

## Croatia Tax Knowledgebase

### Employee personal income tax

This article provides an overview of the taxation system in Croatia, focusing on personal income tax obligations for both residents and non-residents. It discusses the progressive tax rates based on income levels and local authority regulations, as well as personal deductions for taxpayers.

Taxpayer is any individual who earns taxable income in Croatia, such as salary, self-employment income, property income, capital gains, or inheritance. Taxpayers may be residents, with permanent residence in Croatia or employed in Croatian public service, or non-residents who generate taxable income within the country.

### Tax report in question

Personal Income Tax -Porezna prijava -Fiscal year 01/01/20xx-31/12

### Due date

For non-obligatory reports, February 28 of the previous year.

### Tax rates

The Croatian personal income tax system has a progressive rate structure based on income level and the taxpayer's location. The key elements are as follows:

#### **Income tax rates by income bracket:**

A reduced tax rate applies for income up to 50,400.00 euros per year (4,200.00 euros per month).

For income above this amount, a higher tax rate applies.

#### **Tax rate determination by local authorities**

Local self-government units (like municipalities and cities) decide specific tax rates within legal limits.

Tax rates vary based on the size of the self-government unit:

- Municipalities: Rates from 15% to 22% (lower rate) and 25% to 33% (higher rate).
- Cities with fewer than 30,000 inhabitants: Rates from 15% to 22.4% (lower rate) and 25% to 33.6% (higher rate).

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- Cities with more than 30,000 inhabitants: Rates from 15% to 23% (lower rate) and 25% to 34.5% (higher rate).
- City of Zagreb: Rates from 15% to 23.6% (lower rate) and 25% to 35.4% (higher rate).

## Default rate

If the local authorities do not set rates within the prescribed period, a default rate of 20% and a higher rate of 30% will apply.

This system enables local government units to adjust income tax rates according to regional needs, within established limits, thereby ensuring a flexible and progressive tax structure across Croatia.

## Are there personal deductions for the taxpayer?

As stated in Article 14 of the Croatian Income Tax Act personal deductible allowance is EUR 560 for 2024. Parts of the personal deduction for dependent family members and children, as well as for disability/physical impairment, are calculated by applying the prescribed coefficients and the basic personal deduction.

Coefficients and basic personal deduction amounts can be found at the official Croatian Government Tax Authorities site, under Article 14 of the Croatian Income Tax Act:  
[https://www.porezna-uprava.hr/hr\\_propisi/\\_layouts/15/in2.vuk2019.sp.propisi.intranet/pr\\_opisi.aspx?id=pro1623](https://www.porezna-uprava.hr/hr_propisi/_layouts/15/in2.vuk2019.sp.propisi.intranet/pr_opisi.aspx?id=pro1623)

## Deductions for each dependent family member

Allowances for descendants:

A dependent member of the immediate family - coefficient 0,5 / EUR 280

- 1st Child - coefficient 0,5 / EUR 280
- 2nd Child - coefficient 0,7 / EUR 392
- 3rd Child - coefficient 1,0 / EUR 560
- 4th Child - coefficient 1,4 / EUR 784
- 5th Child - coefficient 1,9 / EUR 1,064
- 6th Child - coefficient 2,5 / EUR 1,400
- 7th Child - coefficient 3,2 / EUR 1792
- 8th Child - coefficient 4,0 / EUR 2,240
- 9th Child - coefficient 4,9 / EUR 2,744
- Disability "I" - coefficient 0,3 / EUR 168
- 100% Disability "I\*" - coefficient 1,0 / 560

## Tax allowances for employees

Croatia offers employees and freelancers a range of non-taxable allowances, including:

- Remote work allowance
- Work commute costs

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- Meal allowance
- Newborn benefit

## Work performance bonus

These allowances must be approved by the employer, and in some cases, additional documentation is required. With Native Teams, it's possible to enjoy tax-free income in certain situations, making it a great advantage to take full benefit! You can view all available allowances at the following link: <https://nativeteams.com/tax-allowances>

## Additional tax reliefs

N/A

## How to submit the tax return?

The taxpayer itself submits the tax report via the Tax Authority's portal ePorezna: <https://e-porezna.porezna-uprava.hr/Prijava.aspx?ReturnUrl=%2f>. It can also be submitted by mail or in person.

## Is it possible to authorise others to submit the tax return on behalf of the taxpayer?

For ePorezna portal authorisation in which an individual person registers someone else on his behalf to submit a report,

<https://e-porezna.porezna-uprava.hr/Prijava.aspx?ReturnUrl=%2f>.

If delivering in person or by mail, a power of attorney is needed.

## Other taxes/Reporting taxpayer

Any individual who earns taxable income in Croatia, such as salary, self-employment income, property income, capital gains, or inheritance. Taxpayers may be residents, with permanent residence in Croatia or employed in Croatian public service, or non-residents who generate taxable income within the country.

## Employee taxation of income (int, div, royalties)

Interest income: Tax rates

- Tax rate: 12% dividend income: Tax rates
- Tax rate: 12% royalty income: Tax rates

Royalties paid pursuant to a special act governing copyright and related rights, including considerations for delivered works of art, are paid to the persons engaged in artistic or cultural activities.

Please note that in case of royalties received for the delivered work of art, 25% of the amount is considered non-taxable, i.e. total income is decreased by 55% (30%+25%).

Tax levied on other income is withheld by a payer of income at the lower tax rate (ranging between 15% and 23.60%, depending on the individual's place of residence or habitual abode in Croatia) without provision for taxpayers to claim personal allowances.

## Employee tax - Special regimes to apply

Since January 1, 2021, Croatia has introduced a special residence permit for digital nomads, often called the "Croatian remote work visa." This permit is different from what other European countries offer digital nomads for several reasons:

- **Fewer requirements:** The permit has fewer requirements than most other digital nomad visas in Europe.
- **Application from within Croatia:** Applicants are allowed to apply while they are already in Croatia.
- **Tax exemption:** One of the significant advantages is that digital nomads with this visa are exempt from paying taxes in Croatia. This is unusual, as most European countries require residents to pay taxes after staying more than 183 days. Croatia has taken a unique approach by adjusting its tax and immigration laws to exempt digital nomads from tax obligations based on their status.

With this residence permit, digital nomads essentially gain a special status, exempting them from Croatian taxes. However, they may still need to pay taxes in their home country, depending on its tax rules and regulations.

### Requirements for the digital nomad visa in Croatia:

Croatia offers a digital nomad visa for citizens from countries outside the EU, EEA, or Switzerland. If you are a citizen of the EU/EEA/Switzerland, you don't need this visa since you already have the right to live and work in Croatia. However, you can apply for:

- Short-term residence (up to 90 days).
- Temporary residence (for stays longer than 90 days).
- For citizens of non-EU/EEA/Swiss countries, the main requirements are:
  - Be a citizen of a country outside the EU/EEA/Switzerland.
  - Work remotely using communication technology (like the Internet).
  - Work for a company or own a business that is not registered in Croatia.

Additionally, in general, you need to provide:

1. Valid travel insurance for your stay in Croatia.
2. Proof of sufficient income, either earning at least €2870 per month (around \$3174.60), or having at least €34,440 in savings (around \$38,095.98) if you plan to stay for 12 months.
3. Clean criminal record certificate.
4. Address of residence in Croatia.

## How to apply and deadlines for employees

Once approved, the digital nomad residence permit in Croatia allows you to live and work in Croatia for up to one year. There are three ways to apply for this permit:

- Online (either from abroad or from within Croatia, if no entry visa is needed).
- At a Croatian consulate or embassy (if an entry visa is required).
- At a local police station in Croatia.

## Required documents for the application

When applying for the digital nomad visa in Croatia, you must submit:

- A completed application form.
- A copy of your passport or other valid travel document, which must be valid for at least three months after your planned stay in Croatia.
- Travel or private health insurance that covers the entire period of your stay in Croatia.
- Proof of purpose: a contract or official document showing you can work remotely for a non-Croatian company (either your own or a third party's).
- Proof of financial means: evidence that you earn at least €2870 per month (\$3174.60) or have €34,440 (\$38,095.98) in your bank account to cover your living expenses for the entire year.
- Clean criminal record certificate from your home country or any country where you have lived for at least one year before arriving in Croatia.
- Proof of accommodation in Croatia.

## Freelancer's personal income tax

A freelancer in Croatia who needs to file the income tax return is an individual who carries out economic activities independently, either as a freelancer, sole trader, or self-employed professional, and is subject to Croatian tax laws. This freelancer earns income directly from their work and is not dependent on an employer.

Freelancers operating under the self-employment regime are required to submit monthly contributions to the Croatian tax administration. Those under regular profit tax file income tax returns annually and prepayments quarterly.

## Tax rates

In Croatia, there are two main tax regimes for self-employed workers:

- **Self-employment (paušalni obrt):** This option is the most common for self-employed individuals with annual income below 300,000 kuna (approximately 40,300 euros). It offers a simplified tax system where the self-employed person pays a fixed monthly contribution that covers income tax, pension contributions, and basic health insurance. The contribution rate varies depending on the type of activity and can range from 2.1% to 3.3% of the income limit, which is 67,000 kuna per month.
- **Ordinary income tax:** This regime applies to self-employed individuals who earn more than 300,000 kuna annually or choose not to opt for the self-employment regime. These individuals must register a company and pay income tax on their net profits, with progressive tax rates ranging from 20% to 30%, depending on their annual income after deductions. Additionally, they are required to pay higher social security contributions, including pension and health insurance, compared to the self-employment regime.

## Freelancer VAT

Freelancers in Croatia have to register for VAT and comply with their tax obligations once they reach a certain limit.

### VAT rate

The standard VAT rate in Croatia is 25%, one of the highest rates in the EU. Reduced rates of 13% and 5% apply to specific goods and services, such as certain food items, newspapers, and cultural events.

### VAT filing frequency

In most cases, monthly filings are required in Croatia. Businesses with an annual turnover below €105,000 and no intra-community acquisitions can file quarterly returns. Filings must be made electronically via the e-Porezna portal.

Croatia VAT returns are due by the 20th of the month following the reporting period, with VAT payments due on the last day of the month of the same reporting period.

Penalties include fines of between €265 and €66,400 for late VAT returns, while late payment incurs interest of 5.89%.

## **How to submit it**

Filings must be made electronically via the e-Porezna portal. For freelancers whose annual turnover exceeds HRK 300,000, registering for VAT is mandatory.

## **Other VAT details**

The distance selling threshold for businesses in the EU is set at €10,000. If your annual cross-border sales to Croatia exceed this amount, or if you store products in the country or participate in a fulfilment program like Fulfilled-by-Amazon (FBA) involving Croatia, VAT registration is necessary.

Applications for VAT registration can be made at the Croatian tax administration. They should be submitted by post and include all relevant documents requested by the tax authorities. Once the application has been received, it usually takes no more than two weeks to receive a Croatia VAT number.

## **Croatian intrastat declarations**

Businesses exceeding specific sales thresholds need to submit Intrastat returns in Croatia. The threshold is €400,000 for arrivals and €200,000 for dispatches. Intrastat declarations should be filed by the 15th of the month following the reporting period. Non-compliance can result in fines.

## **EC sales lists**

Taxable persons who are registered in Croatia and supply goods or services to taxable persons in other EU member states must submit a summary declaration. The summary declaration shall be submitted in electronic form no later than the 20th day of the month following the end of the accounting period.

## **The VAT registration process in Croatia**

In order to start registering for VAT in Croatia, a complete set of documents is required, which includes:

- VAT registration application (P-PDV)
- OIB form to obtain a Croatian identification number
- A document confirming VAT registration in another EU country (translated into Croatian)
- An excerpt from the national commercial register (not older than 6 months, translated into Croatian)
- Document indicating the reasons for declaring oneself as a VAT payer

Please note that this process should be done at least 8 days before the commencement of any activities requiring registration as a registered VAT payer in Croatia.

If the documents are submitted correctly, the process shouldn't take more than four weeks, counting from the date of submitting the application to the Croatian tax authorities.

Companies which have their registered office in the European Union are not obliged to appoint a tax representative in Croatia. However, it is possible to appoint a tax representative who will be obliged to fulfil all VAT obligations in Croatia on the company's behalf. Non-EU companies are required to register for VAT by means of a tax representative.

## Freelancer withholding taxes

### **Tax on dividends: Rates**

- Tax rate: 12% Tax on interest: Rates
- Tax rate: 12% Tax on royalties: Rates

Royalties paid pursuant to a special act governing copyright and related rights, including considerations for delivered works of art paid to the persons engaged in artistic or cultural activities.

Please note that in case of royalties received for the delivered work of art, 25% of the amount is considered non-taxable, i.e. total income is decreased by 55% (30%+25%).

Tax levied on other income is withheld by a payer of income at the lower tax rate (ranging between 15% and 23.60%, depending on the individual's place of residence or habitual abode in Croatia) without provision for taxpayers to claim personal allowances.

### **Withholding rates:**

Dividends: 10% (for individuals), 10% (for individuals), Royalties: 20% (for individuals).

## Other mandatory taxes for freelancers

Freelancers must keep accurate records, submit annual tax returns, and adhere to deadlines. Profit tax rates are 10% for lower revenues and 18% for higher revenues. Upon starting a freelance career in Croatia, individuals must register with the Tax Administration and obtain a tax identification number (OIB). They are also required to register their business activities with the Croatian Chamber of Trades and Crafts, which provides support and resources for entrepreneurs.



Freelancers must maintain accurate records of their income and expenses and submit annual tax returns. It's critical to stay on top of filing deadlines to avoid penalties and ensure compliance with Croatian tax laws.

## **Profit tax**

- 10% for revenues up to EUR 1,000,000.00 generated in the tax period, or
- 18% of the revenues generated in the tax period are equal to or greater than EUR 1,000,000.00.

## **Tax report for freelancers**

While not mandatory, these reports help freelancers assess financial health, optimise tax deductions, manage client profitability, and make informed business decisions.

### **Income report**

This report shows all the income earned during a specific period. While it is not mandatory, it is very useful for self-employed people to track how much they have earned, assess their financial health, and prepare for tax filing.

### **Deductible expenses report**

This report lists all the expenses that can be deducted from income for tax purposes. It is not mandatory, but it is very useful for identifying what costs can reduce taxable income, ensuring that all possible deductions are claimed, and ultimately lowering the tax burden.

### **Asset depreciation report**

This report tracks the depreciation of assets, like equipment or vehicles used in the business. It is not mandatory, but it is important for self-employed individuals because depreciation can be used to lower taxable income, which can reduce taxes owed.

### **Balance sheet**

A balance sheet shows the financial position of the business, listing assets, liabilities, and equity. It is not mandatory, but it is very beneficial for self-employed individuals as it helps them understand their financial stability and overall health, which is also useful when applying for loans or investments.

### **Client or project income report**

This report breaks down income earned from specific clients or projects. It is not required by law, but it is helpful for self-employed people to see which clients or projects are more profitable, helping with business decisions and making billing easier.

## **Applicable tax credits report**

This report lists all the tax credits that the self-employed person is eligible for, such as credits for children or certain types of investments. It is not mandatory, but it can be very helpful in reducing the tax burden by ensuring all available tax credits are applied.

## **Cash flow report**

This report tracks the inflow and outflow of cash. While it is not mandatory, it is crucial for managing daily business operations, ensuring there is enough cash to cover expenses, and preventing liquidity issues.

## **Sales by product or service report or activity**

This report breaks down sales by product or service category. It is not required by law, but it helps self-employed individuals understand which products or services are generating the most income, making it easier to decide where to focus efforts or investment.

## **Client profitability report**

This report helps assess how profitable each client is by comparing income with costs. It is not mandatory, but it is extremely useful for identifying which clients are more profitable and whether pricing or client management needs to be adjusted.

## **Inventory report**

This report shows the stock of goods or materials a self-employed person may have. It is not mandatory, but it helps track inventory levels, avoid shortages or excess stock, and make informed decisions about supply and demand.

## **Payments to suppliers report**

This report details payments made to suppliers. It is not mandatory, but it helps self-employed people track expenses, manage relationships with suppliers, and control cash flow by ensuring payments are up to date.

## **Withholding tax report**

This report shows taxes withheld from income. It is not mandatory, but it is useful for self-employed individuals to confirm the correct amount of tax has been withheld by clients or third parties, helping to avoid underpayment and potential penalties.