



# WHY CROATIA?

Croatia is a Mediterranean country in the heart of Europe. It's magical land with impressive history and promising future.

Discover our natural beauties, gastronomy and rich cultural heritage!

Explore new business opportunities!

Enjoy the great lifestyle!



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Welcome  
to Croatia!



## **Type of Government**

Form of Government:  
Unitary parliamentary constitutional republic  
Legislative body: Sabor (Croatian Parliament)  
Administration: 20 Counties + City of Zagreb

## **Population & Land Area**

Area: 56,536 km<sup>2</sup>  
Population: 4.2 million  
Working-age population: 2.8 million  
Largest cities: Zagreb, Split, Rijeka, Osijek

## **Infrastructural Figures**

Coastline: 5,835 km  
International passenger airports: 8  
International seaports: 6 Inner harbours: 4  
Road network: 29,546.9 km (of which 1,273.2 km highways)  
Rail network: 2,772 km (36% electrified, 2,468 km are single-track and 253 km are double-track)

## **Excellent Geo-Strategic Position**

Three major Pan-European corridors pass through Croatia and make it your shortest route between the Western Europe and Asia, Eastern Europe and the Mediterranean.

Located in the Southeast Europe, bordered by Italy, Slovenia, Hungary, Serbia, Bosnia and Herzegovina and Montenegro, Croatia is perfectly positioned for reaching the EU market as well as the Southeast European markets. The proximity of other EU capitals (Budapest, Vienna, Ljubljana) makes it easy for you to access large European markets and reach new customers.

## **Modern Transport Infrastructure**

Excellent road infrastructure with modern highways, fairly developed railroads, 6 seaports and 8 national airports offers great possibilities for multimodal transport of goods.

In recent years Croatia has invested heavily in developing the Pan-European transport network, primarily roads, motorways and ports. Investments into transportation, telecommunications and energy infrastructure will continue in the future.

## **EU Member**

With its accession to the European Union on 1 July 2013, Croatia was granted an opportunity to use considerable amounts of money from the EU Structural Funds. Starting from 2014 around EUR 1 billion per year have been made available. A large portion of these funds is attributed to the promotion of small and medium entrepreneurship. Companies established in Croatia by foreign investors are able to compete for the EU funds under equal conditions as national ones.

Croatia is the ideal country to access the large European market with over 500 million potential customers.

With lower operating costs compared to the majority of other EU member states and the excellent geo-strategic position, Croatia is the perfect destination for your investment.

## Skilled and competitive workers

Many foreign companies already operating in Croatia recognize Croatian workforce as highly skilled, experienced and multilingual. According to a 2009 survey, 78% of Croatians claim the knowledge of at least one foreign language, mostly English.

Croatia is among the countries with the highest rate of persons aged from 20 to 24 having completed at least upper secondary education (Eurostat). The number of students graduated from institutions of higher education has been recording a continuous increase over the past few years.

All this and the presence of numerous education institutions ensure the availability of the skilled workforce and easy access to lifelong learning.



## Setting up business in Croatia

The classification of enterprises according to the Small Business Development Promotion Act (OG 29/02, 63/07, 53/12)

Enterprise category	Number of employees	Turnover	Balance sheet total
Medium	≤ 249	≤ € 50 mil	≤ € 43 mil
Small	≤ 49	≤ € 10 mil	≤ € 10 mil
Micro	≤ 9	≤ € 2 mil	≤ € 2 mil

## Types of foreign businesses in Croatia

FOREIGN COMPANIES		
SUBSIDIARY	BRANCH OFFICE	REPRESENTATIVE OFFICE
OWN LEGAL ENTITY Different types available (e.g. limited liability company)	NO OWN LEGAL ENTITY BUT FULL PART OF FOREIGN ENTITY  Construction governed by a foreign law	NO INDEPENDENT BUSINESS OF THE FOREIGN COMPANY  Activities typically via an independent commercial agent



## Employment

EU citizens do not require any permits to be able to settle or work in Croatia.

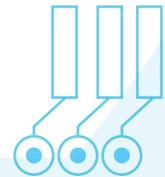
However, as Croatia is the EU member, there is a transitory period during which citizens of Austria, Belgium, Cyprus, France, Germany, Greece, Italy, Luxembourg, Malta, Netherlands, Slovenia, Spain and UK will still need work permits in order to get employed in Croatia.

### 3 types of residence titles:

- Visa (Schengen visa or national visa)
- Residence permit (temporary stay)
- Settlement permit ( permanent stay)

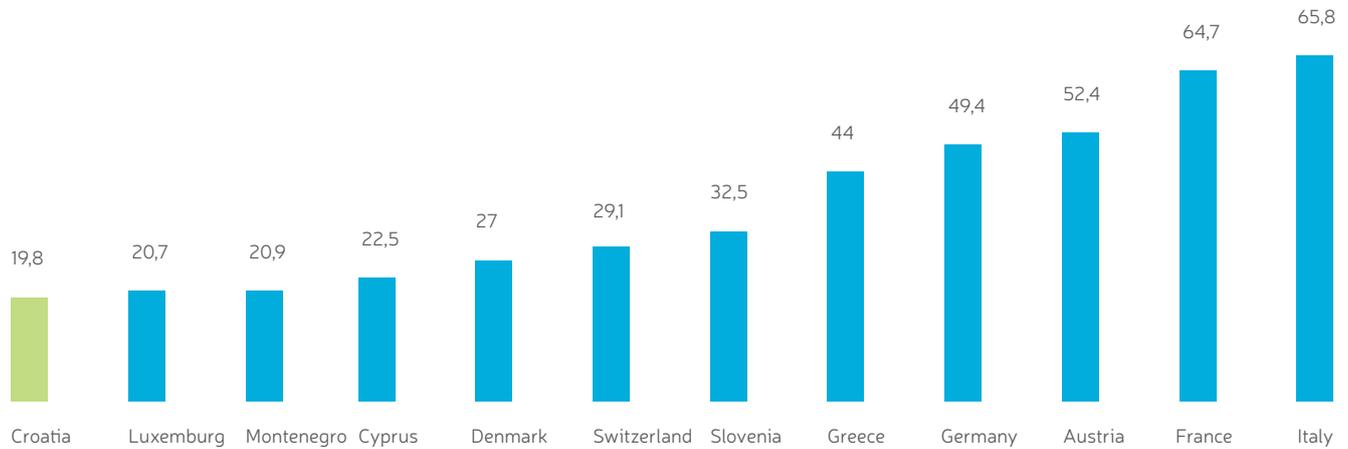
### 2 types of work permits:

- Stay and work permit
- Work registration certificate



## Croatian tax system

### Average corporate tax burden of selected countries (% profit)



Source: Eurostat

## **Corporate income tax**

Tax rate: 20% (0% for reinvested profit)

Tax base: Profit determined pursuant to accounting regulations as the difference between revenues and expenditures before profit tax assessment, increased and deducted in accordance with the provisions of the Profit Tax Act.

## **Income tax**

Tax rate: 12% (from HRK 0-2,200) / 25% (from HRK 2,201-8,800) / 40% (from HRK 8,801 and above)

Tax base: Total amount of income that the taxpayer obtains in the Republic of Croatia (from employment, independent personal activities or self employment, from property and property rights, from capital, from insurance or other income) deducted for personal allowance

## **Dividend tax**

Tax rate: 12% for dividends of HRK 12,000 or more

Tax base: Total amount of dividends received

## **Corporate income tax by withholding**

Tax rate: 15% (20% for all services paid to persons having their permanent establishment or headquarters in countries, except the European Union Member States, in which a general or average nominal profit taxation rate is lower than 12.5% and the country is published in the list of countries issued by the Ministry of Finance)

Tax base: Gross amount of a consideration paid by a resident payer to a non-resident recipient.

## **Value added tax**

Tax rate: 25% (5% on certain products, 13% on tourism and catering services)

Tax base: compensation for the goods delivered or services rendered

## **Capital gains tax**

Tax rate: Not taxed

## Investment incentives

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

- € 50,000 and 3 new jobs created for micro enterprises
- € 150,000 and 5 new jobs created for small, medium and large enterprises.

The amount of incentives is calculated based on the cost of material and non material assets or based on the cost of the salaries for the new jobs created, the larger of these amounts constituting the baseline for calculation.

## Incentive measures

- If you are investing in new factory, production or tourism facility or purchasing new machinery or production equipment:

Non-refundable aid can be granted for the capital investment projects larger than 5 million EUR on condition that they create at least 50 new jobs.

Part of the investment in machinery/equipment must be at least 40% of the total investment and at least 50% of the purchased machinery/equipment must be high-tech.

### NON-REFUNDABLE AID FOR CAPITAL INVESTMENT PROJECTS

Investment amount	Number of new jobs created	County unemployment rate	Investment amount (as a percentage of the eligible costs of long-term assets purchasing)
≥ € 5 million	≥ 50	10-20%	10%, not exceeding € 0.5 million
		above 20%	20%, not exceeding € 1 million

● If you intend to provide new jobs:

Non-refundable aid can be granted for eligible costs of new jobs.

NON-REFUNDABLE AID FOR ELIGIBLE COSTS OF NEW JOBS CREATED	
County's unemployment rate	Aid amount (as a percentage of two years gross salary costs)
Up to 10%	10%, not exceeding € 3,000 per new job created
10-20%	20%, not exceeding € 6,000 per new job created
Above 20%	30%, not exceeding € 9,000 per new job created

An investor, the recipient of incentive measures, will be granted 100% of the non-refundable aid for eligible costs of new jobs created if s/he employs:

- an unemployed person registered in the Croatian Employment Service's records of unemployed persons for at least 3 months, or
- a person 25 years of age or younger with no occupation, ancillary occupation or vocational occupation, being employed for the first time, with no unemployment record at the Croatian Employment Service, or
- a person 29 years of age or younger holding a secondary, associate or university degree, being employed for the first time, with no unemployment record at the Croatian Employment Service, or

- a person 29 years of age or younger registered in the unemployment records of the Croatian Employment Service within 90 days from graduation, from having acquired a vocation upon the completion of secondary education, or
- a person with no occupation having completed only primary education, or
- a person whose employment contract has been terminated due to a bankruptcy.

If the above cited employment conditions have not been met, only 40% of the non-refundable aid will be granted.

For labour intensive investment projects, non-refundable aid for new jobs created is increased by a given percentage, depending on the number of new jobs created.

NON-REFUNDABLE AID FOR NEW JOBS CREATED IN LABOUR INTENSIVE INVESTMENT PROJECTS		
Number of new jobs created		
≥ 100	≥ 300	≥ 500
Increase in non-refundable aid for new jobs created by:		
+ 25%	+50%	+ 100%



Non-refundable aid can be granted for training costs.

NON-REFUNDABLE AID FOR ELIGIBLE TRAINING COSTS		
Enterprise category	Aid amount (as a percentage of the eligible training costs)	
	Specific training	General training
Large	25%	60%
Medium	35%	70%
Micro and small	45%	80%

The amount of aid for training costs that can be granted can be up to 50% of non-refundable aid for new jobs created.

**For certain types of activities**, additional non-refundable aid can be granted.

NON-REFUNDABLE AID FOR ELIGIBLE COSTS OF NEW JOBS CREATED IN SPECIFIC BUSINESS ACTIVITIES			
Type of investment project	DEVELOPMENT AND INNOVATION ACTIVITIES	BUSINESS SUPPORT ACTIVITIES	HIGH VALUE-ADDED SERVICES
Increase of non-refundable aid for new jobs created by:	+ 50%	+ 25%	+ 25%
Non-refundable aid for machinery/equipment	Up to 20% of eligible costs of purchase of machinery/equipment (max. € 0.5 million)		



- If you tend to import machinery/equipment:

For imports of equipment/machinery that are considered to be eligible costs of the investment project, you can be freed from paying customs duties.

- After you gain the profit, you can use corporate tax intensive measures:

Depending on the investment amount, size of the enterprise and the number of new jobs that will be created as a result of the investment, you can be granted a deduction of corporate income tax of 50%, 75% or 100%.

TAX INCENTIVES				
SUBSIDIARY	Number of new jobs created	Corporate income tax rate**	Number of years	Minimum period for maintaining the investment and newly created jobs***
≥ €50,000*	≥ 3	10%	5 years	3 years
€0.15-1 million	≥ 5	10%	10 years	3 years
€1-3 million	≥ 10	5%	10 years	3 years
above €3 million	≥ 15	0%	10 years	3 years

\* Only micro enterprises can use the incentive measures for investments starting from € 50,000.

\*\* The corporate income tax rate of 20% is decreased by 50%, 75% and 100%, depending on the amount of the investment.

\*\*\* The period of maintaining the investment and newly created jobs cannot be less than the period of use of the incentive measures use.





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**Croatian Agency for  
SMEs, Innovations and  
Investments**

An independent institution under the supervision of the Ministry of Entrepreneurship and Crafts

Established by the Government of the Republic of Croatia with the purpose of enhancing SME's development, catalyzing innovation processes and promoting investment activities

**Main activities:**

- guarantees for bank loans for SMEs
- micro loans for start ups
- grant schemes implementation
- investment promotion
- innovation processes catalyzing

**Objectives:**

- development of SMEs in Croatia
- creation of a favorable environment for entrepreneurship and investment
- motivation of the private and public sector to raise the investment levels in R&D
- support of innovation and technology-based businesses

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