood chips,

**H)** Public service of collecting mixed municipal waste, biodegradable municipal waste and separate collection of waste according to a special regulation,

**I)** Urns and coffins,

**J)** Services and related copyrights of writers, composers and performers and holders of phonogram rights who are members of appropriate collective management organizations performing this activity pursuant to special regulations in the copyright field and related rights and with the prior approval of state administration body responsible for intellectual property,

**K)** Services of preparation and serving meals and confectionery products.

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

**A)** All types of bread,

**B)** All types of milk (cow, sheep, goat), put on the market under the same name in liquid form, fresh, pasteurised, homogenised, condensed (except sour milk, yoghurt, kefir, chocolate milk and other dairy products), substitutes for breast milk,

**C)** Books of professional, scientific, artistic, cultural and educational content, textbooks for pedagogical education, primary school, secondary school and higher education except for those which contain or serve advertising in whole or in part and other than those which are entirely or they mostly consist of videos or music content,

**D)** Medicines approved by a competent body for medicines and medical products,

**E)** Medical equipment, aids and other devices used to in the treatment of disability, exclusively for the personal use of the disabled, as prescribed by the Ordinance on Orthopaedic and Other Aids of the Croatian Institute for Health Insurance,

**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)** Newspaper of a newspaper publisher which has a media statute, and issued daily, other than those containing, overall or in major part ads or advertising, 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) Fertilizers and pesticides and other agrochemical products,
- W) Products mainly used as animal feed, except pet food,
- Z) Supply of natural gas and heating from heating stations, including charges related to those supplies and supply of firewood, pellets, briquettes and wood chips (exceptionally, until March 31, 2024).

## 6.4. Real Estate Transfer Tax

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

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

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

**Ministry of Finance**  
Katančičeva 5,  
HR – 10 000 Zagreb  
P: +385 1 4591 333  
<https://mfin.gov.hr/>



# Investment Incentives

7.

Incentive measures for investment projects in the Republic of Croatia are regulated by the Act on Investment Promotion (OG 63/22) and pertain to investment projects in:

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

Incentive measures cannot be granted to fishery, aquaculture and primary agricultural production sector; steel, coal, synthetic fibres and transport sector as well

as the related infrastructure; energy generation, distribution and infrastructure; broadband infrastructure; research infrastructure; shipbuilding sector; financial and insurance sector; the health, welfare and education sector; trade sector; construction and real estate sectors; sectors of water management, waste management and environmental remediation; for the mining and extraction sectors; and for 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
- EUR 500,000 for investment projects in modernising and increasing business process productivity.

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 the 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

ENTERPRISE CATEGORY*	STAFF HEADCOUNT**	AND	ANNUAL TURNOVER**	OR	ANNUAL BALANCE SHEET TOTAL**	MAXIMUM AID INTENSITY (% OF ELIGIBLE INVESTMENT COSTS)			
						PANNONIAN CROATIA	NORTH CROATIA	ADRIATIC CROATIA	CITY OF ZAGREB
LARGE	> 250		> 50 MILLION €		> 43 MILLION €	50%	50%	40%	35%***
MEDIUM	< 250		≤ 50 MILLION €		≤ 43 MILLION €	60%	60%	50%	45%
SMALL	< 50		≤ 10 MILLION €		≤ 10 MILLION €	70%	70%	60%	55%
MICRO	< 10		≤ 2 MILLION €		≤ 2 MILLION €	70%	70%	60%	55%

\* 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

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

in the production process, the eligible costs must exceed the depreciation of the assets linked to the activity to be modernised in the course of the preceding three fiscal years.

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 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 the 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.

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). 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 shall be calculated as the percentage of investment value, which is determined based on eligible investment cost.

Eligible investment costs are:

- tangible assets (construction costs based on the building permit, i.e. based on the confirmation of the main project and the purchase of new equipment/machinery (standard

- basis)) and intangible assets (patent rights, licences, know-how or unpatented technical knowledge), or
- gross salary (total cost to the employer) calculated over a period of two years.

As eligible costs of investment cannot be calculated 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.

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, whereby employment from affiliated companies is excluded. The initial number of employees is determined as the average number

of employees in the past 12 months before the start of the investment. Jobs lost during the three-year period of realization of the investment project will be subtracted from the apparent number of newly created jobs. In the tourism sector, seasonally employed persons shall also be included in the number of employees in accordance with their annual labour units fractions (but for these workers investor cannot receive incentives for job creation).

The project realization 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 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.)	NEWLY-EMPLOYED	PERIOD OF EMPLOYMENT (YEARS)	PROFIT TAX RATE DEDUCTION	PERIOD (YEARS)
0.15 (>0.05 FOR MICRO AND ICT SYSTEM AND SOFTWARE DEVELOPMENT CENTERS) - 1	5 (3 FOR MICRO AND 10 FOR ICT SYSTEM AND SOFTWARE DEVELOPMENT CENTRES)	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 CREATING JOBS	INCREASE FOR DEVELOPMENT AND INNOVATION ACTIVITIES**	INCREASE FOR BUSINESS SUPPORT ACTIVITIES*** AND HIGH ADDED VALUE ACTIVITIES****
< 10%	10% (MAX. 3,000 €)*	+50% (1,500 €)*	+25% (750 €)*
	4% (MAX. 1,200 €)	+50% (600 €)	+25% (300 €)
10 – 15%	20% (MAX. 6,000 €)*	+50% (3,000 €)*	+25% (1,500 €)*
	8% (MAX. 2,400 €)	+50% (1,200)	+25% (600 €)
> 15%	30% (MAX. 9,000 €)*	+50% (4,500 €)*	+25% (2,250 €)*
	12% (MAX. 3,600 €)	+50% (1,800)	+25% (900 €)

\* The specified amount of the grant refers to the unemployed, who are registered as unemployed with Croatian Employment Service (CES) for at least 6 months, regardless of the length of the work experience and level of education, persons older than 50 years registered as unemployed with CES and persons without work experience registered as unemployed with CES, and persons whose employment contract has been terminated due to the opening of bankruptcy proceedings. For other categories of workers, the incentive rate is 40% of the above-specified amount.

\*\* Development and innovation activities – activities that affect the development of new and significantly improving existing products, production series, manufacturing processes and / or production technologies

\*\*\* Business support services:

1 Centres of business activities focused on the separation and/ or concentration of business activities, such as data centres, design centres and product design centres, multimedia contact centres and information technology development centres.

2 Logistics and Distribution Centres – aimed at establishing and building high-technology logistics and distribution centres providing intermodal transportation, packaging and handling in order to significantly improve logistics and distribution activities within the business process and delivery of goods, and refer to investment projects in the manufacturing and processing industry.

3 ICT System and Software Development Centres: 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 Added Value Activities:

1 Creative service activities: activities in the field of architecture, design, media communication, advertising and other activities in the field of creative industry.

2 Sustainable tourism activities — services with high added value that enable the beneficiary of the investment incentives to operate tourist business for a minimum of six months during the calendar year after the end of the three-year period of realization of the investment project, and represent projects of

hospitality and tourism accommodation facilities categorised as at least four stars, such as hotel, aparthotel, tourist resort and camps; projects of catering and tourist facilities - heritage hotel and diffused hotel, created by the restoration of cultural and historical heritage, in accordance with the regulations governing the protection and preservation of cultural assets; projects of accompanying contents of all previously mentioned types of accommodation facilities, which include: health, congress, nautical, cultural, golf, sports-recreational, entertainment-themed and tourist-ecological contents, as well as other innovative contents in tourism with high added value; as well as nautical tourism projects with minimum category of four anchors; amusement and theme park projects.

3 Industrial engineering services focused on modeling, design, restructuring and optimization of production and optimisation of manufacturing business processes.

## Incentives for investment in development and innovation activities

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

## Incentives for Education and Training\*

### UP TO 50 % OF THE ELIGIBLE COSTS OF EDUCATION AND TRAINING\*\*

#### + 10% IF THE TRAINING IS GIVEN TO WORKERS WITH DISABILITIES

#### +10% IF THE AID IS GRANTED TO MEDIUM-SIZED ENTERPRISES

#### +20% IF THE AID IS GRANTED TO SMALL AND MICRO-SIZED ENTERPRISES

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

\*\* The eligible costs for 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 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. 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

<b>≥ 100 NEWLY-CREATED JOBS*</b>	+ 25%
<b>≥ 300 NEWLY-CREATED JOBS*</b>	+ 50%
<b>≥ 500 NEWLY-CREATED JOBS*</b>	+ 100%

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

## Incentive measures for the capital costs of the investment project

INVESTMENT AMOUNT (€ MIL.)	NEWLY-EMPLOYED	COUNTY UNEMPLOY- MENT RATE	INCENTIVES FOR CAPITAL EXPENSES
5	50	10 – 15%	10% OF THE ELIGIBLE COSTS OF INVESTMENTS IN LONG-TERM ASSETS (MAX. 500.000 €)*
		> 15%	20% OF THE ELIGIBLE COSTS OF INVESTMENTS IN LONG-TERM ASSETS (MAX. 1.000.000 €)*

\* Eligible costs of investments in long-term assets include the construction of the new factory, production facility and purchase of new machines, i.e. production equipment, with the condition that the part of the investment in the machines/equipment equals at least 40% of the investment and that at least 50% of those machines/equipment are of high technology.

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

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.)	NEWLY-EMPLOYED	OBLIGATORY INVESTMENT INTO INACTIVE PROPERTY GRANTED FOR LEASE	INCENTIVE	PROCEDURE FOR GETTING THE LEASE
3	15	50% INCREASE OF THE VALUE OF THE PROPERTY WITHIN THREE YEARS IN RELATION TO THE ESTIMATED VALUE OF INACTIVE PROPERTY AT THE TIME OF STARTING THE LEASE	FREE LEASE OF INACTIVE PROPERTY FOR UP TO 10 YEARS* FROM THE START OF THE INVESTMENT	<p>FOR INVESTMENTS LOCATED IN LOWER DEVELOPED LOCAL SELF-GOVERNMENT UNITS (I – IV) – WITHOUT ANY ADDITIONAL PRECONDITIONS</p> <p>FOR INVESTMENTS LOCATED IN HIGHER DEVELOPED LOCAL SELF-GOVERNMENT UNITS (V – VIII) – AFTER THREE ROUNDS OF A PUBLIC TENDER FOR THE SALE OF INACTIVE PROPERTY</p>

\* 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



## 7.

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

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.)	DIFFERENCES IN LEVELS OF PRODUCTIVITY PER EMPLOYEE AFTER 3 YEARS	AID TO MODERNISE* 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 THE APPLICATION OF THE INVESTMENT PROJECT	50%
1 – 3		75%
> 3		100%

\* Modernisation is, a profound change in the production and processing process which involves the entry of long-term assets of equipment/machines into the ownership of investment support beneficiaries, which is categorised as a more technologically advanced generation of long-term high-tech assets relative to long-term assets being modernised such as specialised robots, robotic systems and robotic stations, automation and production process self-management equipment and machines, automated production management systems, and machinery/equipment for the digitisation of production and manufacturing processes.

It also entails the entry of long-term fixed assets into the ownership of investment aid beneficiaries, which is categorised as a more technologically advanced generation of long-term

high-tech intangible assets relative to long-term assets being modernised, such as the latest generation of automated management software for manufacturing processes in the production and manufacturing industry, software in the function of digitisation of production and manufacturing processes, software for the development of self-managing systems, logic controllers and automated lines of production processes and software for machine learning, artificial intelligence development and system visualisation. For large entrepreneurs, acceptable costs for a fundamental change in production and manufacturing for which investment incentives for the modernisation of business processes is approved, must exceed the value of depreciation of the assets associated with the activity being modernised during the three previous tax years.

### 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.



# Support for Research and Development Projects

8.

State aid for research and development projects is regulated by the Act on State Aid for Research and Development Projects (OG 64/18) and Ordinance on State Aid for Research and Development Projects (OG 9/19).

**STATE AID PROVIDER:** Ministry of Economy and Sustainable Development

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

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

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

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

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

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

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

\*\* Intensity of support for feasibility studies can be increased by 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 this Act 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 100,000.00 per entrepreneur per project
- D) for feasibility studies in the preparation of research activities: EUR 50,000.00 per study.

The total amount of State Aid for an R&D project that an individual entrepreneur can achieve under this Act may be increased if more than 50% of the cost of research conducted on the basis of contracts, knowledge, and patents obtained or licenced 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.
- 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
- 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.

# Strategic Investment Projects

9.



## 9.

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: economy, mining, energy, tourism, transport, infrastructure, electronic communications, postal services, environmental protection, public utilities, agriculture, forestry, water management, fisheries, health care, culture, audiovisual activities, science, technology, education, defence and judiciary;
- it must meet the prescribed requirements:
- employment of a significant number of persons;
- alignment with existing physical plans;
- the minimum value of prescribed total capital investment costs: around EUR 10 M or EUR 1.32 M (if implemented in assisted areas, on the islands or in sectors of farming, forestry and fisheries)
- it must positively affect multiple economic activities and create added value, raise the overall level of safety and quality of life, improve environmental protection and contribute to the overall competitiveness of Croatia;
- additionally, the private investment project must be related to production

and processing activities, development and innovation activities, business support activities, activities of high added value services, activities in the energy sector, infrastructure, or activities related to agriculture and fisheries.

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

Strategic investment projects should be nominated to the Ministry of Economy and Sustainable Development.



# Ministry of Economy and Sustainable Development

10.

# 10.

## 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 the tasks related to the competitiveness of the Croatian economy, instruments and measures of economic policy, industrial policy and the policy of applying innovations and new technologies, 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.
- Professional and tailor-made assistance throughout all stages of the investment process,
- Organising visits to investments sites and arranging meetings with public and private bodies,
- Promoting Croatia as a business and investment destination through specific seminars and conferences on investment opportunities in Croatia, promotional materials and cooperation with partner institutions on the domestic and international market.

Please feel free to  
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#### Disclaimer:

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