

CROATIAN CHAMBER OF ECONOMY



Croatia your
BUSINESS
PARTNER



President of the
Croatian Chamber of Economy
Luka Burilović

A blue ink signature of Luka Burilović, written in a cursive style.

The Republic of Croatia is a Central European, Mediterranean and full EU and NATO member country. The EU membership in the last couple of years has a significant impact on economic processes: it increases the cooperation with other members, but it also positions Croatia as the connecting country and regional leader in the transition process.

Croatia went through a long crisis period, which was a consequence of many global trends and which made our economic position far worse than the position of many other EU members. On the other hand, during the last two years some beneficial external conditions and economic politics influenced the economic growth, thus positioning Croatia amongst the fast growing EU economies. With the domestic demand recovery, some good export trends are also appearing, which is very important for the accomplishment of the long-term sustainable growth.

In order to continue this sort of trends, Croatia needs to use more of its competitive advantages of geostrategic position, natural beauty, soil and water benefits, quality and educated labour force, developed infrastructure and the traditions of certain production aspects. Better use of these potentials have to become a challenge for all of us, including institutions and individuals.

The contribution of the Croatian Chamber of Economy in the transition process is the reflection of its mission – to create prosperity for the country and its people. Creating better entrepreneurial climate for its members is the CCE's priority, as well as is the creation of good conditions for the investors who shall recognize our country as the country full of entrepreneurial possibilities. This contribution is visible through many of the CCE's activities: lobbying via representative office in Brussels, membership at the ICC, membership at the Eurochambres and in many other international organizations. CCE offers information to its members via Enterprise Network Europe in Croatia – Enterprise Europe Network (EEN). By organizing seminars about EU funds, it also helps Croatian businesspersons in the performance on EU markets. CCE advocates its members' attitudes in front of various institutions, it organizes visiting exhibitions and fairs, economic delegations and it facilitates maintaining partnerships within the country and abroad.

Its 166 years long tradition helps CCE' members in performing on the unified European market of 500 million habitants, as well as on the other markets, which is the reason for planning the expansion in the form of opening other representative offices.

The doors of the Croatian Chamber of Economy are open to all domestic and foreign business people and is thus always at their full disposal to promptly provide them with business information, services and contacts.

GEOGRAPHY

Total territory: 87,661 sq km
Land area: 56,594 sq km
Territorial sea: 31,067 sq km
Coastline: 1,778 km
Islands: 1,246
Capital: Zagreb (790,017 inhabitants)

POPULATION (2011 census)

Total	4,284,889
Female	52 %
Male	48 %

CROATIA'S ECONOMIC INDICATORS FOR 2016

Year	2016
GDP, bn EUR	45.6
GDP per capita, EUR	10,930
Population, m	4.2
Industrial output, (%)	5.0
Inflation rate, (%)	-1.1
Survey based unemployment rate (ILO), (%)*	13.1
Exports, m EUR	12,320.6
Imports, m EUR	19,686.8
Balance of payments - current account, m EUR*	2.6
General government deficit (% of GDP)*	-0.8
Average monthly gross salary, EUR	1,030
Exchange rate HRK:EUR	7.5294
Exchange rate HRK:USD	6.8037
CNB's discount rate (% , end of period)	3.0
CNB's foreign exchange reserves (m EUR, end of period)	13,514.0
No. of active undertakings	144,522
No. of banks	25
Average no. of employed persons in 000 (ILO)*	1,599

*Estimated by Croatian Chamber of Economy

Sources: Croatian National Bank (CNB), Croatian Bureau of Statistics (CBS), Ministry of Finance (MF)

AGRICULTURE, FISHERIES, FOOD AND WOOD INDUSTRY

Croatia can be divided into three geographic and climate zones: the lowland with a continental climate in the north of the country, the Mediterranean coastal zone in the south, and the mountainous zone across the central part. Varying climate, land-forms and soil are favourable for the production of a wide range of agricultural products, from field crops, to grapes, and continental and Mediterranean fruits and vegetables. Agriculture, forestry and fishing account generate 3.5 % of Croatian GDP. About 1.5 million hectares of utilised agricultural land, 55% refers to arable land and gardens; orchards, vineyards and olive groves occupy 5%, and permanent grasslands covering 40% of the used surface.

Farming mostly meets domestic needs for cereals and oilseeds. Orchards cover an area of 30,000 hectares, and vineyards of 26,000 hectares. Croatia has a prominent wine production with more than 2,500 years' long tradition, which reflects in a growing

interest for its indigenous varieties of grapes in the European and world's markets. Olive groves cover 19,000 hectares and Croatian olive oil is increasingly recognised as the top quality product. Highest awards and medals in various exhibitions, fairs and similar events are the best proof of the finest quality of Croatian wine and olive oils.

Cattle raising has always played an important role in these parts and its part in total agriculture is 36%. Production of Croatian baby beef is very significant. Today, Croatia is proud to offer a variety of distinctive products of high quality to the world's markets. Along with 16 wine products with the originality mark on the EU level, the total of 10 food products are registered



with the geographic origin mark. Fishing and fish processing industries have traditionally been the most important activities along the coast and on the islands. More than 70 companies are engaged in the production of fish and seafood products. Their output amounts to more than 26,000 tons of products, of which canned sardines account for 23%, 50% frozen sea fish and 12% dried fish. The 2015 output of freshwater fish and milt amounted to 7,000 tons, and that of catch and breeding of marine fish and other sea organisms to about 89,000 tons. Farming of marine fish species and shellfish shows a significant increase as well. Tuna exports to Japan, accounts for 28% of the total exports of fresh or chilled fish.

Out of a total of 2.4 million hectares of Croatian forests and woodland areas, 73% is state-owned and the rest is in private hands. Forests cover 43% of total land area. Beech is the most common species, whereas



oak, fir, spruce and ash are used for production of solid wooden furniture. Slavonian oak (*Quercus Robur*), due to its remarkable quality, is among the most wanted in the world so that today products by wood processing companies and furniture manufacturers compete on the main European and world's markets. In the last couple of years, wood processing industry's manufacture has grown, it is achieving positive foreign trade balance and it is employing 20,000 workers. The meaning of the food-processing industry in relation to the total manufacturing industry is reflected in the fact that even about a quarter of the value of indicators relates to the food-processing industry, such as: the number of employed persons (24%), commodities exchange (30%) and added value (24%). The share of enterprises in food processing industry is 15% compared to the total manufacturing industry.

The most significant export food products include sugar, chocolate, sauces, bread, bagels, cakes and malt extracts.

Most Croatian companies operate to the highest possible standards of quality and food safety (ISO 9001, ISO 14001, ISO 22000, HACCP, Halal, Kosher, IFS, BRC, OHSAS 18001, etc.).

INDUSTRY PRODUCTION

Croatian industry has a long-standing tradition and is the founding basis of the national economy. According to NKD (Croatian equivalent of NACE) it consists of:

B – Mining and extraction

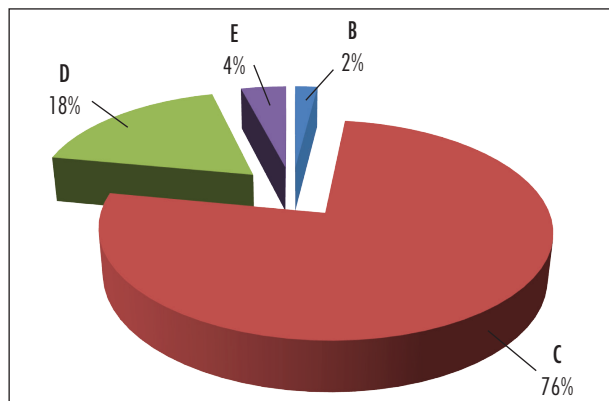
C – Process manufacturing

D – Electricity, gas, steam, air conditioning and

E – Water supply, sewerage, waste management and remediation activities.

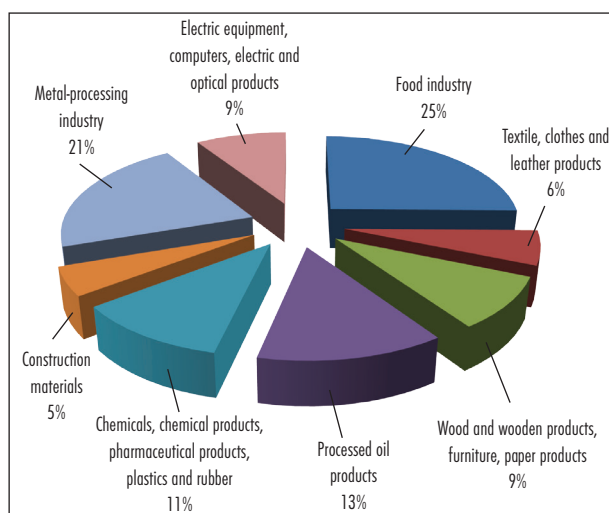
In the structure of Croatian GDP in 2015, industry's share was 21.2%.

THE SHARE OF INDIVIDUAL BRANCHES OF INDUSTRY IN TOTAL INDUSTRY REVENUE FOR 2015



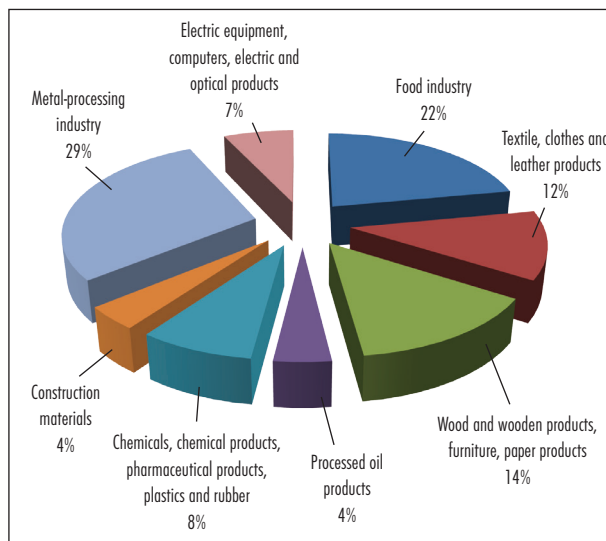
In total process manufacturing revenue, the biggest share represents food and beverage manufacture (25%), but this industry branch is monitored within agriculture and forestry. The share of metal processing industry is 21% and this, along with the metal manufacture, also includes manufacturing final metal products, machining, motor vehicles, trailers and other vehicles manufacture and other process manufacturing industry.

THE SHARE OF INDIVIDUAL BRANCHES IN TOTAL PROCESSING MANUFACTURING REVENUE FOR 2015



In 2015, total share of employees in the field of industry is 31.3% of total employees in the Republic of Croatia.

EMPLOYEES IN INDUSTRIAL BRANCHES IN 2015



In 2016, industry export was 11.6 billion euros (94.5% of total export). Traditional process manufacturing branches, such as metal processing industry (24.4%), chemistry, pharmaceuticals, plastics and rubber production (15.5%), computer, electric products and equipment (10.6%), food and beverages (8.7%) and petroleum production (5.8%), were particularly export-oriented. With its 6.9% growth rate, Croatia was among the three EU members, which have successfully increased the value of their export. Pharmaceutical industry had the biggest influence on the export growth, since its export value was 56.4% increased and its growth was almost half of the total export growth value. Exporters are the most resilient segment of Croatian industry, especially those who create complex products with high added value.

In the Industry strategy of the Republic of Croatia for the period 2014-2012, the following branches were recognized and evaluated as driving economy forces: metal processing industry, electronic industry, pharmaceuticals and ICT industry, which are monitored within industry and IT sector and energetics sector. The expected economy growth might cause larger energy consumption. The expectation that energetics in the Republic of Croatia shall finally obtain a prominent role is quite reasonable, since its development goes hand in hand with the strengthening of the geostrategic location of the Republic of Croatia. This is primarily truth for the projects of terminals for liquefied natural gas (LNG) and the Ionian Adriatic Pipeline (IAP), which were recognized by the European Commission, thus including them into the list of the important EU projects, or Projects of Common Interest. As the part of the financial means for the realization of the terminals and for the creation of the project documents, the EU shall use 102 million euros from the CEF funds. These projects are particularly important for the diversification of the supply routes, but also for accomplishing higher safety supply level, both in the Republic of Croatia and in the entire Europe. Among many other energetics projects, it is important to emphasize carbohydrates research and exploitation. This segment is important for maintaining Croatia's level of energetics independence. When talking about the energetics import (in)dependence, the Republic of Croatia is in the group

which partially satisfies its energetics needs, which is not the case with many other European countries. In order to maintain that level of satisfaction, carbohydrates research and exploitation represents an important project, where carbohydrate research does not automatically imply their exploitation. It is important to use new experiments and determine if there is potential which would make it possible for the Republic of Croatia to maintain the level of energetics independence, or to satisfy at least 60% of its primary energetics needs from its own sources, which is primarily related to gas. At the moment, the Republic of Croatia is satisfying 50% of its gas needs, with the tendency of decrement.



In the field of electrical engineering, we can expect the replacement of obsolete capacity of thermal power plants. The absence of such activities could have a negative effect on the supply security of the Republic of Croatia. The process of building new capacities in the renewable energy sources can be certain

only for the ones which are already officially arranged, but not for the already built objects. On the other hand, the increment in the energy production capacity from the renewable energy sources through the new capacities cannot be expected in the 2017 without the revision of the National Renewable Energy Action Plan and the creation of the adequate regulations. Renewable energy sector is regulated by the Act on Renewable Energy Sources, which has entered into force on January 1st 2016.

The increase of capacity in the process of generating electricity from renewable energy sources was gradually followed by the development of the domestic industry in the production of power producing equipment. Some notably positive changes appeared lately, for example: some Croatian wind turbine parts and steam



turbines manufacturers were present on the market. A lot of equipment was manufactured for foreign clients, whether it be the individual final parts of equipment, whether the elements installed as a part of foreign products. The role of implementation of energy efficiency measures is becoming more and more important each day and the savings are viewed as producing

the proper amount of the unused energy, thus, we expect the activation of the co-financing measurements through the cohesion and competitiveness program. On the EU level, a significant importance has been given to the economic measurements and so the activities of the Croatian Chamber of Economy are being acknowledged through the National Action Plan for Energy Efficiency. We expect more details of this plan soon and they will be applied on the three-year period.

In the upcoming period, it is expected that economic activities and projects will be intensified in the energy sector, energy efficiency, infrastructure, environmental protection and other sectors. Energy and Environmental Protection Sector is actively monitoring the area of water supply; sewerage, waste management and remediation activities. In 2015 export growth in this sector, compared to the previous year, was 5.5% higher, while import was 3.7% lower for the same period. This branch of industry, characterized by monitoring activities of waste management, collection, treatment, recovery and disposal of certain categories of waste, is considered as horizontal industry and it represents the key framework of the new policies, both on European, as well as on the national level of the Republic of Croatia. This is the main reason why this sector is actively following projects development, advocating member's attitudes and opinions and actively participating in preparing and creating the new legal frame of the competent institutions. Some of the most notable investments in this sector have already been accomplished, especially those related to the waste management system development, while we expect even bigger investments in the following period, related to the development of green economy and in upgrade of the existing waste management systems.

Finally, all of these projects should be crucial to the Croatian economy since their realization can generate more working positions for the domestic companies and, consequentially, more labour force.

Basic traits of the Croatian industry are quality stability, product reliability in accordance to the European standards, available and professional labour force, science and research institutions' support, good production infrastructure and transport connectedness to the rest of the world. We expect activities, which shall be more intensive in the following period, especially in the fields of energetics, infrastructure, environmental protection etc.

TOURISM

Croatia has witnessed a steady increase in all tourism indicators in recent years. As one of the most important tourist destinations in the Mediterranean, Croatia boasts a long-standing tradition in tourism and shows great potential for development. The key advantages of its tourist product are preserved natural resources and environment, distinguished cultural and historical heritage, a mild Mediterranean climate, great physical proximity to European markets and excellent transport accessibility. Croatia is extremely rich in natural and cultural diversities. It boasts one of the longest and most beautiful coastline with 1,246 islands, well-preserved natural resources with eight national parks (Plitvice lakes, Paklenica, North Velebit, Kornati, Mljet, Brijuni and Krka), 11 nature parks (Biokovo, Kopački rit, Lastovsko otočje, Lonjsko polje, Medvednica, Papuk, Telašćica, Učka, Velebit, Vransko jezero, Žumberak - Samoborsko gorje) and 7 cultural, historical and natural sights registered in the UNESCO World Heritage List (Diocletian's Palace in Split, Euphrasius Basilica

in Poreč, the Plitvice Lakes National Park, the historic city of Trogir, Dubrovnik Old Town, St. James's Cathedral in Šibenik and Starigradsko polje).

In addition to "sun and sea", due to its warm and mild Mediterranean climate, Croatia attracts tourists throughout the year, offering a diverse and rich content of nautical, congress, health and cultural tourism, gastronomy and oenology and activities such as diving, adventure, rural, cycling and golf tourism. With the possibility of investing in the referred forms of offer, there is also a great opportunity for investments in the development of high category tourist accommodation facilities. Each of Croatian tourist regions has shaped its specific offerings in line with global trends and local tradition. The most prominent regions are Istria, Kvarner, Dalmatia, Dubrovnik, and Adriatic islands, Zagreb as the capital, the Danube Region and other regions of the continental part of Croatia.



Croatia has 123,874 permanent hotel beds, 24,454 beds in tourist resorts, 225,000 in camps, 538,280 in households, and 70 marinas with over 17,000 berths along the entire coast. In 2016, there was a total of 15.6 million arrivals, or 8.7% more than in the previous year, and 78 million overnight stays, or 9% more than in 2015. As much as 92.5% of all overnight stays made up foreign tourists, with the largest share of German tourists (23.7% of the total overnight stays). According to the Croatian National Bank, tourism revenue amounted to EUR 8.6 billion in the first nine months of 2016, which was an increase of 8.5% compared to the same period in 2015.

TOURISM FIGURES FOR CROATIA IN 2016

	ARRIVALS	Index 2016/ 2015	OVERNIGHT STAYS	Index 2016/ 2015
TOTAL	15,594,157	108.7	78,049,852	109
Domestic	1,785,625	107.6	5,865,500	102
Foreign	13,808,532	108.9	72,193,352	109.6
SOURCE COUNTRIES				
Germany	2,277,378	107.2	17,082,011	108.3
Slovenia	1,298,501	108.9	7,139,500	106.9
Austria	1,237,969	110.6	6,511,388	110.3
Italy	1,119,932	100.8	4,960,583	103.3
Czech-Republic	688,953	99	4,770,429	99.1

Source: Croatian Bureau of Statistics; Compiled by: Croatian Chamber of Economy

CONSTRUCTION INDUSTRY

The restructuring trend of the construction industry in Croatia has been prompted by the economic crisis and is in line with the latest developments in the EU Member States where small and

medium-sized companies are more easily adapting to the modern market requirements. This trend reflects in the growing number of such companies while the number of large companies has been significantly reduced. In recent years, the national legislation and standards have been harmonised with those of the EU, because that was a necessary step in creating conditions for a rapid restructuring and adaptation of the Croatian construction industry in order to strengthen its competitiveness on the demanding EU market. The construction industry totalled with around 5 percent of the Croatian gross domestic product in 2016, with the tendency of growth.

At the end of 2016, the construction industry had 68,653 employees working in 12,990 active legal entities. From January to December 2016, the number of employees in the industry decreased by 3.9% compared to the same period of 2015. The value of the completed construction works in 2016 amounted to HRK 19,870,379,000 or EUR 2,649,380,000.

Due to the great need of citizens to solve their housing problem, the state authorities, with the already defined programmes, complement the market's offer with new residential solutions in order to address housing problems. The programme of subsidised housing construction has as its aim to enable citizens to purchase brand new constructed apartments on the market at favourable conditions, as well as to intensify reconstruction of the existing buildings and family houses. Commercial banks are expected to become even more active in offering loan schemes.

The Croatian network of tolled motorways and semi-motorways totals 1,315 km. Generally, the motorways in Croatia are maintained by four companies: Hrvatske autoceste d.o.o. (Croatian Motorways Ltd), which operates the network of 925.8 km, AC Rijeka-Zagreb (Rijeka - Zagreb Motorway) operating the network of 187 km, Bina Istra managing the semi-motorways of 141 km, and AC Zagreb-Macelj d.o.o. (Zagreb-Macelj Motorway) managing 61 km long motorways.

The A1 Motorway (King Tomislav Motorway) Zagreb (Lučko) - Bosiljevo - Split - Dubrovnik, under construction (completed up to Vrgorac), currently 483 km long, and when completed, it will have a total length of 554 km.

The A7 Kvarner Motorway (Rupa - Rijeka - Žuta Lokva), partially constructed and opened for traffic (35.2 km), another section under construction, additional section in the planning phase. The A7 will have a total length of 99 km.

The A11 Sisak Motorway (Zagreb (Jakuševac) - Velika Gorica - Sisak) - under construction. 32.3 km is already constructed, its total length will be 48 km.



The A5 Slavonian Motorway (Slavonika) (Beli Manastir (Hungarian border) - Osijek -Svilaj (border with Bosnia and Herzegovina)), partially constructed and opened for traffic (56 km), one section under construction, and when completed, it will be 89 km long.

The A10 Neretva Motorway - from the border with Bosnia and Herzegovina to the interchange with the A1 at Ploče is 9 km long. The A12 Motorway – from the St. Helena interchange (A4) over Vrbovec, Križevci, Koprivnica to Gola border crossing to Hungary, under construction. The planned length of the highway is 67 km.

The A12 Motorway is divided into the five sections, and within the future route of the A12 Motorway, St. Helena interchange - Vrbovec - Gradec (23 km), expressway is currently in traffic, but will be upgraded to motorway standards.

The A13 Motorway is under construction from Vrbovec 2 (A12) interchange over Bjelovar - Virovitica to Terezino polje border checkpoint, Hungary. The planned length of the motorway is 86.5 km.

The dynamics of the construction works and the completion of the motorways will be determined by the road construction programme.

TRANSPORT

The Republic of Croatia's favourable geographic and traffic position enables the development of transport infrastructure and transport related activities as one of more important factors contributing to the overall economic and social development of the country.

Year after year, Croatia's transport infrastructure is getting more interconnected. The long-awaited Zagreb - Split motorway which connects the continent to the coast was opened for traffic in mid-2005. Although a lot has been done on the construction of new roads in recent years, large investments in both the existing and new infrastructure are still needed, with a particular emphasis on the better links between the coastal and inland parts of the country – primarily, the completion of the Zagreb – Dubrovnik Motorway.

Today, investments are rapidly growing in port operations,



maritime and river transport and railways. In 2012, Croatian Railways were transformed from five into the following three new companies: HŽ Cargo, HŽ putnički prijevoz (Railways passenger transport) and HŽ infrastruktura (Railways infrastructure). During 2013, all the three companies started the restructuring process and modernisation of their infrastructure and vehicle fleet. The railway system of the Republic of Croatia is based on the principle of separation of railway transport from railway infrastructure managed by the Agency for Railway Safety, whereas railway market services are regulated by the Croatian Regulatory Authority for Network Industries (HAKOM).



The port of Rijeka and all our other ports should take a better advantage of their excellent geographical position and excellent prerequisites for the transshipment of all types of cargo (general, bulk, container, ro-ro, liquid, livestock, etc.), since estimations on future traffic flows indicate an increase in maritime traffic,

particularly along the North Adriatic transport route, due to the overcapacity of northern European ports.

The combined transport share in the total transport of goods is very limited. Since this transport sector is one of the most modern transport modes, in addition, environmentally friendly, it is necessary to develop it by support of state incentives, as soon as possible, for its full integration into the European routes. It should be noted that the Republic of Croatia should use its favourable geographical position also in air transport, because it is one of the Mediterranean countries that lie at the intersection of air routes to South, East and Central Europe. There are seven airports in the Republic of Croatia: Zagreb, Split, Dubrovnik, Zadar, Rijeka, Pula and Osijek, used for international traffic, and the two landing grounds, Brač and Lošinj, used for arrivals and departures of smaller aircrafts.

INFRASTRUCTURE IN 2014

Roads: total of 26,706 km (state, county, local) – of these, 1,310 km motorways and 2,251 km E-roads.

Railways: 2,604 km of railroad tracks – of these, 970 electrified

Pipelines: 610 km of oil pipelines, 2,693 km of gas pipelines

The total of licensed road motor vehicles: 1,499,802, passenger cars, 5,276 buses and 149,006 freight vehicles.

(Source: CBS, Transport and communications in 2015, published in Zagreb 2016)

STRUCTURE OF PASSENGERS AND GOODS TRANSPORT BY TYPE OF TRANSPORT IN 2016

Passengers transported (in '000)	87,088
- Railway transport	21,048
- Road transport	50,423
- Maritime and coastal transport	13,525
- Air transport	2,102

There were 87.1 million travellers since January to December 2016, which is 1.9% less than in the same period of the previous year. In railway transport, there were 2.9% less travellers and 3.3% less in road transport. Transport increase was noted in maritime and coastal transport, which was 3.4%, as well as 9.5% in air transport.

Goods transported (in '000 tonnes)	113,090
- Railway transport	9,985
- Road transport	73,503
- Maritime and coastal transport	20,951
- Inland waterways transport	678 (transit not included)
- Air transport	3
- Pipeline transport	8,970

(Source: Croatian Bureau of Statistics, Transport in the fourth trimester of 2015, No. 5.1.1./4, compiled by: Croatian Chamber of Economy)

In the period between January and December 2016, total worth of transported goods was 113.1 million tons, which was 6.2% more than in the same period of the year before. Such increase in road traffic was 9.0%, in inland water routes 19.7%, in pipeline transport 9.9%, while it was decreased for 5.2% in airline transport and for 2.0% in maritime and coastline transport.

(Source: Croatian Bureau of Statistics; Press Release - Fourth Trimester Transport Data 2016, No.5.1.1./4., Compiled by: CCE)

In the segment of transportation and storage, there are 8,997 registered legal entities, with 58,056 employees. It is 2.88% in the total number of registered legal entities and 5.15% of the totally employed in legal entities in the Republic of Croatia.

(Source: Croatian Bureau of Statistics, Statistic Annual Report)

UTILITY SERVICES

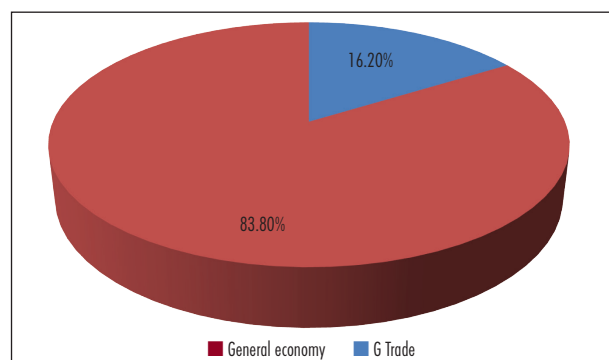
The utility system of the Republic of Croatia is an integrated system regulated by the Law on Public Utilities Management which stipulates its principles, operational methods and financing. Utility services are managed as a public service. The units of local self-government providing utility services are obliged to ensure their continuity and quality, as well as the maintenance and functionality of their facilities.

Utility services may be provided only by companies and public institutions established by a unit of local self-government or the service itself - own plant founded by either a local self-government unit, a legal or physical person on the basis of a concession contract or a contract on delivery of utility services. Utility services are exhaustively specified and defined by law and these include transportation of passengers in public transport, sanitation, waste disposal, maintenance of public areas, maintenance of unclassified roads, retail markets, maintenance of cemeteries and crematoria, chimney sweeping, public lighting and activities of local importance determined by a decision of a representative body of the unit of local self-government.

TRADE

Distributive trade is of great significance to the Croatian economy in which, according to the criterion of the total number of registered legal entities, there are 20.3% of active undertakings employing around 16.2% of the total workforce.

TOTAL SHARE OF EMPLOYEES IN TRADE AND IN GENERAL ECONOMY, 2016



Source: Croatian Bureau of Statistics - "Employees According to Activities in 2016"; Edited by Trade Sector at the CCE

TOTAL NUMBER OF EMPLOYEES IN TRADE WITH LEGAL ENTITIES, ACCORDING TO ACTIVITIES

The number of employees in wholesale and retail trade, motor vehicles and motorcycles repair - G45	14,624
The number of employees in wholesale trade, except of motor vehicles and motorcycles - G46	65,459
The number of employees in retail trade, except of motor vehicles and their parts - G47	110,548
The number of employees in trade - G	190,631

Source: Croatian Bureau of Statistics - Number and Structure of Employees in Legal Entities According to the National Classification of Activities in 2017; Edited by Trade Sector at the CCE

In 2016, legal entities in trade sector, according to NACE G, had 190,631 employees. Of the total number of the employed in trade, the majority were employed in retail trade, except of trade in motor vehicles and motorcycles (G47), with 110,548 employees or 9.4% of the total employees in trade sector. The second largest employer is wholesale trade, except of trade in motor vehicles and motorcycles (G46), which had 65,459 employees or 5.6% of the employed in trade sector. The wholesale trade and retail trade of motor vehicles and motorcycles, repair of motor vehicles and motorcycles (G45) employed 14,624 persons or 1.2% of the employed in trade sector.

Since August 2014 until today, retail trade turnover is growing continuously, to which contributed the improvement in consumer optimism and it was partially affected by real increase in net salary achieved in 2015, as well as the new tax reform (beginning of the 2017).

Average retail trade turnover in 2016, based on calendar-adjusted data, was about 4% higher than in 2015 (when it was 2.4% high). In compliance with European and international practice, Croatian trade seeks to respond as effectively and efficiently as possible to the wishes and needs of its customers. Domestic trade follows the latest trends, as evidenced by the construction of the modern trade network whose variety, quality of supply, services and prices can equally participate in the market competition against numerous competitors.



National Classification of Activities - section G

G – Wholesale and retail trade, repair of motor vehicles and motorcycles

G 45 – Wholesale and retail trade of motor vehicles and motorcycles; repair of motor vehicles and motorcycles

G 46 – Wholesale trade, except of motor vehicles and motorcycles

G 47 – Retail trade, except of motor vehicles and motorcycles

HUMAN RESOURCE DEVELOPMENT

Education and training is recognised as a basis for the development and success of today's knowledge society and knowledge economy. Economy development of a country requires creativity, innovations and lifelong learning. Knowledge and innovations are the most valuable assets, particularly, especially when taking intensive global competition into account. High-quality preschool, primary, secondary, higher and vocational education and training, as well as recognition of the importance of lifelong learning, are the foundation of success of Europe. Lifelong learning leads to growth and employment and provides an individual with the opportunity to become an integral member of the society. Croatia, as part of the European cultural space, has accepted the concept of lifelong learning as the basis of its educational strategy.

One of key strategic points, both Europe's as well as Croatia's, is increased employability and work force adjustment through the implementation of the system which would satisfy both current and future needs for competences on the labour market. The incompatibility of the educational system with the needs of the labour market is immense. Certain reform activities are happening in the area of education, with further development and implementation of Croatian Qualifications Framework (HKO) and suggestions of complete curriculum reform.

The aim of the reform is to allow for the development of a dynamic and adapted curriculum for all levels and forms of education, human resources development, technical infrastructure and legislation for non-formal education and encouragement of lifelong learning, as well as systems of national qualifications. The Framework promotes learning outcomes, actual competence, knowledge and skills on all levels, while it also coordinates the learning outcomes with labour market needs and the development of economy, society and the individual, gives the ability to build a system of skills recognition, acquired through non-formal and informal learning and lifelong learning, ensures reliable qualification, comparability and acknowledgement, both in Croatia as well as in the international environment, through the European Qualifications Framework, thus respecting the principle of educational and labour mobility.

The Law on Croatian Qualifications Framework was adopted in 2013 and the Regulation on the Register of the Croatian Qualifications Framework in 2014. Education, Science and Technology Strategy was adopted in 2014. In the year 2016, we adopted the Program for the Development of Vocational Education, in order to harmonize the needs of the labour market with the economic development. The key element of the quality of the work based learning will definitely be in the quality of education received by employers.

At the level of secondary education, in grammar schools and four-year vocational schools, a final graduation exam or a final exam has been introduced in the school year 2009/2010. The state graduation exam shall be an obligatory final written exam at the end of secondary education. High school students shall be obliged to sit the state graduation exam, while students of four-year vocational schools shall sit the final exam only if they plan to continue their education at one of the institutions of higher education. The result of the state graduation exam is one of the essential conditions for the continuation of education, as well as a form of an external evaluation of education that allows

improvement of the quality assurance and standardisation of knowledge on a national level.

The higher education reform harmonised with the Bologna process has introduced the following: a new way of studying in three cycles, the Diploma Supplement and the measurement of students' workload in ECTS credits. In this way, the compliance with the European system is to be achieved and thus leading to a common field of higher education, which will ensure the mobility and employability of EU citizens. Further efforts by the academic community, business community and relevant ministries should focus on the development of links among higher education institutions, academia and Croatian economy in order to transfer knowledge and increase employment opportunities.

ENROLLED CHILDREN, PUPILS AND STUDENTS BY LEVEL OF EDUCATION AT THE BEGINNING OF SCHOOL YEAR 2015/2016

	No. of institutions	No. of children / pupils / students	The number of educators / teachers / professors and teaching assistants
Preschool education	1,602	134,573	11,538
Primary education	2,125	320,017	32,992
Secondary education	750	170,661	27,099
Higher education	133	157,666	16,593
Total	4,610	782,917	88,222

Source: CBS, Compiled by: CCE

PERSONS EMPLOYED WITH LEGAL ENTITIES - BY LEVEL OF QUALIFICATION - AS PER 31 MARCH 2015

Level of education	Structure in %	
High expertise	233,581	23.0
Higher expertise	87,974	8.6
Secondary education	511,019	50.2
Low expertise	26,273	2.6
Highly qualified (VKV)	12,711	1.3
Qualified (KV)	75,100	7.3
Semi qualified (PKV)	14,937	1.5
Non-qualified (NKV)	56,202	5.5
Total	1,017,797	100.0

Source: CBS, Compiled by: CCE

COMMODITIES EXCHANGE IN 2016

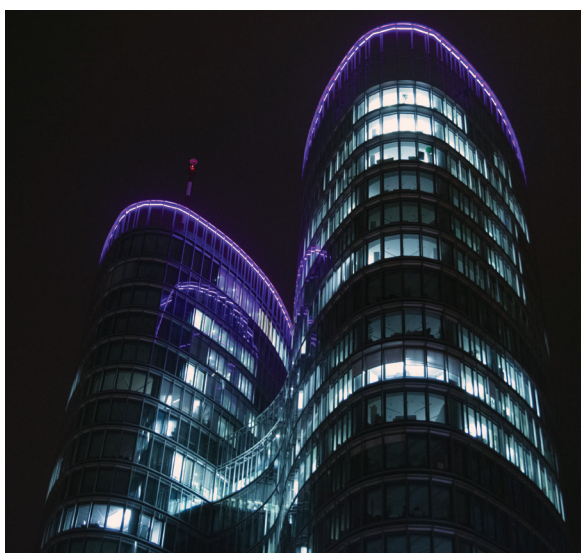
	in EUR	%
TOTAL EXPORTS	12.320.581.693	100,00
Europe	10.853.510.763	88,09
Asia	611.842.612	4,97
North and Central America	516.131.370	4,19
Africa	233.129.905	1,89
Oceania	66.417.301	0,54
South America	16.467.055	0,13
TOTAL IMPORTS	19.686.791.597	100,00
Europe	17.137.779.435	87,05
Asia	1.839.166.242	9,34
North and Central America	240.312.547	1,22
Africa	158.680.129	0,81
South America	133.311.044	0,68
Oceania	5.783.978	0,03

Source: Central Bureau of Statistics (CBS)
Compiled by: Croatian Chamber of Economy (CCE)



MOST IMPORTANT TRADING PARTNERS IN 2016

EXPORTS	in EUR	%
Italy	1.687.192.426	13,69
Slovenia	1.541.784.510	12,51
Germany	1.450.909.519	11,78
Bosnia and Herzegovina	1.119.989.664	9,09
Austria	790.529.103	6,42
Serbia	521.431.938	4,23
Hungary	471.163.531	3,82
USA	455.961.350	3,70
Netherlands	322.925.772	2,62
France	290.738.211	2,36
Total exports shown above	8.652.626.024	70,23
Total Croatian exports	12.320.581.693	100,00



IMPORTS	in EUR	%
Germany	3.190.970.084	16,21
Italy	2.468.082.227	12,54
Slovenia	2.150.457.297	10,92
Austria	1.567.869.753	7,96
Hungary	1.397.434.421	7,10
Netherlands	767.354.679	3,90
Poland	600.952.930	3,05
China	581.220.816	2,95
Bosnia and Herzegovina	572.900.624	2,91
Serbia	497.695.372	2,53
Total imports shown above	13.794.938.203	70,07
Total Croatian imports	19.686.791.597	100,00

Source: CBS
Compiled by: CCE

STRUCTURE OF COMMODITIES EXCHANGE IN 2016

EXPORTS MAJOR PRODUCTS	in EUR	%
Mineral fuels, mineral oils and distillates	1.162.385.552	9,43
Nuclear reactors; boilers, machinery, tools	1.120.415.256	9,09
Electrical machinery and equipment and spare parts thereof	1.104.619.802	8,97
Pharmaceutical products	840.930.433	6,83
Wood and wooden products	714.934.136	5,80
Furniture, mattresses, pillows, lamps and lighting fittings	495.654.584	4,02
Vehicles, other than railway or tramway rolling stock, parts	451.825.140	3,67
Articles of apparel and clothing accessories	445.471.300	3,62
Articles of iron or steel	386.066.521	3,13
Plastics and articles thereof	349.550.741	2,84
Total exports shown above	7.071.853.465	57,40
Total Croatian exports	12.320.581.693	100,00

Source: CBS, Compiled by: CCE

EUR/HRK = 7.529383 (2016 yearly average)

USD/HRK = 6.803718 (2016 yearly average)



IMPORTS MAJOR PRODUCTS	in EUR	%
Mineral fuels, mineral oils and distillates	2.424.163.408	12,31
Nuclear reactors; boilers, machinery, tools	1.939.773.709	9,85
Electrical machinery and equipment and spare parts thereof	1.559.484.095	7,92
Vehicles, other than railway or tramway rolling stock, parts	1.415.211.007	7,19
Pharmaceutical products	1.154.305.798	5,86
Plastics and articles thereof	883.874.921	4,49
Articles of apparel and clothing accessories	548.739.699	2,79
Articles of iron or steel	513.425.623	2,61
Iron and steel	474.561.551	2,41
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus	407.845.805	2,07
Total imports shown above	11.321.385.616	57,51
Total Croatian imports	19.686.791.597	100,00

Source: CBS, Compiled by: CCE



LEGAL FRAMEWORK

The Republic of Croatia has been a full member of the European Union since 1 July 2013, with all the corresponding rights and obligations arising from such a membership.

By its membership in the EU, Croatia has become a part of the single EU internal market and the EU Customs Union. The single internal market is characterised by the free movement of goods, services, capital and people, as well as by the EU Common Trade Policy and Common Agricultural Policy. In the European single market, made up of the 28 EU Member States, goods, services, capital and people can move as freely as within a single country, without the barriers that represent the state borders. The EU Customs Union is characterised by the common customs regulations and duty-free trade among the EU Member States.

In external trade relations of the EU with third countries, the EU Common Trade Policy shall apply, which is based on uniform principles in external trade relations of the EU with the world, particularly in terms of the common tariff rates arising from concluded trade agreements, harmonising trade liberalisation measures, establishing a common export policy, using trade protective mechanisms, removing trade barriers, the commercial aspects of intellectual property rights and direct foreign investments. The EU Common Trade Policy covers and determines the bilateral trade relations of the EU with third countries and multilateral relations of the EU through its cooperation with multilateral organisations (WTO).

By its accession to the EU, Croatia's possibilities of preferential imports and exports have significantly increased due to the free trade agreements that the EU

has already concluded or is about to conclude with third countries. When importing goods of non-preferential origin from third countries, the EU Common Customs Tariff shall be applicable.

When performing import or export, it is often required to complement the entire product documentation with the certificate of origin. This evidence can be issued for the goods which fulfil certain origin requirements. When being imported, those goods shall undergo the procedure of preferential treatment (preferential rates of duty), or it is exempt from the application of certain measures of trade policy. Whether the reason for its use be the application of preferential rate, or the exemption of it, certificate of origin is an extremely important document.

It is important to emphasize that the EU has a number of both unilateral and multilateral preferential trading agreements. All the preferential arrangements applied by the EU (and the instructions on where to search for those contracts and decisions, in order to study them more profoundly) can be found on the official web page of the Ministry of Finance of the Republic of Croatia, in the *Customs Administration* section.

It is also important to say that this is a current situation, while trading negotiations are being changed and updated all the time, thus the contract schemes are also quite prone to changes.

Free trade agreement and other preferential arrangements between the EU and certain third countries are implemented. The list of all free trade arrangements and autonomous arrangements implemented by the EU in the trade process can be found on this link:

https://carina.gov.hr/pristup-informacijama/propisi-ispisporazumi/carinska-tarifa-vrijednost-i-podrijetlo/podrijetlo-robe/informacije-4092/16-02-2017-tabela-ugovoripreferencijalni-aranzmani-v1_10-16-2-2017/4780

By applying the EU Generalised System of Preferences (GSP), additional benefits are available that the EU unilaterally applies to developing countries and least developed countries so as to provide for a more favourable treatment on the importation of goods from these countries. When exporting from the Republic of Croatia/the EU of the goods of non-preferential origin to countries with which the EU has not concluded a free trade agreement or the preferential rules of origin are not satisfied, the basic rate

of customs duty under the principle of the Most Favoured Nation (MFN) shall apply.

When exporting to countries with which the EU has concluded a free trade agreement, reduced rates of duty, i.e. the duties as laid down by those agreements shall apply.

When free trade agreements and unilateral arrangements prescribe that the goods in exports and imports shall be accompanied by a certificate of preferential origin (EUR.1, EUR-MED), such a certificate shall be issued by the competent customs authority. If a contract with a foreign person, the regulations of a foreign country or the EU regulations stipulate that the goods in exports shall be accompanied by a certificate of non-preferential origin, such a certificate shall be issued by the Croatian Chamber of Economy.

With the prescribed exemptions from payment of customs duties for certain groups of goods, depending on their specific usage, the EU



has a developed mechanism to encourage and increase competitiveness of domestic production through *autonomous suspensions of duties and tariff quotas*. This mechanism provides for European manufacturers to institute proceedings for the reduction of customs duty rates in order to enable procurement of raw materials under more favourable conditions.

The EU applies a number of trade policy measures to protect its market and domestic production against an excessive dumped or subsidised imports of goods from third countries. Here, the most significant measures of the trade policy include *anti-dumping (AD)* and *countervailing duties (CVD)*.

Anti-dumping and countervailing duties have been introduced as an additional charge along with a regular duty. The procedure and manner of determining the existence of dumping or subsidy on imports or possible damage to domestic production due to such imports, as well as the procedure and manner of introducing anti-dumping or countervailing duties are prescribed in accordance with the WTO rules.

In addition to the tariff measures, it is as well possible the application of a series of non-tariff measures that

prescribe restrictions or prohibitions against trade with third countries, e.g., import and export licenses in agriculture, import licenses in the textile



sector, quantitative restrictions and import licenses in the steel sector, prohibitions of trade with certain countries and other.

When importing certain products from third countries (food, animals, drugs, cultural goods, *dual use*, etc.), these must be accompanied by special certificates (sanitary, veterinary, phytopathology or certificate of quality) as the proof of their safety and quality standards. These certificates shall be issued by the competent institutions dependent on the type of goods. The goods, originating from a third country for which the procedure of compulsory attestation or homologation is prescribed, shall be tested and certified by an authorised institution, and appropriately marked before they are released for free circulation.

CUSTOMS SYSTEM

In order to ensure that trading among enterprises in the EU single market is based on the free movement of goods and services, trading flows without any customs formalities, i.e. without the implementation of the customs supervision of goods and the payment of customs duties.

In commodities exchanges between the EU Member States and third countries, the common customs regulations of the EU, binding for all the EU Member States, and the Common Customs Tariff are in force. The Regulation for the Implementation of the Community Customs Code number 952/2013 is the basic provision of the EU customs policy according to which legal and natural persons shall act when importing goods from third countries or when exporting goods to third countries and who, when and how shall pay export or import duties and other charges.

An entry and exit of goods into the customs territory of the European Union shall be permitted only through the prescribed border crossings. The entry and exit of goods, for which phytosanitary, veterinary or other control

is mandatory, shall be permitted entry only through those border crossings which are designated by special regulations for the entry and exit of such goods, in accordance with the obligation of any EU Member State to designate the points of entry (DPEs) which shall ensure the free flow of trade and travel.

The Regulation for the Implementation of the Community Customs Code number 952/2013 lays down the provisions governing a customs-approved treatment or use of goods, in which a customs declaration and related activities of the customs authorities and the parties in customs procedures are defined in a greater detail (acceptance and verification of the customs declaration, sampling of goods, modification of data in the declaration), as well as the conditions for the issuance of an approval for the implementation of a simplified transit procedure.



Foreign investments in the Republic of Croatia are regulated by the Law on Companies, the Law on Investment Promotion and Improvement of Investment Climate, the Law on Strategic Investment Projects of the Republic of Croatia and other laws. A foreign investor is, in his rights, obligations and legal position in a company, on the principle of reciprocity, equal to a domestic person. The Constitution of the Republic of Croatia stipulates that the rights acquired through capital investments shall not be diminished by law or any other legal acts, thus ensuring free repatriation of profits or invested capital out of the country upon termination of investment. The total of foreign investments in Croatia from 1993 to 2016 stood at EUR 30,767.8 million.



FOREIGN DIRECT INVESTMENTS BY COUNTRY FROM 1993 TO 2016

Country	EUR m
Netherlands	6,551.8
Austria	3,545.0
Italy	3,313.6
Germany	2,878.8
Luxembourg	2,286.7
Hungary	2,110.0
France	1,459.3
Slovenia	1,373.9
Great Britain	1,124.6
Netherlands and the Antilles	854.4
Other countries	5,269.7
TOTAL	30,767.8

Source: Croatian National Bank
Compiled by: Croatian Chamber of Economy

METHODS OF INVESTMENTS BY FOREIGN PERSONS

Foreigners can invest capital in Croatia:

- On a contractual basis
- In a company
- In a bank or insurance undertaking
- By starting a craft business or acting as sole traders

According to the Law on Companies, the following types of companies can be established in Croatia:

- A general partnership company (*in Croatian: javno trgovačko društvo, abbreviated form: j. t. d.*)
- A limited partnership (*in Croatian: komanditno društvo, abbreviated form: k. d.*)
- A joint stock company (*in Croatian: dioničko društvo, abbreviated form: d. d.*)
- A limited liability company (*in Croatian: društvo s ograničenom odgovornošću abbreviation: abbreviated form: d. o. o.*)
- A simple limited liability company (*in Croatian: jednostavno društvo s ograničenom odgovornošću, abbreviated form: j. d. o. o.*)
- An economic interest grouping (*in Croatian: gospodarsko interesno udruženje abbreviated form: GIU*)
- Silent partnership (*in Croatian: tajno društvo*)

Foreigners may acquire company shares and stocks. All companies are registered in the court register of the competent commercial court according to their headquarters. Joint stock companies and limited liability companies can be established with initial capital in money, goods and rights. The share capital must be expressed in domestic currency, i.e. kuna (HRK). The lowest initial capital for establishing a joint stock company amounts to HRK 200,000.00, and the nominal share value cannot be less than HRK 10.00.

The minimum initial capital for establishing a limited liability company is HRK 20,000.00, and the nominal amount of the business share cannot be less than HRK 200.00. The minimum share capital of a simple limited liability company is HRK 10.00, and the lowest nominal value of the business share is HRK 1.00. A company may be established by one or more persons. A foreign natural person can operate in Croatia as a craftsman, too. For both free and related crafts, a craftsman must have a trade license issued by the competent county office in whose field shall be the seat of the craft. In case of privileged crafts, the privilege license is issued by the competent ministry, dependent on the type of the craft.

INVESTMENT PROMOTION

The Law on Investment Promotion (Official Gazette, Nos. 102/15), which has been in force since October 2015, regulates state aid for investment encouragement of legal entities or natural persons who are registered in the Republic of Croatia, are liable to income tax and are engaged in economic activities while participating in the trade of goods and services in the Republic of Croatia.

Aids regulated by this Law shall apply to investment projects and to strengthening competitiveness in:

- the manufacturing sector activities



- development and innovation activities
- business support activities
- activities with high added value services and tourist activities which simultaneously provide environmentally safe entrepreneurial activity and achievement of one or more of the following objectives:
 - introduction of new equipment and modern technologies
 - increase in employment and higher level of employees' training
 - development of products and services involving higher added value
 - increase in entrepreneurial competitiveness
 - balanced regional development of the Republic of Croatia.

Investment, initial investment, i.e. investment project under the provisions of the Law is an investment in fixed assets contributed to the property of the aid beneficiary, amounting to a minimum of EUR 150,000.00 (equivalent in Croatian Kuna – HRK) or a minimum of EUR 50,000.00 (equivalent in HRK) for micro enterprises, provided that a minimum of five new jobs are linked to the investment or three few jobs or micro-entrepreneurs. Initial investment represents investment in material and nonmaterial property, related to an establishment of new business unit, capacity increment of an existing one, diversifying unit's production into the new products (which have not been manufactured earlier by that particular unit) or a thorough change in the entire manufacturing process of the existing business unit.

Minimum investment for the realisation of incentives:

- 50,000 EUR and generating three new job positions – microentrepreneurs or
- 150,000 EUR and generating five new job positions – small, medium and large entrepreneurs or
- 13,000,000 EUR and generating at least ten new job positions for which university degree is obligatory and which are related to the investment project.

Initial investment aid is established according to:

- eligible costs of investment – of both material and nonmaterial property or
- eligible costs of generating new job positions related to investment.

A minimum of 25% of financing of the eligible investment costs must be contributed by the aid beneficiary and must not contain any state aid.

The maximum aid intensity shall be determined pursuant to the rules on regional aid and shall not exceed the amount of the ceiling of the eligible intensity set forth by the regional aid map (the Republic of Croatia is divided into two spacious units: the Adriatic Croatia and inland Croatia).

Special methodology is envisaged for calculation of the level

of state aid for investments with eligible investment costs exceeding EUR 50 million (large investment projects).

A natural person (craftsman), liable to income tax, a micro, small and medium company that intends to use the aid for initial investment, shall submit the request for the use of the aid for the investment promotion to the Ministry of Economy, Entrepreneurship and Crafts, prior to the commencement of investment. Commencement of investment: i.e. commencement of project works shall mean: either the commencement of construction works on that investment or the first legally binding assumed obligation in terms of ordered equipment, or other obligation which makes an investment irrevocable and enters into force as soon as possible. Land purchasing or preparatory works such as obtaining license and implementation of the preliminary feasibility study, are not considered commencement of investment.

AIDS FOR INVESTMENT PROMOTION

Legally provided aids include:

- Tax aids for the micro-entrepreneurs;
- Tax aids for the small, medium and large entrepreneurs;
- Eligible cost aids for the new job positions related to the investment project
- Aids covering eligible costs of improvements related to the investment project
- Aids for:
 - Development-innovation activities,
 - Business support activities, and
 - High value added service activities;
- Aids for capital expenditures of investment project;
- Aids for labour intensive investment projects.
- Investment aids with the minimum amount of 13,000,000 EUR (equivalent amount in HRK), providing that at least ten new job positions (for which university degree is obligatory), related to the investment project, and shall be generated:
 - Aids for the insurance of immutable business conditions
 - Investment aids
 - *Half and half* investments
 - Grace period for the payment of tax obligations.

TAX AIDS

The overall amount of tax aids to which the aid beneficiary is entitled during the whole period of use of tax aids shall be determined in absolute amount resulting from the difference between the due amount of profit tax calculated pursuant to the Law on Profit Tax and the amount calculated pursuant to the Law on Investment Promotion, taking thereby into account the maximum aid ceilings of the total aids.

If the aid beneficiary during the period in which he uses the aids ceases to be liable to profit tax, he shall be revoked tax incentives in respect of the remaining period for which they have been granted, however he shall be liable to maintain the current number of new jobs and the investment project.

If the aid beneficiary reduces the number of new jobs provided for by the Law, before the expiration of the minimum obligatory period for investment protection, he shall be revoked tax incentives in respect of the whole period for which they have been granted and he shall be liable to reimburse funds derived from the use of granted incentives, increased by the amount of the base rate, which is defined and declared in respect of



regulations of the national aids, and is increased with 100 base points. For investments exceeding EUR 150,000.00, incentives applicable to large, medium and small enterprises shall be applied.

THE MIN- IMUM AMOUNT OF INVEST- MENT	THE MINIMUM NUMBER OF THE NEWLY CREATED JOBS	TIME FOR CREA- TION OF NEW JOBS	INCOME TAX RATE	DURA- TION OF INCENTIVE MEASURES
50,000.00 EUR*	3	1 years	50%	up to 5 years
Up to 1 million EUR	5	3 years	50%	up to 10 years
1-3 million EUR	10	3 years	75%	up to 10 years
Over 3 million EUR	15	3 years	100%	up to 10 years

* for investments of micro entrepreneurs

Minimum investment conservation period is five years after the end of the investment for large entrepreneurs or three years in case of the micro, small and medium entrepreneurs, but it does not begin with the period of the usage of the aids according to the Law of Investment Promotion. The completion of works shall be considered the date of issuance of a license to engage in business activity, or the date when tangible assets linked to the investment project become operational. If the aid is being calculated based on the costs of salaries, new job position needs to be filled within the three years period since the end of works. New position needs to be related to the implementation of the investment project and conserved in a certain area for the five years after being filled for the first time, for large entrepreneurs, or three years for micro, small and medium entrepreneurs, but not shorter than the period of aid usage according to the Law of Investment Promotion, for which that job position is a precondition.

AID TO COVER ELIGIBLE COSTS OF NEW JOB CREATION LINKED TO AN INVESTMENT PROJECT

According to the data of the Croatian Bureau of Statistics referring to the unemployment rates registered for the preceding year in the counties of the Republic of Croatia, the aid beneficiary who provides for the creation of new jobs linked to an investment project shall be authorised a non-repayable aid in respect of the eligible costs of new job creation linked to an investment amounting to:

THE UN-EMPLOYMENT RATE IN THE COUNTY	THE MINIMUM PERIOD FOR THE CONSERVATION OF THE NEW JOB POSITIONS	NON-REPAYABLE AID FOR THE EXPENSES OF GENERATING NEW JOB POSITIONS	THE MAXIMUM AID AMOUNT
up to 10%	3/5 years	up to 10% eligible costs	up to EUR 3,000
10% - 20%	3/5 years	up to 20% eligible costs	up to EUR 6,000
over 20%	3/5 years	up to 30% eligible costs	up to EUR 9,000

Eligible costs, in respect of new jobs creation linked to an investment, shall be calculated as salary costs. Salary costs represent the entire amount needed to be paid by the aid beneficiary, for those job positions, and which, in a certain period, consists from gross salary, increased by the amount of contribution to the base, according to that salary.

The new jobs have to be filled during the three years period, following the completion of the investment. The completion of works shall be considered the date of issuance of a license to engage in business activity, or the date when tangible assets linked to the investment project become operational. The minimum period for retention of the new jobs linked to an investment shall amount five years in case of large enterprises or three years in case of small and medium enterprises.

AID TO COVER ELIGIBLE COSTS OF TRAINING LINKED TO AN INVESTMENT PROJECT

The aid beneficiary shall be granted a non-repayable aid for training of employees in respect of new job creation linked to an investment project.

Aid intensity does not exceed 50% of eligible costs and it can be increased up to 70% eligible costs as it follows:

- A. for 10 percentage points, if the improvement is being implemented for the workers with disabilities,
- B. for 10 percentage points, if the aid is approved for the medium entrepreneur,
- C. for 20 percentage points, if the aid is approved for the micro or small entrepreneur.

The eligible costs of training shall be:

- A. Trainers' personnel costs,
- B. Business costs related to trainers and participants, directly related to the improvement project, such as travel costs, material and expendables costs directly related to the project, tools and equipment amortization – if they are used strictly for the improvement project; accommodation costs are excluded.
- C. advisory services costs, related to the improvement project
- D. participants' staff costs and general indirect costs (administration, rent, utilities) for the hours spent (by participants) on the program of improvement.

AID FOR DEVELOPMENT-INNOVATION ACTIVITIES, BUSINESS SUPPORT ACTIVITIES AND HIGH ADDED VALUE SERVICE ACTIVITIES

For investments in development-innovation activities, business support activities and high added value service activities additional incentive measures shall be granted for the following investment projects:

A. DEVELOPMENT-INNOVATION ACTIVITIES

- affecting development of the new and significant improvement of the existing:
 - products,
 - production series,
 - production processes, and
 - production technologies.

For investments in development-innovation activities, the aid beneficiary shall be granted, apart from the aid provided for by this Act, the increase in aid for the costs for creating of new jobs linked to an investment project amounting to 50%. Furthermore, for investments in development-innovation activities the non-repayable aid shall be granted for purchasing of equipment/machinery amounting to 20% of the actual eligible costs of purchasing equipment/machinery in maximum amount of EUR 0.5 million in HRK equivalent, provided the purchased equipment/machinery presents high-tech equipment / machinery.

B. BUSINESS SUPPORT SERVICES

1. customer/client contact centres
2. Shared services centres
3. Logistics and distribution centres
4. ICT and software development centres

For investments in business support activities, the aid beneficiary shall be granted, apart from the aid provided for by this Law, the increase in aid for the costs for creating of new jobs linked to an investment project amounting to 25%.

C. HIGH VALUE ADDED SERVICE ACTIVITIES

1. activities of creative services:
2. activities of tourist services: – activities in the field of high added value tourist services, as for instance the projects of tourist accommodation facilities, tourist settlements, camps; of category – four plus stars
3. activities of management, consulting, educational services,
4. activities of industrial engineering services.

For investments in high value added service activities, the incentive measures recipient shall be granted, apart from the incentive measures provided for by this Law, the increase in aid for the costs for creating of new jobs linked to an investment project amounting to 25%.

AID FOR CAPITAL EXPENDITURES OF AN INVESTMENT PROJECT

This aid category is eligible for the investment into fixed assets of the aid beneficiary's business unit, with the amount of at least 5 million EUR, providing that at least 50 new job positions, related to the project of investment, are filled within the three years period after the completion of the work.

THE UN-EMPLOYMENT RATE IN THE COUNTY	NON REPAYABLE GRANT FOR COSTS OF CONSTRUCTION OF THE NEW PLANT*	NON REPAYABLE GRANT FOR COSTS OF PURCHASING NEW MACHINES, I.E. PRODUCTION EQUIPMENT	MAXIMUM AID CEILINGS FOR NEW MACHINERY	MINIMUM INVESTMENT VALUE IN NEW MACHINERY / PART OF HIGH-TECH EQUIPMENT
10% - 20%	10% of the eligible costs	10% of the eligible costs	EUR 0.5 million	40% / 50%
over 20%	20% of the eligible costs	20% of the eligible costs	EUR 1 million	40% / 50%

*the new plant, industrial facility or tourist service providing facility

AID FOR LABOUR INTENSIVE INVESTMENT PROJECTS

Investment project for which aids for labour intensive investment projects are granted shall mean investment in fixed assets of the aid beneficiary, which provides for creation of at least 100 new jobs linked to an investment project within the three years period following the investment commencement.

NEW JOBS	INCREASE IN AID TO COVER COSTS OF JOB CREATION
100	25%
300	50%
500	100%

AID FOR INVESTMENT WITH THE MINIMUM AMOUNT OF 13,000,000.00 EUR (EQUAL AMOUNT IN HRK), PROVIDING THAT AT LEAST 10 NEW JOB POSITIONS (FOR WHICH UNIVERSITY DEGREE IS OBLIGATORY), RELATED TO THE INVESTMENT PROJECT, ARE BEING GENERATED

For the newly established company of the initial investment into tangible and intangible assets, with the amount of 13,000,000.00 EUR, providing that at least 10 new job positions are being generated (for which university degree is obligatory) and are related to the investment projects, one or more of the following aids can be approved:

- Aids for the insurance of immutable business conditions
 - co-financing up to the amount of difference between tax liabilities and liabilities of the base contributions, defined according to the regulations which were active at the moment of submitting request for the approval of aid beneficiary status, tax liability and liabilities of the base contributions, defined according to the regulations which were active at the moment of calculation of these liabilities, for the 10 years period, starting with the commencement of the investment.
- Aids for investment
 - co-financing part of the amount of tax liability, which if an obligation of the aid beneficiary to the country, with the exception of value added tax, or the part of the amount of the contributions payment liability, during the 10 year period, starting with the commencement of the investment.
- Half and half incentives
 - co-financing the amount up to 50 percent of the income tax liability of dependable work and / or - co-financing the amount up to 50 percent of the profit tax liability and advance payment for the profit tax.

- Commencement of the payment of the tax liabilities
 - loan approval for the payment of tax liabilities, except for the value added tax, in the period of three years from the commencement of the investment, without interest. The head of the competent ministry concludes the Agreement on the preparation and implementation of the project with the aid beneficiary, on the basis of which the established sort of aid is approved.

AUTHORISATION AND MONITORING

The enterprises which intend to benefit from the aids within the meaning of the Law shall submit the notification to acquire the status of eligible aid beneficiary, i.e. the application for utilisation of those aids, before the commencement of the works on the investment project.



Aid beneficiaries are obliged to submit a full annual written report about the realization of the investment project, eligible costs, usage of the incentive measurements and about the preservation of the investment and newly generated job positions related to it, to the competent ministry and the Ministry of finance – Tax Administration, during the period of using the status of the aid beneficiary. They are also obliged, during the minimal period of the preservation of the investment, to submit annual written report about the preservation of that very investment and of the generated job positions related to it, to the competent ministry.

LAW ON STRATEGIC INVESTMENT PROJECTS OF THE REPUBLIC OF CROATIA

The Law on Strategic Investment Projects of the Republic of Croatia (Official Gazette, Nos. 133/2013, 152/2014, 22/16) regulates the criteria for determining a strategic investment project of the Republic of Croatia and coordination of its implementation. The aim of the Law is to accelerate the preparation and implementation of an investment project, as well as to expedite the procedures to obtain the necessary documentation for the implementation of a specific strategic project. The strategic projects of the Republic of Croatia shall be classified as private investment projects, public investment projects and publicprivate investment projects in the fields of economy, energy, tourism, transport, infrastructure, electronic communications, postal services, environmental protection, utilities, agriculture, forestry, water management, fisheries, health care system, culture, science, defence, judiciary, technology and education, which include the construction of buildings. Pursuant to this Law, the strategic projects are proclaimed by the Government of the Republic of Croatia. The strategic project shall be deemed a project whose

implementation creates conditions for employment of a larger number of persons, depending on the type and location of the project, that significantly contributes to the development or improvement of conditions and standards for the production of goods and provision of services, that introduces and develops new technologies which increase the competitiveness and cost-effectiveness in the economy or the public sector and / or that raises the overall level of safety and quality of life and environmental protection, that has a positive effect on more than one economic activity and whose implementation creates added value, that largely contributes to the sustainable development and protection of space and environment, as well as significantly contributes to the competitiveness of the Croatian economy, meeting the following criteria:

1. it is in accordance with the physical planning documents
2. it has the total value of the capital investment costs equal to or greater than HRK 150,000,000.00, or
3. it has the ability to be co-financed from the funds and programmes of the European Union, and the total value of the capital costs of the project is equal to or greater than HRK 75,000,000.00, or
4. it is to be implemented in the assisted areas, i.e. the areas of regional self-government units of the Group I or in the areas of local self-government units belonging to the Group I and II, in accordance with the regulation governing the regional development of the Republic of Croatia, and the total value of the capital investment costs in the assisted area is equal to or greater than HRK 20,000,000.00, or
5. it is to be implemented on the islands, and the total value of the capital investment costs on the islands is equal to or greater than HRK 20,000,000.00
6. strategic projects that fall within the scope of agricultural production and fisheries, and the total value of the capital investment costs is equal to or greater than HRK 20,000,000.00.

The Ministry of Economy, Entrepreneurship and Crafts of the Republic of Croatia is in charge of the implementation of this Law.

TRANSFER OF CAPITAL AND PROFIT REPATRIATION

The free transfer of capital and free profit repatriation is guaranteed to a non-resident through direct investment provided that all legal obligations have been settled in the Republic of Croatia.

OWNERSHIP RIGHTS OF FOREIGN NATURAL PERSONS OR LEGAL ENTITIES

Either with domestic or foreign capital, legal entities which are established and registered in Croatia shall be considered domestic legal entities and have the right to acquire ownership over real estates. Pursuant to the Law on Ownership and Other Real Property Rights, a foreign natural person or legal entity may acquire ownership over real estate, under the principle of reciprocity and with the consent of the Ministry of Justice, except for natural persons and legal entities from the EU Member States to whom such restrictions shall not apply.

BUSINESS OPERATIONS OF FOREIGN COMPANIES

The Law on Companies provides special stipulations covering foreign companies (registered outside the Republic of Croatia) and sole traders (recognised outside the Republic of Croatia) that carry out business activities within the territory of the Republic of Croatia. Foreign companies and foreign sole traders shall enjoy, in principle, the same rights as domestic legal entities in their operations within the territory of the Republic of Croatia. They have granted freedom to provide services in accordance with the EU acquis (occasional or one-time performance of operations or the performance of individual work for businesses based in the Member States of the European Economic Area). Sometimes the condition that must be met when starting such operations will be that a subsidiary shall be established. Subsidiaries shall not have the status of legal entities. All the rights and obligations stemming from their business operations shall be transferred to the founding company. A subsidiary may engage in all the operations that are included in the company's business activity.

REPRESENTATIVE OFFICES OF FOREIGN COMPANIES

Pursuant to the Law on Trade, foreign persons engaged in business activities from countries that are not the EU Member States, i.e. the Member States of the European Economic Area, may establish a Representative Office in the Republic of Croatia. A Representative Office does not have a legal entity status, thus it cannot perform founder activities or make contracts about it; it rather performs business according to the founder's order, and these are only jobs of the market research, promotion, informative business and representing a foreigner who was a founder of it.

A Representative Office shall become operational upon its registration in the Register of Representative Offices of Foreign Persons held at the Ministry of Economy, Entrepreneurship and Crafts.

Croatian tax system is harmonised with the European principles in which the position of all taxpayers is equated, i.e. domestic and foreign natural persons and legal entities. The tax system in Croatia is plural - there are more forms of taxation. According to the level of the state government, taxes are divided into: state, county, city or municipal and joint taxes. Joint taxes are taxes of which one part is left to the state budget, while the other part goes into the budget of counties and cities/municipalities. However, the most common classification of taxes is the one on direct and indirect taxes. Direct taxes are those paid in person or by an employer. These are the income tax that we pay from salaries, author royalties or trades and the profit tax paid by companies. Indirect taxes paid to the state budget are transferred to the consumer. The most famous indirect tax is the value added tax (VAT).

STATE TAXES

- Value Added Tax (VAT – Croatian abbreviation – PDV),
- Profit tax
- Profit tax
- Special taxes and excises
 - special motor vehicle tax
 - special coffee and non-alcoholic beverages tax
 - excise tax system for alcohol, alcoholic beverages, tobacco products, energy and electricity

COUNTY TAXES

- Inheritance and gifts tax,
- Tax on road motor vehicles,
- Tax on vessels,
- Levy on coin operated machines for games for amusement.

MUNICIPAL OR TOWN/CITY TAXES

- urtax on income tax,
- Consumption tax,
- Tax on holiday houses,
- Tax on the use of public land
- Real estate transfer tax

JOINT TAXES

- Income tax

Taxes on winnings from games of chance and fees for organising games of chance

- lottery games (a monthly fee for organising lottery games and tax on winnings from lottery games),
- fees for operating casino games,
- betting games (fee for organising betting games and tax on winnings from betting games),
- fees for organising slot machine games,
- fee for organising occasional one-time games of chance.

CORPORATE INCOME TAX (PROFIT TAX)

Taxable persons liable to pay corporate income tax (profit tax) shall include: a company or another legal or natural person resident in the Republic of Croatia that is permanently and independently engaged in an economic activity for the purpose of deriving a corporate income (profit), an income or a revenue or other assessable economic benefits; a natural person who derives income pursuant to the income tax regulations, if he/she declares that he/she intends to pay corporate income tax (profit tax) instead of income tax; an entrepreneur – a natural person who derives income from small business or the activities equalised therewith, if:

1. total receipt in the preceding tax period exceeded of HRK 3,000,000, or
2. if they fulfil the two of the following three criteria:
 - the value of long-term assets exceeds HRK 2,000,000, or
 - more than 15 employees on average were employed during the preceding tax period, or
 - total income in the preceding tax period exceeded of HRK 400,000.

A resident permanent establishment (an inland business unit) of a non-resident entrepreneur is also liable to pay corporate income tax (profit tax).

Profit tax base is determined by:

- accounting principles – as a difference in income and expense, with regulated increases and decreases
- money principle – for small taxpayers who earn an annual income of up to 3 million kuna

CONDITION: the taxation procedure according to the fees charged in accordance with the special VAT rule (only the tax base and the profit tax liability are determined according to the cash principle)

The taxable base of a resident taxable person: the corporate income (profit) earned in Croatia and abroad in accordance with the provisions of the Law on Profit Tax.

The taxable base of a non-resident: the corporate income (profit) earned in Croatia, assessed in accordance with the provisions of the Law on Income Tax is paid at the established tax base at the rate of:

- 12% if revenues of up to 3.000.000,00 kn were realized in the tax period
- 18% if income realized in the tax period is equal to or greater than HRK 3,000,000,01

Income tax is determined for the business year, and advance payments are made on the basis of the tax return for the previous year, during the current year.

EXEMPTIONS

Tax relief shall be provided to the taxpayers who conduct business activities in the region of the City of Vukovar and the assisted area of the units of local self-government, or within the territory of the Republic of Croatia which, under the development index, is rated as an area that according to the level of development lags behind the national average and whose development is necessary to be further encouraged.

Tax incentives:

- Taxable person performing activities in Vukovar does not pay income tax, in accordance with relevant rules on small value grants.
- Taxable persons performing activities in the area of local selfgovernment units, Group I, according to the degree of development and to the special regulation on regional development of the Republic of Croatia, pay 50% of the defined tax rate

Tax rate conditions for Vukovar and Group I:

- there can be more than five regular employees and more than 50% have to reside in the supported area of the local selfgovernment unit, within the Group I according to the development or in Vukovar, during the period of at least nine months of the tax period

Tax incentives under the Law on Investment Promotion and Improvement of Investment Climate refer to the possibility of reductions in corporate income tax (reduction of the corporate income tax rate), depending on the size of the investment, with additional conditions of employment of workers or investments in the modernisation of production processes.

- For investments by micro entrepreneurs of at least EUR 50,000 in equivalent HRK value, to the recipient of incentive measures the corporate income (profit) tax rate shall be reduced to 50% of the statutory profit tax rate in the period of 5 years from the commencement of investment, with an obligation to create a minimum of 3 new jobs linked to the investment within a period of 1 year after the commencement of investment,



- For investments up to EUR 1 million in equivalent HRK value, profit tax rate shall be reduced to 50% of the statutory profit tax rate in the period up to 10 years from the commencement of investment, with an obligation to create a minimum of 5 new jobs linked to the investment
- For investments from EUR 1 to 3 million in HRK equivalence, profit tax rate shall be reduced to 75% of the statutory profit tax rate in the period up to 10 years from the commencement of investment, with an obligation to create a minimum of 10 new jobs linked to the investment
- For investments over EUR 3 million in HRK equivalence, profit tax rate shall be reduced to 100% of the statutory profit tax rate in the period up to 10 years from the commencement of investment, with an obligation to create a minimum of 15 new jobs linked to the investment.

STATE AIDS FOR EDUCATION AND TRAINING

The profit tax base may be reduced by the amount of state aid for education and training in the amount and the manner prescribed by the Law on State Aid for Education and Further Training and other regulations adopted under that Law.

State aid beneficiaries that are considered micro, small, medium or large enterprises can reduce the taxable amount for corporate income tax or personal income from self-employment by up to 60% of eligible expenses for general education and employee training expenses, and by up to 25% of eligible expenses for special education and employee training expenses. Exceptionally, a state aid beneficiary, which is considered to be micro, small and medium sized enterprise, can reduce the taxable amount for corporate income tax or personal income from self-employment by up to 80% of eligible costs.

State aid beneficiaries operating in maritime transportation shall be entitled to reduction of their taxable amount of corporate income tax or personal income tax by up to 100% of eligible education and training expenses, regardless of whether those expenses are related to special or general education and training, if the following requirements are met:

- education must take place on board ships registered with the Croatian Register of Shipping
- persons receiving further training cannot be active but must be reserve members of the crew.

State aid beneficiaries shall be entitled to increase reduction of their taxable amount of corporate income tax or personal income tax by 10 percentage points in case of general and special education and training of disadvantaged employees.

WITHHOLDING TAX

Withholding tax shall be paid on the corporate income (profit) by a non-resident in the Republic of Croatia. The taxable person liable to pay withholding tax is an inland paying agent that pays to foreign entities - recipients (non-residents) who are not natural persons, whereas the tax base is the gross amount of compensation that an inland paying agent pays to a non-resident.

The withholding tax shall be paid on:

- interest (the withholding tax shall not be paid on interest paid on commodity loans for the purchase of goods used for carrying out of a taxable person's business activity, on loans granted by a non-resident bank or other financial institution, and to holders of government or corporate bonds, interest on finance lease assets);
- dividends and corporate income (profit) shares;
- royalties and other intellectual property rights (copyright, patents,

licensing, trademark, design or pattern, production procedure, production formulas, draft, plan, industrial or scientific experience and similar rights) for which considerations are paid to non-resident persons who are not natural persons;

Withholding tax shall also be paid on market research services, tax and business counselling and auditor services paid to non-residents. Withholding tax shall be paid at the rate of 15%, except for dividends and profit shares to which the withholding tax shall be paid at the rate of 12%. Withholding tax shall be paid at the rate of 20% on all kinds of services that are paid to persons who have their registered office or place of effective management and supervision of operations in countries that are considered tax havens or financial centres, in addition to the EU Member States and countries with which Croatia has signed and implemented agreements on avoidance of double taxation. In addition, with the accession of the Republic of Croatia to the EU, certain exceptions in taxation were created for withholding tax, so that the withholding tax shall not be paid on interests and royalty payments in the case of associated companies from different EU Member States, under certain conditions.

From the day of the accession of the Republic of Croatia to the European Union, withholding tax on dividends and corporate income (profit) shares shall not be paid when dividends and corporate income (profit) shares are distributed to a company taking one of the forms that are subject to the common taxation system applicable to parent companies and their subsidiaries from different EU Member States provided that the recipient of dividend or share of corporate income (profit) has a minimum holding of 10% in the capital of the company distributing dividend or share of corporate income (profit) for an uninterrupted period of 24 months.

PERSONAL INCOME TAX

The taxable person liable to pay personal income tax is a natural person who acquires an income. The taxable person shall be considered a resident and a non-resident person.

The income tax base for a resident is the total employment income amount (salaries and pensions), self-employment income, property and property rights income, capital income, insurance and other income, acquired by the resident in Croatia and abroad (the world income principle) reduced by the resident's personal allowances (the basic personal income, for each month of the tax period, is 3,800.00 HRK).

The income tax base for a non-resident is the total employment income amount, acquired by a non-resident in Croatia (the domestic income principle) reduced by the non-resident's personal allowances.

Income is the difference between receipts and expenses incurred in the same tax period.

There are receipts to which income tax shall not be paid. These are for example: salary compensation during temporary unemployment and inability to work paid off at the expense of compulsory insurance, awards to students during their practical work and apprenticeship up to HRK 1,750.00 monthly, voluntary retirement insurance premiums paid by the employer for the benefit of its employees to domestic voluntary pension fund to the amount of HRK 500.00 for each month of the tax period, scholarships for students pursuing postgraduate studies and others. Personal income tax shall be paid for the calendar year (tax period).

Calculation of salary income tax advance:

- 24% on the tax base up to the amount of HRK 17,500.00 per month
- 36% of the portion of the tax base exceeding the amount of HRK 17,500.00 per month

On the calculated amount of income tax, surtax on income tax shall be calculated if prescribed for by a municipality or a city in which a taxable person has a domicile or habitual residence.

Surtax rates range at the rate up to 10% in municipalities, up to 12% in towns with less than 30,000 inhabitants, up to 15% in cities with more than 30,000 inhabitants and up to 18% in the City of Zagreb.

The Income Tax Act maintains the 12% rate only in case of ultimate property and capital income tax and in case of insurance. The Act also defines the ultimate income, for which a tax return should not be filed, nor should this income be a subject to the special procedure of the determining annual income tax. Additionally, no personal exemptions are made for this income.



COMPULSORY INSURANCE CONTRIBUTIONS

Compulsory insurance contributions are dedicated public revenues and may be used only for the purpose for which they were collected. Compulsory insurance shall be considered:

- Compulsory pension insurance based on generational solidarity
- Compulsory pension insurance based on individual capitalised savings
- Mandatory health insurance and insurance in case of accidents at work and occupational diseases
- Unemployment insurance

CONTRIBUTIONS ON THE BASIS OF LABOUR AND RELATIONS ACKNOWLEDGED AS LABOUR RELATIONS

A person liable to contributions, based on labour relations, is an insured person, whereas an employer or any other entity that pays to the insured person the salary in the name of an employer is liable to calculate and pay the contributions.

An insured person (employee) is liable to pay “on salary” contributions, whereas employers and payers of salaries shall calculate, suspend and pay the following “on salary” contributions:

- contributions for compulsory pension insurance based on generational solidarity (15% or 20%),
- contributions for compulsory pension insurance based on individual capitalised savings (5%).

“On salary” contributions paid by employers shall be:

- contributions for compulsory health insurance (15%)
- contribution to the protection of health at work (0.5%)
- contribution to employment (1.7%).

The lowest monthly wage base for calculating contributions for full working time relating to salaries for 2017 amounts to HRK 2,940.82, and the highest is HRK 46,434.00.

By Regulation on the Amount of the Minimum Wage, the minimum wage established for the 2017 amounts to HRK is 3,276.00.

Employers who shall enter into a contract of indefinite time with a young person (under 30 years of age), shall be exempted from the calculation and payment of contributions on the salary, during the 5 years period. Also, if they employ persons who were previously never employed or were unemployed for a long time period, they shall be considered income tax exemptions for a two year period.

VALUE ADDED TAX (VAT)

Supply of goods and services in the Republic of Croatia is the subject of value added tax. The subject of the VAT is the supply of goods and provision of services in the country for a fee carried out by a taxable person, the acquisition of goods for a fee within the EU and imports of goods. By joining the European Union, terms “export” and “import” shall apply only to transactions with third countries (any state which is not the territory of the EU), for which the process of import customs clearance shall be further conducted, while in transactions with the EU, these are replaced by delivery and acquisition of goods within the EU. The taxable person liable to value added tax shall be any person who, independently, carries out any economic activity regardless of the purpose and result of this activity.

Economic activity shall be any activity of producers, traders or persons providing services, including mining and agricultural activities, free professions and the exploitation of tangible or intangible properties for the purpose of permanent realisation of revenues.

The taxable person shall also be considered any person who, occasionally, delivers new means of transport which are dispatched or transported to the customer on the territory of another EU Member State.

Entrepreneurs, whose annual value of supply of goods or services rendered in the preceding calendar year is higher than HRK 230,000.00 (300,000.00 HRK since January 1st 2018) shall become liable to VAT and must report to the Tax Administration to be entered in the Register of VAT taxable persons.

The taxpayer in the Republic of Croatia shall also be considered any foreign taxpayer who:

- in the country supplies goods and services with the right to deduct input tax
- supplies goods in the Republic of Croatia to a taxpayer or a legal

person who is not a taxpayer, whose acquisition of goods within the EU is not subject to VAT, or any other person who is not a taxpayer, who has crossed the threshold of delivery in the amount of HRK 270,000.00.

- delivers in the Republic of Croatia goods subject to excise duties to persons who are not taxpayers nor pay VAT on the acquisition.

The delivery of goods in the country shall be considered to be a transfer of rights to dispose of tangible assets as an owner, handing over and disposal of goods, sale of goods with deferred payment.

Place of delivery of goods in the country, according to which the place of taxation shall be determined is considered to be:

- The goods that are not shipped nor transported - the place where the goods are at the time of delivery,
- The goods that are dispatched or transported - the place where the goods are at the beginning of the dispatch or transport to the customer.

The delivery of goods for a fee, the use of business assets for private purposes is also subject to taxation when for these goods pre-tax is used entirely or partially, moving goods to another EU Member State and the retention of goods after the cessation of activities.

Giving free samples (in reasonable amounts) to customers or potential customers shall not be taxed, as well as gifts to the value of HRK 160.00 excluding VAT (for economic activity and not to the same people).

Export of goods from the Republic of Croatia outside the European Union (to third countries) shall be exempt from VAT.

DELIVERY OF GOODS TO THE EU MEMBER STATES:

The taxpayers who carry out deliveries of goods to other EU member states (and the acquisition of goods within the EU) need the VAT identification number so that they can operate on the single market.

The delivery of goods within the EU shall be exempt from VAT provided that the good has left the territory of the Republic of Croatia, that the customer is a taxpayer who has a valid VAT ID number in his/her member state and that the same is included in the invoice.

A supplier can check the tax status of a customer in the VAT Information Exchange System (VIES).

If the customer is a legal person in another Member State who has no VAT identification number (small taxpayer, state body, etc.) or final consumer (citizen), the principle of the country of origin shall apply, which means that the Croatian taxpayer shall be obliged to calculate Croatian VAT on the delivered goods (except in the case of the new means of transport and excise products, when the taxpayer is always the acquirer).

However, if the taxpayer crosses or gives up from the threshold of delivery prescribed by other EU member states, he/she shall be obliged to register for VAT purposes in that EU Member State and calculate VAT on all further deliveries in that country. The same shall apply to foreign taxpayers who supply goods to citizens and persons who are not taxpayers in the Republic of Croatia. The threshold of delivery in the Republic of Croatia amounts to HRK 270,000.00.

THE ACQUISITION OF GOODS WITHIN THE EU:

A Croatian taxpayer, who has acquired goods within the EU for the purposes of business, shall calculate VAT himself/herself.

If the taxpayer (the acquirer) does not submit the VAT identification number, the supplier of goods from another EU Member State shall calculate value added tax in accordance with the regulations of his/her country (where the acquirer is not exempt from VAT in the Republic of Croatia). For the acquisition of goods from other EU Member States, tax liability and the right to input tax shall be stated for the same accounting period to the tax payers who carry out taxable supplies with the right to deduct input tax, only in clearing without cash flow.

When goods from other EU Member State are acquired by taxpayers, i.e. small taxpayers, taxpayers who carry out exclusively exempt supplies without the right to deduct input tax and who are not entered in the register, as well as legal entities which are not taxpayers, important is the threshold of acquisition which amounts to HRK 77,000.00. VAT shall be charged to the above listed taxpayers in other EU Member State. In the event that they cross the threshold of acquisition, they shall be obliged to request a VAT ID number on the basis of which a supplier from other EU Member State shall not charge them VAT, but they shall be required to calculate and pay VAT on the acquisition of goods in the Republic of Croatia. Here, VAT is not just an accounting category, but there comes to a physical payment of VAT on the acquisition which these taxpayers cannot refuse because they are not entered in the Register of VAT Taxable persons.

The obligation to charge VAT on the acquisition of goods within the EU

is due at the time of issuing the invoice, or no later than 15 days after the month in which the taxable event occurred.

The general principle in taxation of services according to the Law on VAT is that services provided to the taxpayer acting as such shall be taxed by the seat of the service recipient (the transfer tax liability), and services provided to a person who is not a taxpayer shall be taxed according to the headquarters of the taxpayer who provided the service.

When it comes to provision of services in which domestic taxpayer charges the domestic recipient, the taxpayer is the service provider because the inland shall be considered one place of supply of service. The general rule of taxation of services provides for a number of exceptions relating to:

intermediary services, services related to real estate, transportation services, cultural services and culture related services, support services in transport and services related to movable goods, food preparation services and supply services to prepared food and beverages, rental of means of transport and other services (transfer and assignment of copyrights, patents, licenses, advertising services, services of consultants, engineers, lawyers, accountants, translators, data processing services, providing access to the system for natural gas, telecommunication services, electronically rendered services and others - when provided to persons who are not taxpayers, and have their headquarters / residence outside the EU). The tax base at the delivery of goods and provision of services is the fee which shall include everything that the supplier has received or is about to receive from the customer or other person for these supplies, including amounts of subsidies directly linked to the price of delivered goods or services.

The tax base shall include the amounts of taxes, customs duties, taxes and similar charges, but excluding VAT and indirect costs (such as commissions, packaging costs, transport costs and insurance costs which the supplier of goods or services shall charge to the customer or recipient). The tax base shall not include price reductions, discounts for early payments and discounts that may be approved to the customer at the time of delivery, amounts that the taxpayer charges or receives as a refund for expenses that were paid on behalf of the customer and that he enters into the records as transitional items and the cost of return packaging (of which separate records are kept). The tax base at the acquisition of goods within the EU is the fee for the delivery of goods as defined in the country, while the purchase price shall include the amount of excise duty. When importing goods into the EU, the tax base shall be considered the customs value determined under the customs regulations.

In the system of value added tax, the taxation period shall be from the first to the last day of the month or the quarter.

The limit value for determining the three-month accounting period amounts to HRK 800,000.00 (depending on the value of goods and services delivered in the previous period of taxation), unless an entrepreneur carries out transactions with the EU Member States, in which case he/ she becomes a monthly VAT taxpayer.

The taxpayer must on his own establish for the accounting period the tax liability and demonstrate it in the VAT application, which lists all the data for the calculation of VAT, the total value of taxable transactions and the amount of VAT and input tax at the rates of VAT, and the total value of exempt transactions and transactions not subject to taxation. A taxpayer who in the accounting period has the right to deduct input tax whose amount is higher than his tax liability shall be entitled to refund of the difference (or transfer it into the following accounting period) and vice versa, i.e. if the tax liability is higher, then the calculated tax shall be paid. The obligation to charge VAT shall arise when a taxable event occurs, or when goods are delivered or services rendered. Exceptionally, the calculation on the basis of received considerations may be applied by taxpayers with headquarters, permanent establishment, domicile or habitual residence in the country, who in the previous calendar year completed delivery of goods and services, excluding VAT, which were not higher than HRK 3 million. Calculation of VAT by the charged realisation shall not apply to supplies to the EU.

The Republic of Croatia applies three rates of value added tax:

- 25% - general rate
- 13% - on the services of accommodation or accommodation with breakfast, half board or full board in hotels or facilities of similar purposes, including accommodation during the holidays, rental space in the camps for vacation or in places designated for camping and accommodation in nautical tourism
- newspapers and magazines by a newspaper publisher who has the statute of the media (and to those publishers that are not prescribed with the obligation of making the statute media), except for

those covered by the tax rate of 5%, printed on paper coming out periodically, and except for those which wholly or for the most part contain ads or serve advertising

- edible oils and fats of vegetable and animal origin
- baby car seats, baby foods and processed cereal-based foods for infants and young children
- delivery of water, except for water that is put on the market in bottles or other containers (public water supply and public drainage according to a special regulation)
- concert tickets
- delivering electricity to the other deliverer or to the final user, including fees related to that delivery
- public service of collecting mixed communal waste, biodegradable waste and separate waste collection according to special regulations
- urns and coffins
- seedlings and seeds
- fertilizers, pesticides and other agrochemicals
- animal and pet food
- 5% - on all kinds of bread and milk, books with professional, scientific, artistic, cultural and educational content, textbooks for pedagogical education and training, for primary, secondary and higher education, in all physical forms
- medicines that are prescribed by a doctor and which have the approval of the competent authority for medicines and medical products
- medical equipment, aids and other devices used to mitigate the treatment of disability solely for the personal use of disabled, prescribed by the Regulations for orthopedic and other aids of the Croatian Institute for Health Insurance
- cinema tickets
- newspapers by a newspaper publisher which has the statute of media, printed on paper, that come out daily, except those which wholly or in a major part contain advertisements or serve advertising
- scientific journals.

A taxpayer with headquarters in another EU Member State shall appoint a tax representative as the person who shall perform all operations in connection with the assessment and payment of taxes in the Republic of Croatia, while the taxpayer with headquarters in third countries must appoint a tax representative in order to pay VAT.

TAX EXEMPTIONS ARE DEFINED FOR:

- certain activities of public interest (for example: universal postal service and related deliveries – with the exception of passengers transport and telecommunications – hospital care, dental technician services, culture services etc.)
- other activities (insurance and re-insurance transactions, investment funds management, delivery of edifices and edifices parts, delivery of related lands – with the exception of delivery before the first settlement and use, or the delivery with the date of first settlement and use until the date of next delivery is less than two years – land delivery – with the exception of construction land – renting accommodation spaces etc.)
- delivery of goods within the EU (goods transported to the other member country or to the other legal entity who is not a taxpayer, but acts as such in that other member country etc.)
- acquiring goods within the EU (if the delivery of those goods, within the country, was done by a taxpayer and is VAT free etc.)
- certain transport services (international passengers transport service, with the exception of road and railway transport)
- in case of import (final import of goods for which the delivery, done by a taxpayer, was VAT free on the territory of the Republic of Croatia in all cases, import of non-commercial goods in form of small packages, fair and exhibitions goods delivery, goods from third countries transported to the Republic of Croatia, if those goods were delivered by the importer or a taxpayer within the EU shortly after the import, applying the VAT exemption in accordance to the Article 41 Paragraph 1 of this Act, etc.)
- in case of export (delivery of goods done by the deliverer or the other person on their own account, or done by the buyer or the other person, who resides outside of the Republic of Croatia, on their own account, form the Republic of Croatia to the territory outside of the European Union, with the exception of fuels and goods for the supply of any private means of transport etc.)

- in case of performing services on movable property
- in relation to public transport (delivery of fuels and goods for the supply of vessels used for sailing in the open sea or for the transport of passengers, with the additional fee, or if used for the commercial and industrial needs, as well as for saving lives and offering help at sea, delivery, re-purposing, repair, maintenance, renting and hiring vessels, as well as delivery, renting, repair and maintenance of the included or used equipment etc.)
- for the transactions related to international trade
- certain deliveries equalized with the export

TAX REFUND TO FOREIGN ENTREPRENEURS

The taxpayer who is not established in the EU, does not have a permanent establishment from which the services are supplied, or residence, shall be entitled to a refund of VAT which was charged by other taxpayers in the Republic of Croatia for supplied mobile goods and services, or who was charged on importation into the Republic of Croatia. The right to a refund shall be granted under the condition that a domestic taxpayer shall also be entitled to a tax refund in the country of origin of the applicant. The right to a refund shall enjoy the taxpayers who, in the period for which they request a refund, did not provide deliveries of goods and services for which the place of taxation is the country, except for transport and transport-related services that shall be exempt from VAT under the Law and services, for which the person to whom the services were rendered shall be obliged to pay VAT.

To obtain a VAT refund, foreign entrepreneurs shall submit a request for VAT refund to the Tax Administration, Zagreb branch office, at the latest by 30 June of the calendar year after the year to which the request refers. The amount of VAT to be recovered shall not be less than HRK 3,100.00 if the refund refers to a period shorter than one year, and if it refers to one year, it shall not be less than HRK 400.00.

The taxpayer with headquarters in another Member State shall be entitled to a refund of the calculated VAT on goods and services that were supplied to him, or provided by domestic taxpayers or for goods imported into inland. The following conditions must be met: that during the period of refund they did not have headquarters, permanent establishment or residence in Croatia, that they did not deliver goods or services in the country, except for transport and transport-related services exempt from VAT and services and the supply of goods to the recipient for which the resident entrepreneur was obliged to charge VAT.

Domestic taxpayers shall also be entitled to a refund of VAT generated in other EU Member States. The application shall be submitted no later than 30 September of the current year for the previous year, and the right to a refund do not have entrepreneurs who are not VAT payers, who provide only exempt supplies or apply exemption related to small taxpayers.

SPECIAL TAXATION PROCEDURE APPLICABLE TO TRAVEL AGENCIES

The special taxation procedure of travel agencies shall apply to the operations of travel agencies if they operate with travellers on their own behalf and use services and delivery of goods of other tax payers for provision of travel services. The procedure shall not applicable to the travel agencies which operate only as mediators, i.e. act on somebody else's behalf and account.

The procedure comprises the taxation of the margin, i.e. the difference in price which the particular agency realises in operations with travellers in the case when it uses the services of other tax payers who provide them directly to travellers. The special taxation procedure of travel agencies which provide their services to travellers on their own behalf and obtain such services from other tax payers shall be obligatory. Such agencies cannot choose the regular taxation of such services. It should be taken into account that such a way of taxation, i.e. VAT calculation, comprises only the services rendered to a traveller, i.e. a physical person in the European Union. The procedure shall not apply when the agency is acting only as intermediaries i.e. when operating in someone else's name and for the account of another.

The provision of services by travel agencies in relation to the traveler is a unique service that shall be taxable according to the seat or permanent establishment of the travel agency providing travel services.

The tax base shall be the difference in the price of travel agencies, i.e. the difference between the total amount (excluding VAT) paid by the traveler and the actual costs of the agency for the delivery of goods and services that are provided to the agency by other taxpayers. It is essential that transactions were carried out directly to the traveler.

Travel agencies cannot use the prepayment of bills charged by other taxpayers.

A unique travel service shall be exempted from VAT for the supply of goods and services directly to consumers, which are carried out outside the EU. When these transactions are executed both inside and outside the EU, only a part of the travel agency services relating to transactions outside the European Union shall be exempt from VAT.

The tax position of accommodation in commercial catering establishments shall determine the location where the property is located.

SPECIAL PROCEDURE OF MARGIN TAXATION

The special procedure of margin taxation, i.e. the difference in price, shall be applied to the delivery of used goods, works of art, collectible or antique items which are provided by a reseller (taxpayer).

The special procedure of margin taxation shall not apply to supplies of the new means of transport to another EU Member State.

The tax base for supplies that are taxed under the special procedure of margin taxation shall be the margin which is equal to the difference between the selling and purchasing price of the goods delivered, reduced by the amount of VAT calculated in that margin.

The basic rule referring to the tax treatment in margin taxation is that the reseller who uses the special procedure in margin taxation cannot deduct tax from VAT which he shall be obliged to pay and which he was charged with by another reseller for the goods delivered, if the procedure of margin taxation was applied to the delivery of the goods.

The reseller may apply the special procedure of margin taxation if he/she was delivered the goods by:

- taxpayers who carry out exempt supplies under Article 40 paragraph 2 of the Law on VAT,
- persons who are not taxpayers,
- small entrepreneurs who have not yet achieved a turnover in excess of HRK 230,000.00 and are entered in the Register of VAT payers,
- another reseller whose supply is taxable by the special procedure of margin taxation.

The reseller may freely apply the regular taxation procedure (acknowledges pre-tax, charges VAT) for any delivery of goods for which the special procedure of margin taxation is prescribed.

EXCISE AND SPECIAL TAXES

The Croatian excise system is regulated by the Law on Excises which determines taxation of alcohol and alcoholic beverages, tobacco products, energy products and electricity. Besides these products, the Republic of Croatia shall also tax and other products, eg. coffee, soft drinks and motor vehicles.

The excise duty payer shall be a person who is liable to pay excise duty, as follows:

- authorised warehousekeeper, a registered recipient, any person who releases the excise goods or a person for whose account the excise products are released from the system of deferred payment,
- importer of excise products,
- manufacturer of excise products outside the system of deferred payment,
- recipient of excise products already released for consumption in another Member State, and which are held in the Republic of Croatia for commercial purposes, a person who delivers or holds excise goods for delivery,
- seller from another Member State, or his tax representative in distance selling, and other law prescribed persons.

The liability to calculate excise duty shall arise with the release of excise goods for consumption on the territory of the Republic of Croatia, whereas the excise duty payer shall calculate and pay excise duty in accordance with the prescribed excise tax basis and the rates, i.e. the amounts that are effective on the date when the obligation of charging excise duty occurs.

At the importation of excise goods into the territory of the Republic of Croatia, the liability to charge excise duty arises on the day when the customs debt occurs in accordance with the customs regulations concerning the calculation and collection of customs debt, except in cases when charging the excise duty is deferred pursuant to the Law.

The obligation of calculation and payment of excise duty arises also with the identified irregularities.

The excise duty payer must register the calculated excise duty in the daily calculation of excise duty which shall be submitted twice a month to the competent customs office according to their headquarters or the

place of residence, for the period from 1st to 15th of the month until 20th day of the same month, and for the period from 16th to the last day of the month by the 8th day of the following month. Charged excise duty must be paid no later than 30 days from the date when the obligation of charging excise duty occurred.

Excise duty shall not payable on excise products intended for:

- official purposes of diplomatic and consular missions and special missions accredited to Croatia, under the principle of reciprocity, except for consular representations headed by honorary consular officials,
- personal needs of staff of foreign diplomatic and consular missions,
- needs of international organizations, when determined so by an international treaty binding the Republic of Croatia,
- personal needs of foreign staff of international organizations,
- consumption in accordance with an international agreement that the Republic of Croatia concluded with another country or international organization, if such agreement for the delivery of excise products provides for exemption from payment of value added tax,
- needs of the armed forces of other NATO Member States or their accompanying civilian staff or for supplying their canteens and restaurants.

Excise duty shall not payable on excise products that are sold on ships and aircrafts during the voyage or flight to third countries, products that are sold in separate stores of customs and excise warehouses in airports and ports open to international traffic of passengers traveling to third countries, on products that the traveler enters in the personal luggage from a third country or third territory which is subject to exemption, on products that a natural person from a third country or third territory sends in small consignments, of non-commercial value, free of charge, to a natural person in the Republic of Croatia.

An authorised warehousekeeper, a registered recipient and an exempt user shall be exempt from paying excise duty on excise products:

- to be used as samples for the analysis of test products, ie. for scientific purposes,
- to be used for quality control,
- to be used for the purposes of excise duty control,
- that are destroyed under customs supervision,
- for established losses or shortages that are proven to be attributable to unforeseen events or force majeure, or which are inextricably linked to the properties of the product produced during the production, storage and transportation.

ALCOHOL AND ALCOHOLIC BEVERAGES

Alcohol and alcoholic drinks shall be deemed to include: beer, wine, other beverages obtained by fermenting other than beer and wine, intermediate products and ethyl alcohol. The amount of excise duty depends on the product:

- excise duty on beer shall be paid in the amount of HRK 40.00 for one percent of the volume fraction of pure alcohol contained in one hectolitre of the finished product,
- excise duty on still and sparkling wines shall be paid in the amount of HRK 0.00,
- excise duty on other beverages obtained by fermenting other than beer and wine shall be paid in the amount of HRK 0.00,
- excise duty on intermediate products with an actual alcoholic strength by volume of 15% and more shall be paid in the amount of HRK 800.00 per one hectolitre of the finished product,
- excise duty on intermediate products with an actual alcoholic strength by volume of less than 15% shall be paid in the amount of HRK 500.00 per one hectolitre of the finished product,
- excise duty on ethyl alcohol shall be paid in the amount of HRK 5,300.00 per one hectolitre of pure alcohol.

The law prescribes exemptions from excise duty, specifically for denatured alcohol and alcohol and alcoholic beverages that are used in the manufacture, production processes and processing of non-food products, production of medicines, production of vinegar, for medical purposes in hospitals, pharmacies, for scientific and research or teaching purposes at faculties, institutes and other research institutions using alcohol to perform their scientific and teaching activities.

In the excise system, a “small distillery” institute was introduced, with annual production of up to 10 hectolitres of pure alcohol, for which a reduced excise rate is applied, 50% in relation to excise duty prescribed for ethyl alcohol (2,650.00 HRK).

TOBACCO PRODUCTS

The tobacco products shall be deemed to include: cigarettes, cigars, cigarillos and smoking tobacco, as well as vaporizers, heated tobacco products and e-liquids.

The tobacco products must be marked with tobacco stamps of the Ministry of Finance of the Republic of Croatia pursuant to the provisions of the Law.

The excise duty calculation base for cigarettes shall be 1000 pieces and the retail selling price. Excise duty on cigarettes amounts to:

- specific excise duty of HRK 275.00 for 1,000 cigarettes,
- proportional excise duty of 36% of the retail selling price

The minimum excise duty on cigarettes shall amount to HRK 671.00 for 1000 cigarettes. The excise duty calculation base for cigars and cigarillos shall be 1000 pieces. Excise duty shall be determined as the specific excise duty stipulated in a defined amount for the quantity of 1000 pieces and shall amount to HRK 600.00.

The excise duty calculation base for fine-cut tobacco and other smoking tobacco shall be one kilogram. Excise duty shall be determined as the specific excise duty stipulated in a defined amount for one kilogram, as follows:

- HRK 600.00 for one kilogram of fine-cut tobacco
- HRK 600.00 for one kilogram of other smoking tobacco
- HRK 600.00 for one kilogram of heated tobacco products
- HRK 600.00 for one kilogram of new tobacco products

The retail selling price of tobacco products for every single product that is released for consumption in the territory of the Republic of Croatia shall be determined by the manufacturers or their representatives or authorised agents in the Republic of Croatia and importers, except for the authorised excise warehousekeepers who perform sale in separate stores of excise warehouses in airports to passengers traveling to another EU Member State. The retail selling price shall also be including excise duty, customs duty and value-added tax.

Excise duty on tobacco products shall not be paid on the products intended exclusively for scientific research and product quality testing.

ENERGY PRODUCTS AND ELECTRICITY

Products subject to excise duty shall be deemed energy products provided that they are intended to be used as a motor fuel or as a heating fuel, and electricity. The term “energy products” shall deem all petroleum products and biofuels, solid fuels (coal, coke), natural gas and all other products, if used for powering motor vehicles or heating.

The excise duty basis for energy products shall be 1,000 kg net weight Gigajoule gross calorific value, or 1,000 liters measured at the temperature of + 15°C.

The excise duty basis for electricity shall be the quantity of electricity measured in megawatt hours.

The level of excise duty shall be determined as follows:

- gas oil for motor fuels is HRK 3,060.00 / 1000l, and for heating HRK 423.00/1000 l
- kerosene-petroleum for motor fuels is HRK 2,660.00/1000 l
- LPG (liquid petroleum gas) for motor fuels is HRK 100.00/1,000 kg, and for heating HRK 100.00 /1000 kg
- natural gas for motor fuels is HRK 0.00/MWh, for heating for business use HRK 4.05/MWh, and for heating for non-business use of HRK 8.10/MWh

The level of excise duty for motor gasolines used as motor fuels:

- leaded gasoline HRK 4,500.00 / 1000l, and for unleaded HRK 3,680.00 /1000 l
- heavy fuel oil HRK 160.00 /1000 kg
- excise duty on electricity used for business purpose HRK 3.75/MWh, and for non-business purpose of HRK 7.50/MWh
- coal and coke for the business and non-business use is HRK 2.30/Gj.

Excise duty shall not be paid, among other things, on the energy products used as a motor fuel in air navigation and voyage, with the exception of use for private purposes, and on the energy products that the producer of energy products and electricity uses at its own production facilities for further processing.

SPECIAL TAX ON COFFEE AND NON-ALCOHOLIC BEVERAGES

Products subject to special tax shall be deemed to be coffee (roasted coffee, extracts, essences, preparations, supplements and non-alcoholic beverages containing coffee) and non-alcoholic beverages (water, including mineral, aerated and with added sugar, other beverages with

an alcohol content not exceeding 1.2%, syrups, concentrates, powders and granules) which are placed on the market of the Republic of Croatia. The payer of the special tax shall be an authorised holder of the tax warehouse, a producer and trader outside the system of deferred payment, a recipient and a person who is found to have illegally treated the subject of taxation in the Republic of Croatia.

The taxpayer shall be required to calculate and pay the special tax in accordance with the prescribed tax bases and rates in force at the date of calculation of the special tax liability.

The obligation of calculation and payment of the special tax shall occur at placing the subject of the special tax on the market in the Republic of Croatia, as follows:

- at the time of production or release from the system of deferred payment,
- at the time of importation, entry or receipt outside the system of deferred payment,
- when the lack or loss is established in the tax warehouse or during the movement within the system of deferred payment, except for losses caused by force majeure,
- on the date of expiry of an approval for business within the system of deferred payment,
- where any illegal treatment has been documented.

The special tax basis for coffee shall be one kilogram of net weight, and the special tax shall be paid:

- HRK 6.00/kg for roasted coffee, and HRK 20.00/kg for extracts, essences and concentrates
- HRK 6.00/kg for roasted coffee in the finished product and HRK 20.00 for extracts, essences and concentrates of coffee contained in the finished product.

The special tax basis for non-alcoholic beverages shall be one hectolitre, and the special tax shall be paid in the amount of HRK 40.00 /he for water and other beverages with an alcohol content not exceeding 1.2%, HRK 240.00/he for syrups and concentrates and HRK 400.00/100 kg net for powders and granules.

Special tax shall not be paid on the subjects of taxation that a natural person produces, enters or imports in the personal luggage in amounts that are considered not to be intended for commercial use. Special tax shall not be paid on products which are sold on ships and aircrafts during the voyage or flight to third countries or other EU Member States. The person who in furtherance of business activities exports or removes the subjects of taxation from the Republic of Croatia upon which the special tax has been paid shall be entitled to a refund of the special tax in the amount of the special tax paid for the subjects of taxation in the Republic of Croatia.

SPECIAL TAX ON MOTOR VEHICLES

Subject of special tax shall be deemed to motor vehicles for which no special tax was paid in the Republic of Croatia and which are registered in accordance with special regulations: passenger cars and other motor vehicles principally designed for the transport of persons, including motor vehicles of station wagon, van and racing cars, motorcycles, mopeds, bicycles and similar vehicles with or without sidecar, “pick-up” cars with double cab, “ATV” (all-terrain vehicles) vehicles, other motor vehicles converted into the listed vehicles.

The taxpayer shall be the purchaser or acquirer (natural or legal person). The special tax shall be determined on the basis of a selling, i.e. market price of the motor vehicle, emissions of carbon dioxide (CO₂) expressed in grams per kilometer, the volume of the engine in cubic centimeters and the level of emissions.

The tax base for determining the special tax on new motor vehicles shall be the selling price, i.e. market price for used motor vehicles. Special tax on used cars is paid in the amount of the rest of the special tax, determined according to the percentage of value of the motor vehicle market in Croatia.

Special tax for passenger cars, other motor vehicles designed to transport persons, “pick-up” double cab vehicles shall be paid depending on the fuel type, according to the following: PP = (ON + EN) + PC, where PP means “special tax in HRK”, ON means “basic fee in HRK”, according to the Table 2 or Table 3.

TAX BASE - SELLING PRICE (kn)		SPECIAL TAX
More than	Up to	%
0	100,000.00	1
100,000.00	150,000.00	2
150,000.00	200,000.00	4
200,000.00	250,000.00	6
250,000.00	300,000.00	7
300,000.00	350,000.00	8
350,000.00	400,000.00	9
400,000.00	500,000.00	15
500,000.00	600,000.00	20
600,000.00		25

DIESEL FUEL EMISSION OF CO ₂ (g/km)			BASIC FEE IN HRK	HRK AMOUNT FOR 1 g/km CO ₂
70	-	85	185	55
85	-	120	1,010	175
120	-	140	7,135	1,150
140	-	170	30,135	1,250
170	-	200	67,635	1,350
200	-		108,135	1,450

GASOLINE, LIQUID PETROLEUM GAS, NATURAL GAS AND OTHER FUELS, WITH THE EXCEPTION OF DIESEL FUEL EMISSION OF CO ₂ (g/km)				BASIC FEE IN HRK	HRK AMOUNT FOR 1 g/km CO ₂
Group 1	75	-	90	95	35
Group 2	90	-	120	620	135
Group 3	120	-	140	4,670	450
Group 4	140	-	170	13,670	700
Group 5	170	-	200	34,670	1,200
Group 6	200	-		70,670	1,300

Special tax on motorcycles, bicycles and similar vehicles, “ATV” vehicles and other converted vehicles shall be paid in a percentage of the tax base on the basis of the price of a motor vehicle depending on its motor volume (from 2.5% for motor volume from 51 to 125 cm³ and up to 5.5% for motor volume of 1001 cm³) and the percentage of the tax base pursuant to the level of emissions (Euro III -5%, Euro II 10%, Euro I -15%) by adding up the amounts thus obtained.

Special tax shall not be payable on motor vehicles which are exclusively driven by the electric drive.

For “plug-in” hybrid electric vehicles, the amount of the special tax determined under this Article shall be reduced by the percentage that corresponds to the mileage in kilometres in a fully electric mode.

For caravan vehicles, the amount of the special tax determined under this Article shall be reduced by 85%.

Motor vehicles exclusively powered by electric propulsion, motor vehicles whose emission of carbon dioxide (CO₂) equals 0 grams per kilometre and motor vehicles manufactured 30 years ago and earlier, which are, in accordance with special regulations, classified in the oldtimer category, are not subject to taxation.

THE TAX ON LIABILITY AND COMPREHENSIVE ROAD VEHICLE INSURANCE PREMIUMS

Taxpayers shall also be considered insurance companies that make contracts with legal entities and natural persons and collect premiums for liability and comprehensive road vehicle insurance, directly or indirectly, via an agent or a representative. The tax base for assessment of tax on comprehensive road vehicle insurance premiums shall be an insurance premium that an insurance company quotes a natural person or legal entity when making a contract on the comprehensive road vehicle insurance.

Tax rates shall be, as follows:

- 15% of the contractual obligatory motor vehicle insurance premium,
- 10% of the contractual comprehensive motor vehicle insurance premium.

REAL ESTATE TRANSFER TAX

The subject of taxation shall be any acquisition of real estate ownership in the Republic of Croatia (purchase, exchange, inheritance, donation, inclusion or exclusion of properties from a company, the acquisition of a property by adverse possession, acquisition of a property in the process of liquidation or bankruptcy and on the basis of a ruling of a court). The acquisition of a newly built real estate that is taxed according to the Law on VAT shall not be considered the transfer of real estate.

The taxpayer of real estate transfer tax shall be the acquirer of a real estate, and the taxable base shall be the market value of a real estate at the moment of its acquisition. Real estate transfer tax shall be paid at the rate of 4%. The tax liability shall be incurred at the moment of the contracting of an agreement or other legal activity through which real estate is acquired, and shall be reported to the Tax Administration no later than 30 days from the date of its incurrence.

As an exception, the subject of VAT taxation shall be deemed to be supplies of buildings or parts and building lands on which they are located when the same are sold before the first settlement (use) or when no more than two years have elapsed since the date of the first settlement (use) up to the date of next supply and supply of building lands that provide taxpayers.

The taxable supply of real estates shall be deemed to be the delivery of reconstructed buildings or parts and building lands on which they are located if the costs of their reconstruction in the last two years, before their delivery, were 50% higher than the selling price.

The Law prescribes certain exemptions from payment of real estate transfer tax - general exemptions, tax exemptions on merger of a real estate into a company, tax exemptions for inheritance, donation, other acquisitions of property without charge and other exemptions.

FOREIGNERS AND REAL ESTATE ACQUISITION

Since 1 February 2009, citizens and legal entities from the EU Member States may acquire ownership rights over property in the Republic of Croatia under the same conditions as Croatian citizens, only with the fulfillment of the general conditions for the validity of a legal transaction. For these people restrictions remain in place on the acquisition of title to real property in the case of agricultural land and protected natural areas. For other foreign nationals, general (valid legal activity) and special conditions (reciprocity and approval of the Minister of Justice) continue to apply to the acquisition of ownership rights over real estate on the territory of the Republic of Croatia.

If foreign natural persons (non-EU citizens) and legal persons not established in the EU member states acquire ownership of real estate in the Republic of Croatia on the basis of a valid decision on inheritance or on the basis of a final judgment, the prior approval of the Minister of Justice shall not be required.

Foreign legal entities and natural persons at acquisition of properties in the Republic of Croatia shall pay real estate transfer tax at the rate of 4%. Foreign persons who acquire ownership of real property on the territory of the Republic of Croatia shall enter their ownership rights into the relevant land registry books - official records books. Given that the issue is of a registration of ownership rights into the official records books, the foreign person shall be prior issued and assigned a personal identification number (PIN). For this purpose, a foreign person shall submit a request to the branch office of the Tax Administration (the competent Tax Administration office according to the location of the real estate) which shall determine and assign the personal identification number. Only after the grant of the personal identification number, the ownership rights over real estate can be entered in the land registry books.

GAMES OF CHANCE

The games of chance are those games which for a certain amount of payment enable participants an opportunity to acquire gain in money, goods, services or rights. The right of organising games of chance, in addition to Croatian Lottery Ltd., can acquire other companies having their seat in the Republic of Croatia.

The games of chance are classified into four groups:

- lottery games
- games in casinos
- betting
- slot machine games

For conducting of lottery games, the conductor shall pay a monthly fee in the amount of 10% of the basis which in all forms of lottery makes the total value of sold lottery tickets, or the total value of payments received for a particular game of chance.

The tax on winnings from lottery games shall be paid by natural persons

who acquire winnings from games of chance. The tax calculation base for financial winnings shall be the amount of money of a particular winning, whereas the tax base for other prizes related to things, services or rights shall be the market value of goods, services or rights that make up the individual prize.

Tax on winnings shall be paid at the rate of 10% on winnings up to HRK 10,000.00, at the rate of 15% on winnings above HRK 10,000.00 up to 30,000.00, at the rate of 20% on winnings above HRK 30,000.00 up to 500,000.00, and at the rate of 30% on winnings over HRK 500,000.00. The tax on winnings shall be calculated and charged at the payout of winnings, whereas the calculation and payment shall be done by the conductor of games of chance.

COUNTY TAXES

The tax on inheritances and gifts shall be paid by a legal entity or natural person that inherits or receives as a gift property, cash, cash claim and securities or movable property if their individual value is higher than HRK 50,000.00 on the day the tax liability is determined. The tax on inheritances and gifts shall not be paid if VAT is charged on the inherited or gifted movables. The tax on inheritances and gifts shall be paid at the rate of 4%, while the tax base for inheritances and gifts is the amount of cash and the market value of financial and other assets, on the day of the tax liability is determined, after deduction of debts and costs that relate to the assets on which the tax shall be paid. The tax base for inheritances and gifts shall be determined by the competent tax authority.

The tax on road motor vehicles is defined when the vehicle is registered. The tax amount depends on the engine power and the age of the vehicle: for passenger cars in the minimum amount of HRK 200.00 up to HRK 1,500.00, and for motorcycles in the minimum amount of HRK 50.00 to the maximum of HRK 1,200.00. Taxperson is the owner of the vehicle or the person registered in vehicle license.

The tax on vessels shall be paid by a legal entity or natural person that is the owner of a registered vessel. The tax shall be paid annually according to the decision of the competent tax authority on the territory in which the vessel is registered not later than 15 days from the delivery of the decision on determining the tax liability.

The level of the tax determined by the decision depends on: the length of the vessel expressed in meters, the age of the vessel, its engine power in kW and whether or not the vessel has a cabin and is powered by sails.

The level of tax on vessels (depending on the length and strength):

- from HRK 100.00 up to HRK 600.00 – for vessels without cabin
- from HRK 200.00 up to HRK 5,000.00 - for vessels with a cabin
- from HRK 200.00 up to HRK 4,000.00- for vessels with a cabin and powered by sails.

The tax on vessels shall not be paid on the vessels performing a registered activity and boats owned by local population on the islands that are used for necessary organization of life and maintenance of visits to the islands.

Tax on coin operated machines for games for amusement shall be paid by a legal entity or natural person who puts coin operated machines for amusement in use in entertainment clubs, catering facilities, public facilities and other public premises. The tax on coin operated machines for games for amusement shall be paid monthly in the amount of HRK 100.00.

MUNICIPAL TAXES

The taxpayers liable to **surtax on income tax** are natural persons who have a domicile or a common residence in the area of a city/municipality that has prescribed the obligation to pay the tax.

The taxpayer liable to **the consumption tax** is a natural person or legal entity that provides catering or hospitality services. The consumption tax shall be paid on the consumption of alcoholic beverages (brandy, and brandy spirits), natural wines, special wines, beer and non-alcoholic beverages sold in catering facilities. The tax rate is prescribed by a city or municipality, and cannot be higher than 3%.

The taxpayer liable to **tax on holiday houses** is a natural person or legal entity that is the owner of a holiday home. The tax base is a square meter of usable area, and the tax shall be paid in an annual amount prescribed by a city or municipality. The level of tax on holiday houses varies between HRK 5.00 and HRK 15.00 per square meter of usable area.

Tax on the use of public land shall be paid by a legal entity or natural person that makes use of public land under the conditions prescribed by a municipality or city. What is to be considered public land, as well as the level of tax, shall be prescribed by a city or municipality through its decision.

CREDIT INSTITUTIONS

Credit institution having its seat in the Republic of Croatia is a legal entity to which the Croatian National Bank has granted an approval for operation, and can be established as a bank, savings bank or building society.

The operating license contains an authorisation to provide banking services, and may also contain authorisation for the provision of basic and additional financial services (authorisation to provide financial services).

The initial capital of a bank amounts to minimum HRK 40 million, of a savings bank at least HRK 8 million, and of building societies at least HRK 20 million.

A credit institution is a joint stock company. Shares of the credit institution must be registered and issued in a dematerialised form. Shares of the credit institution must be fully paid in cash before its establishment or the registration of the increase of the share capital in the court register, with exceptions provided by the law.

Banking services are the acceptance of deposits or other repayable funds from the public and granting of loans for own account from these funds.

Banking services within the territory of the Republic of Croatia shall be provided by:

- a credit institution having its seat in the Republic of Croatia to which the Croatian National Bank has granted an approval for provision of banking services,
- a credit institution of an EU Member State which, in accordance with the Law, establishes its branch in the Republic of Croatia or is authorised to directly provide banking services within the territory of the Republic of Croatia, and
- a subsidiary of a credit institution from a third country to which the Croatian National Bank has granted an approval for provision of banking services within the territory of the Republic of Croatia.

The basic financial services include: receiving deposits or other repayable funds; lending loans and borrowings, including consumer loans and borrowings, mortgage loans and borrowings, where permitted by a special law, and financing of commercial transactions, including export financing based on the purchase at a discount without recourse of long-outstanding receivables secured by financial instruments (Eng. forfeiting); factoring with or without recourse (Eng. factoring); financial leasing (Eng. leasing); issuing guarantees or other commitments; trading for own account or for the account of the client (in money market instruments, transferable securities, foreign currencies, including exchange transactions, financial futures and options, currency and interest rate instruments); payment services in accordance with special laws; services related to lending operations, e.g., data collection, analysis and provision of information

on creditworthiness of legal and natural persons who conduct business activities independently; issuance of other payment instruments and their management (in accordance with the Law); safe custody services; mediation in concluding transactions in the money market; participation in the issuance of financial instruments and the



provision of services related to the issuance of financial instruments in accordance with the law governing the capital market; clients asset management and advising in connection with this; custodian of financial instruments and services associated with the custody of financial instruments in accordance with the law governing the capital market; legal advice on capital structure, business strategies and related questions and advice and services relating to mergers and acquisition of shares and stakes in other companies; electronic money issuing; investment and ancillary services and activities prescribed by a special law governing the capital market.

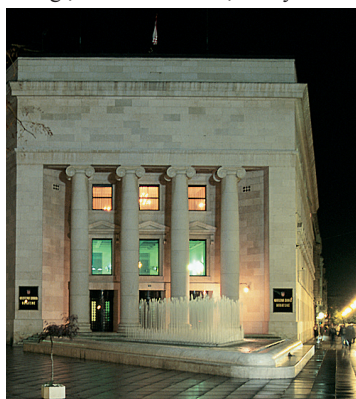
Additional financial services include: operations associated with the sale of insurance policies in accordance with the law governing insurance; the provision of management services to payment systems in accordance with provisions of special law; other services that the credit institution may provide in accordance with the provisions of special law and other services or activities which, given the way of the provision and the risk to which the credit institution is exposed, have similar features to the basic financial services listed in the operating license of the credit institution.

The State Agency for Deposit Insurance and Bank Rehabilitation provides creditors' deposits in each credit institution up to and including the height of EUR 100,000.00 in HRK equivalent value, according to the mean rate of the Croatian National Bank on the day of the insured event occurs, regardless of the number of the creditor's bank accounts, the amount of funds on them, their currency and place where these bank accounts are registered.

The Croatian Bank for Reconstruction and Development (HBOR) is the development and export bank of the Republic of Croatia. The goal of the HBOR is to encourage the development of the Croatian economy.

Through its operations, the HBOR promotes systematic, sustainable and balanced economic and social development, and its activities are primarily focused on financing of the reconstruction and development of the Croatian economy, financing of infrastructure, promotion of exports, support to the development of SMEs, environmental protection, insurance of the exports of Croatian goods and services against non-market risks. The Bank conducts its activities both directly and indirectly through banks and other legal entities.

The Croatian National Bank is the central bank of the Republic of Croatia. The goal of the Croatian National Bank is to maintain price stability. The Bank is autonomous and independent in all activities within its jurisdiction, which is reflected in the definition and implementation of monetary and exchange rate policies; holding international reserves of the Republic of Croatia and their management; issuance of banknotes and coins;



issuance and revocation of licenses and approvals in accordance with the laws governing the operation of credit institutions, credit unions, payment institutions, electronic money institutions and settlement systems, payment transactions and foreign exchange operations and operations of authorised exchange offices; performance of supervision in accordance with the laws governing the operation of credit institutions, credit unions, payment institutions, electronic money institutions and systems for settlement of payment transactions; management of accounts of credit institutions and performing payment transactions on those accounts, issuing loans to credit institutions and receiving deposits from credit institutions; regulating and improving the payment system; performing operations as provided by law for the Republic of Croatia; adoption of subordinate legislation on operations within its competence, contributing to the stability of the financial system as a whole and the performance of other tasks specified by the law.

INSURANCE

Insurance and reinsurance company is a legal entity having its seat in the Republic of Croatia, which has been granted the license to engage in insurance or reinsurance and it was approved by Croatian Financial Services Supervisory Agency, in order to conduct insurance businesses and is legally registered in the competent commercial court.

In the Republic of Croatia, insurance business can be performed by a company with its seat in the Republic of Croatia, approved by the entitled agency; mutual insurance company with its seat in the Republic of Croatia approved by entitled agency; other EU country's insurance company with the legal right to perform such business by freedom to provide services and establishment; insurance company from Swiss Confederation, approved by the competent supervisor for such business and which is legally entitled to perform insurance business through the establishment and third country's insurance company subsidiaries, approved by the entitled agency.

Compliant to the Deposit Insurance Act, reinsurance business can be performed by reinsurance companies and insurance company with its seat in the Republic of Croatia and in other EU country, by reinsurance companies from Swiss Confederation and finally by reinsurance company from the third member country.

Insurance company can be established as joint stock company, European company (Societas Europea – SE) or as mutual insurance company, while reinsurance company can be established only as joint stock company or as European company (Societas Europea – SE).

During the process of establishing insurance and reinsurance company, or during the process of business performance approval expansion, the share capital must not be lower than the amount of the absolute minimum capital threshold. The assets of the share capital of an insurance and reinsurance company must not originate from loans or credits or be loaded in any way. The share capital of the joint stock company for insurance and reinsurance cannot be less than:

- HRK 19.50 million if the company performs insurance business from only one of the classes of non-life insurance,
- HRK 28.86 million if the company performs insurance of all types of non-life insurance or certain types of non-life insurance (liability insurance for motor vehicle use, liability insurance for the use of aircraft, liability insurance for the use of vessels, other liability insurance, insurance of loans, insurance of guarantees),
- HRK 28.86 million if the company performs life insurance,
- HRK 28.08 million if the company performs reinsurance and
- sum of the amounts from articles 1 and 2 for insurance

companies which simultaneously perform activities of life insurance and general insurance.

Brokerage business can be performed by insurance or reinsurance company with its seat in the Republic of Croatia, approved by Croatian Agency For Supervision Of Financial Services, in order to perform brokerage business in the field of insurance or reinsurance, or such company of another EU member which, compliant to the Deposit Insurance Act, has the right to perform brokerage business in the field of insurance and reinsurance on the territory of the Republic of Croatia, directly or via subsidiary. The license to conduct insurance brokerage activities is issued by the Croatian Financial Services Supervisory Agency (Agency), provided that the company meets the following conditions:

- has a share capital paid in cash in the amount of HRK 200,000.00,
- has at least two insurance or reinsurance intermediaries who shall, on the basis of the employment contract, be full-time employed,
- does not constitute a related entity with an insurance company, another company for insurance and reinsurance brokerage or insurance representation company and
- it has not been finally convicted of criminal offenses under the Criminal Code.

In insurance, representation business can be performed by representation in insurance company with its seat in the Republic of Croatia, approved by Croatian Financial Services Supervisory Agency for representation in insurance activities, insurance craft company with its seat in the Republic of Croatia, approved by the Agency for the performance of representation in insurance activities and other EU member's representation in insurance company which, compliant to the Deposit Insurance Act, is entitled for the representation in insurance business on the territory of the Republic of Croatia, either directly or via subsidiary. The company for intermediation in insurance and reinsurance may in the territory of an EU Member State carry out, directly or through its branch, the activities of mediation in the insurance and reinsurance for which it has obtained the license from the supervisory authority, if it meets the conditions specified by the law of that Member State.

The company for intermediation in insurance and reinsurance of an EU Member States may perform mediation activity in the insurance and reinsurance within the territory of the Republic of Croatia either directly or through its branch. The Agency shall issue a license to the insurance representation company for the performance of insurance representation activities provided that the company meets the following conditions:

- has a share capital paid in cash in the amount of HRK 100,000.00,
- has at least one insurance agent who shall be, based on the employment contract, responsible person of the company and full-time employed,
- does not constitute a related entity with a company for intermediation in insurance and reinsurance and
- it has not been finally convicted of criminal offenses under the Criminal Code.

LEASING

Leasing company is a trading company having its seat in the Republic of Croatia and entered into the court register on the basis of an authorisation to conduct leasing operations issued by the Agency. The leasing company may be established as a joint stock company or limited liability company. The share capital of the leasing company cannot be less than HRK 1 million.

The leasing company, which meets the requirements for conducting leasing operations as mutually recognised services outside the territory of the Republic of Croatia, under the law

governing the conditions for the establishment, operation and dissolution of credit institutions and the provision of banking and / or financial services, performs leasing operations in an EU Member State in accordance with the law which regulates the conditions for the establishment, operation and dissolution of credit institutions and the provision of banking and / or financial services. The leasing company, which does not meet the conditions for conducting leasing operations as mutually recognised services outside the territory of the Republic of Croatia under the law governing the conditions for the establishment, operation and dissolution of credit institutions and the provision of banking and / or financial services, can perform these operations through a branch.

The leasing company may conduct leasing operations in a third country only through a branch. The leasing company, which meets the requirements for conducting leasing operations as mutually recognised services according to the law which regulates the conditions for the establishment, operation and dissolution of credit institutions and the provision of banking and / or financial services from an EU Member State, may conduct leasing operations within the territory of the Republic of Croatia in accordance with the law governing the conditions for the establishment, operation and dissolution of credit institutions and the provision of banking and / or financial services. The leasing company which, in accordance with the regulations of the Member State, is authorised to perform leasing operations (financial and / or operative) in that Member State and which does not meet the conditions for doing business as a financial institution that conducts such activities as mutually recognised service (financial leasing) and other conditions prescribed in accordance with the law governing the conditions for the establishment, operation and dissolution of credit institutions and the provision of banking and / or financial services, can perform these tasks (financial and / or operative) within the territory of the Republic of Croatia through its branch only.

The leasing company from a third country may conduct leasing operations within the territory of the Republic of Croatia through its branch only, and provided that it is been authorised to provide such activities in that State.

FACTORING

Factoring is a legal operation in which a provider of factoring service, based on the factoring contract concluded with a supplier and / or customer and according to it, buys factoring items with or without the right of recourse. The factoring business can be done only on the basis of the factoring contract concluded in writing. Factoring, in view of its characteristics, can be domestic or foreign, recourse or without recourse, whereas a special type of factoring is a supply (reverse) factoring.

The factoring business shall be performed by:

- a factoring company, i.e. a legal entity having its seat in the Republic of Croatia, which is registered into the court register based on the approval of the Agency to conduct factoring operations. The share capital of the factoring company shall not be less than HRK 1 million and must be fully paid in cash before its establishment,
- a factoring company from another EU Member State which meets the requirements for the performance of factoring operations as mutually recognised services by the law governing the conditions for the establishment, operation and dissolution of credit institutions and the provision of banking and / or financial services from another country, in accordance with the law which regulates the conditions for the establishment, operation and dissolution of credit institutions and the provision of banking and / or financial services,
- a branch of the factoring company from other EU Member

State; the factoring company which, in accordance with the regulations of the Member State, is authorised to perform factoring operations in that Member State and which does not meet the conditions for doing business as a financial institution that conducts such activities as mutually recognised service and other conditions prescribed in accordance with the law governing the conditions for establishment, operation and dissolution of credit institutions and the provision of banking and / or financial services, provided that it is authorised to provide such operations in that country, that it operates for at least two years and that it has an authorisation from the Agency to conduct factoring operations,

- a branch of the factoring company from a third country provided that such operations are authorised to be performed in that country, that it operates for at least two years and that it has an authorisation from the Agency to conduct factoring operations.
- a credit institution in accordance with the regulations governing the operation of credit institutions in the Republic of Croatia.

CAPITAL MARKET

The Law on Capital Market regulates the conditions for the establishment, operation, supervision and termination of an investment company, a market operator and an operator of the clearing and / or settlement system in the Republic of Croatia; conditions for the provision of investment services and performance of investment activities and related ancillary services; rules of trading on a regulated market; conditions for the offer of securities to the public and the listing of securities on a regulated market; obligations in connection with the publication of information relating to the securities listed on a regulated market; market abuse; storage of financial instruments and settlement of transactions in financial instruments; powers and actions of the Croatian Financial Services Supervision Agency (Agency) in the implementation of the Law.

Exchange is to be established as a joint stock company, in accordance with the provisions of this Law and the law governing the establishment and operation of companies. The exchange through its rules prescribes the possibility of a membership or an access to a regulated market which it operates, directly or remotely.

Financial instruments are:

- transferable securities - shares or other securities of the same significance which represent part of the capital or membership rights in the company, as well as certificates of deposit stocks; bonds and other forms of securitised debt, including certificates of deposit securities; all other securities giving the right to acquire or sell any such transferable securities,
- money market instruments - treasury bills and certificates of deposit, except for payment instruments,
- units in collective investment undertakings,
- derivatives - options, futures, swaps, forward rate agreements, etc.

An investment company is a legal entity whose regular activity is the provision of one or more investment services to third parties and / or the performance of one or more investment activities on a professional basis. The amount of the share capital of the investment company depends on the type and the scope of investment services and activities for which the investment company seeks an approval from the Agency (from HRK 200,000.00 to HRK 6,000,000.00). The share capital of the investment company must be fully paid in cash, whereas the shares that make up the share capital of the investment company

shall not be issued before the payment of the full amount for which they are issued.

A **credit institution** may provide investment services, perform activities and related ancillary services, in accordance with the Law, for which it has obtained an authorisation from the Croatian National Bank, with the prior approval of the Agency.

The **central depository** is a central register of dematerialised securities into which the rights from dematerialised securities holders of such rights and the rights of third parties in securities are enrolled. The central depository of dematerialised securities is managed by the Central Depository and Clearing Company.

The **Croatian Financial Services Supervision Agency (the Agency)** is the supervisory authority whose scope and responsibilities include the supervision of the financial market, supervised entities and financial services they provide. The basic goals of the Agency are the promotion and preservation of the stability of the financial system and supervision of the legality of operations of supervised entities. The Agency supervises the operations of supervised entities which are established by the regulations governing capital markets, investment and pension funds, company takeovers, pension insurance companies, insurance and reinsurance, leasing and financial services, as well as other laws when authorised to do so, including companies engaged in factoring. In addition, the Agency is authorised to issue and revoke permits, authorisations, approvals and licenses in accordance with the laws regulating the supervised entities. The Agency is also authorised to issue regulations implementing the laws that govern supervised entities and take other measures and perform other activities in accordance with its legal powers.

INVESTMENT FUNDS

An investment fund is subject to joint ventures whose sole purpose is to raise capital through a public or private offering and investment of this capital in different types of assets in accordance with a predefined investment strategy of the investment fund, and solely to the benefit of unit-holders of that investment fund. An investment fund may either be a **UCITS (Undertakings for Collective Investment in Transferable Securities) fund** or an **alternative investment fund**.

A **UCITS (Undertakings for Collective Investment in Transferable Securities) fund** is an open-end investment fund whose sole objective is a joint venture of assets, obtained through a public offering of shares in the fund in transferable securities or in other forms of liquid financial assets, which operates according to the principles of risk diversification. Shares of a UCITS fund, at the request of investors, shall be purchased, directly or indirectly, from the assets of the fund. Actions that the management company undertakes to ensure that the value of shares does not significantly differ from the net asset value of the fund, are neck and neck with buying shares. A UCITS fund shall be established and operated by the management company, and the lowest amount of authorised capital of the management company shall amount to HRK 1,000,000.00. In the Republic of Croatia, a UCITS fund shall be established as an open-end investment fund only, with a public offering, and it shall not be transformed into alternative investment funds.

Alternative Investment Fund (AIF) is an investment fund established with the purpose and aim of raising capital through a public or private offering and investing of this capital in different types of assets in accordance with a predefined strategy and goal of the AIF fund, and solely to the benefit of unit-holders

of the AIF. The AIF shall be an open-ended and closed-ended AIF fund. **Open-ended AIF** is a separate pool of assets, without legal personality, which shall be established and managed by the company for management of alternative investment funds (AIFM). Open-ended AIFs shall be managed by an external AIFM only. Units in an open-ended AIF shall be, in the manner and under the conditions laid down in the prospectus and / or the rules of the fund, at the request of unitholders, redeemed, directly or indirectly, out from the assets of the open-ended AIF. **Closed-ended AIF** is a legal entity established in the form of a joint stock company or a limited liability company, which shall be established by an AIFM and out of the assets of a closed-ended AIF. A closed-ended AIF shall be managed by an external or internal AIFM.

Internal manager means an AIFM managing a closed-ended AIF which is at the same time that closed-ended AIF and which shall not be permitted to carry on any other activity other than managing that AIF, and the minimum amount of initial capital for an internal AIFM amounts to HRK 2,400,000.00.

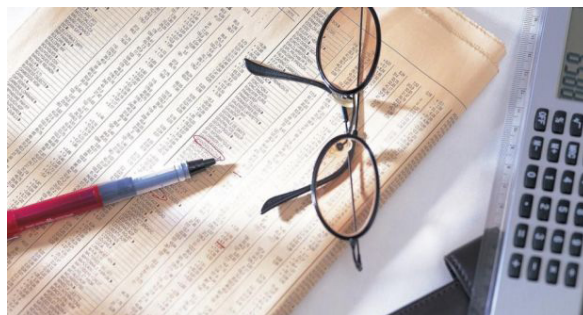
External manager means an AIFM managing one or more openended or closed-ended AIFs, and carrying on other activities provided by this Law. The minimum amount of initial capital when an AIFM is appointed as an external manager of an AIF amounts to HRK 1,000,000.00.

PENSION FUNDS

The system of pension insurance in the Republic of Croatia, which has been implemented on 1 January 2002, consists of three pillars:

- mandatory pension insurance based on generational solidarity (Pillar I),
- compulsory pension insurance based on individual capitalised savings (Pillar II),
- voluntary pension insurance based on individual capitalised savings (Pillar III).

Pension funds (mandatory or voluntary) is a special asset, without legal personality, which is a special type of fund established for the purpose of collecting funds through payment of contributions of the members of the pension fund or funds payments to personal accounts of the fund members, and the investment of these funds with the aim of increasing the value of pension fund assets for the payment of retirement benefits to the fund members. The pension fund shall be managed by the pension company.



The mandatory pension funds of categories A, B, C are the categories of the pension funds managed by the same pension company. The pension funds of different categories have different investment strategies. The risk is the lowest in the fund of C category, the highest in the fund of A category.

The lowest amount of authorised capital of the pension company for management of mandatory pension fund is HRK 40 million, and the company shall be established as a joint stock company or limited liability company.

Open-ended voluntary pension fund is a voluntary pension fund

in which, under the conditions provided for by law, may enrol any natural person.

Closed-ended voluntary pension fund is a voluntary pension fund in which, under the conditions provided for by law, may enrol any natural person who is employed with an employer sponsoring the fund or is a member of a trade union or an association of sponsors of the fund.

Closed-ended voluntary pension fund with defined benefits means a closed-ended fund that covers biometric risks or guarantees an investment result or a certain level of retirement benefits.

Society for Voluntary Pension Fund Management may be established as a joint stock company or limited liability company, and the minimum amount of share capital is EUR 15 million or HRK 22.8 million if the society manages a closed-ended fund with defined benefits.

The pension company having its seat in the Republic of Croatia shall, through its branch or directly, manage a closed-ended fund which has one or more sponsors from another Member State, whereby it should comply with the provisions of the legislation governing the field of labour and social welfare of the host Member State of the fund.

The pension company from another Member State shall manage a closed-ended fund which has one or more sponsors from the Republic of Croatia, whereby it does not need the approval of the Agency, but must abide by the provisions of the legislation the Republic of Croatia governing the field of labour and social welfare.

Pension Insurance Company is a joint stock company which offers pension programmes and perform the payments of retirement benefits to its beneficiaries and other persons in accordance with the provisions of this Law on Pension Insurance Companies.

The pension insurance company shall, through its branch or directly, do business in another Member State, whereby it must comply with the provisions of the legislation governing the area of labour and social security of the host Member State.

FOREIGN CURRENCY SYSTEM

Business of residents and non-residents in foreign currencies and domestic currency (HRK), business of residents in foreign currencies, and unilateral transfers of assets from the Republic of Croatia and to the Republic of Croatia which do not have the characteristics of the execution of transactions between residents and non-residents are regulated by the Law on Foreign Exchange. This includes the conclusion of current and capital transactions and their execution in payments, collections or transfers. Capital transactions concluded between residents and non-residents include direct investments, investments in real estate, securities transactions, transactions with shares in investment funds, loan and deposit transactions, payments based on insurance contracts. Unilateral transfers of assets, personal and physical, for the purpose of transferring capital are also capital transactions. In addition, capital transactions are those where there is an alienation of rights acquired through investments or securities, repatriation of assets and transfer of the rest of the liquidation or bankruptcy estate.

Current transactions are transactions concluded between residents and non-residents for a purpose other than a transfer of capital.

Direct investment by non-residents in the Republic of Croatia is free unless a special law provides otherwise. Transfer of profits abroad by a non-resident through direct investment is free provided that in the Republic of Croatia the income tax has been

settled on the amount transferred abroad. Direct investments abroad by residents are also free.

Natural persons, entering the EU or leaving the EU through Croatia, and transferring cash to the value of EUR 10,000.00 or more, shall in accordance with Regulation (EC) No. 1889/2005 report the required data from the Regulation to the Ministry of Finance – the Customs Administration, in writing and on the application form which is available at customs offices at border crossings and published on the website of the Ministry of Finance – the Customs Administration and the Financial Inspectorate.

PREVENTION OF MONEY LAUNDERING

Measures, actions and procedures for the prevention and detection of money laundering and terrorist financing are carried out before and / or during each legal transaction and the business contracts which confer benefits or assets as well as in other forms of handling money, rights and other property which can be used for money laundering and terrorist financing.

Subjects liable to the implementation of measures and actions include: banks and bank branches; savings banks; building societies; credit unions; companies which perform certain payment services, including money transfer; the Croatian Post; societies for management of investment funds, business units of companies for management of third countries, companies for management of the Member States having their business unit in the Republic of Croatia, or which are authorised to directly carry out business of management of funds within the territory of the Republic of Croatia and third parties who are allowed, in accordance with the law which regulates the operation of funds, to perform individual tasks by companies for management; pension companies; companies authorised for transactions with financial instruments and branches of foreign companies for transactions with financial instruments in the Republic of Croatia; insurance companies that are licensed to conduct life insurance business, subsidiaries of insurance companies from third countries that are licensed to conduct life insurance business and insurance companies from the Member States that in the Republic of Croatia perform life insurance business, directly or through its subsidiary; companies issuing electronic money, a subsidiary of the company issuing electronic money from the Member States; a subsidiary of the company issuing electronic money from third countries and companies issuing electronic money from the Member States that are authorised to directly perform electronic money issuance services in the Republic of Croatia; authorised exchange offices; organisers of games of chance (for lottery games, games in casinos, betting games, slot machines, gambling on the Internet and other means of telecommunication or electronic communication); pawns; legal and natural persons engaged in activities within the scope of their business: giving credits or loans (including: consumer loans, mortgage credits, factoring and financing of commercial transactions, including forfaiting); leasing; issuance and management of payment instruments (e.g., credit cards and traveller's checks); issuance of guarantees



and insurances; management of investments for third parties and related counselling services; renting safe deposit boxes; intermediation in credit transactions; insurance representation in the conclusion of a life insurance contract; insurance brokerage in the conclusion of a life insurance contract; entrepreneurial or fiduciary services; trade in precious metals and stones and related products; trade with works of art and antiques; organisation or implementation of auctions; real estate brokerage; legal and natural persons engaged in activities within their professional activities (lawyers, law firms and public notaries; audit company and independent auditor; natural and legal persons providing accounting services and tax advisory services).

In order to prevent and detect money laundering and terrorist financing, subjects are required to fulfil the responsibilities, which, amongst others, include: assessment of the risks of misuse for money laundering and terrorist financing for a particular customer, business relationship, transaction or product; implementation of customer due diligence; implementation of measures for the prevention and detection of money laundering and financing of terrorism in the business units and companies in which the taxpayer holds a majority share or majority voting in decision-making, and whose business units and companies are based in a third country; making and padding of the list of indicators for recognition of customers or suspicious transactions for which there are reasons for suspicion of money laundering or terrorist financing; information and dissemination to the Office of the statutory and required data, information and documentation on transactions and persons, as well as other tasks and obligations under the Law on the Prevention of Money Laundering and the Financing of Terrorism.

The liable subject shall immediately notify the Office for Money Laundering Prevention of any transaction carried out in cash in the amount of HRK 200,000.00 and more, no later than three days from the date of the transaction.

The liable subject shall be obliged to refrain from implementing the transaction for which they know or suspect to be related to money laundering or terrorist financing. About such a transaction, the liable subject is obliged without delay, before the transaction is executed, report to the Office in the notice and state the reasons for suspicion of money laundering or terrorist financing, as well as state the period within which the transaction is to be executed.

Billings exceeding HRK 105,000.00 or dealings with nonresidents with a value exceeding EUR 15,000.00 must be carried out by non-cash account in a credit institution, if other law does not provide otherwise, referring to: sale of goods and provision of services, selling real estate, receiving loans and the sale of transferable securities or shares. The referred restriction applies and if the payment to the above listed transactions is done in multiple interrelated cash transactions exceeding a total amount of HRK 105,000.00 or exceeding the value of EUR 15,000.00. Limitation of cash payments shall apply to all legal and natural persons that, by performing a registered activity in these transactions, receive cash.

LIST OF THE MOST RELEVANT LAWS:

- Law on the Croatian National Bank (Official Gazette, Nos. 75/08, 54/13)
- Law on Credit Institutions (Official Gazette, Nos. 159/13, 19/15, 102/15)
- Law on Financial Stability Council (Official Gazette, No. 159/13)
- Law on the Rehabilitation of Credit Institutions and Investment Firms (Official Gazette, No. 19/15)
- Law on Electronic Money (Official Gazette, No.139/10)
- Law on Financial Inspection (Official Gazette, Nos. 85/08, 55/11, 25/12)
- Law on Financial Conglomerates (Official Gazette, Nos. 147/08, 54/13)
- Law on Settlement Finality in Payment and Settlement Systems of Financial Instruments (Official Gazette, No.59/12, 44/16)
- Leasing Law (Official Gazette, No.141/13)
- Law on Factoring (Official Gazette, No.94/14, 85/15, 41/16)
- Law on Payment System (Official Gazette, Nos. 133/09, 136/12)
- Law on Implementing Regulations of the European Union in the Field of Payment Operations (Official Gazette, No.50/16)
- Law on Enforcement of Financial Resources (Official Gazette, No. 91/10, 112/12)
- Law on Foreign Exchange (Official Gazette, Nos. 96/03, 140/05, 132/06, 150/08, 92/09, 133/09 – National Payment System Act 145/10, 76/13)
- Law on the Croatian Bank for Reconstruction and Development (Official Gazette, Nos. 138/06, 25/13)
- Law on Housing Savings and State Incentives for Housing Savings (Official Gazette, Nos. 109/97, 117/97, 76/99, 10/01, 92/05, 21/10, 15/13, 139/13, 151/14, 110/15)
- Law on Credit Unions (Official Gazette, Nos. 141/06, 25/09, 90/11)
- Law on the State Agency for Deposit Insurance and Bank Rehabilitation (Official Gazette, Nos. 44/94, 79/98, 19/99, 35/02, 60/04, 12/12, 15/13)
- Law on Deposit Insurance (Official Gazette, No. 82/15)
- Law on Prevention of Money Laundering and Financing Terrorism (Official Gazette, Nos. 87/08, 25/12)
- Law on Capital Market (Official Gazette, Nos. 88/08, 146/08, 74/09, 54/13, 159/13, 18/15, 110/15)
- Law on Open Investment Funds with a Public Offering (Official Gazette, Nos. 44/16)
- Law on Alternative Investment Funds (Official Gazette, Nos. 16/13, 143/14)
- Law on the Croatian Financial Services Supervision Agency (Official Gazette, Nos. 140/05, 12/12)
- Law on Takeover of Joint Stock Companies (Official Gazette, Nos.109/07, 36/09, 108/12, 148/13)
- Law on Pension Insurance (Official Gazette, Nos. 157/13, 151/14, 33/15, 93/15, 120/16)
- Law on Mandatory Pension Funds (Official Gazette, No.19/14, 93/15)
- Law on Voluntary Pension Funds (Official Gazette, No.19/14)
- Law on Pension Insurance (Official Gazette, No.22/14)
- Law on Lifetime Severance Pay or Insurance Pensions Purchase (Official Gazette, No.153/13)
- Law on Contributions (Official Gazette, Nos. 84/08, 152/08, 94/09, 18/11, 22/12, 144/12, 148 / 13.41 / 14, 143/14, 115/16)
- Law on Central Registry (Official Gazette, No.159/13)
- Law on Insurance (Official Gazette, No. 30/15)
- Law on Compulsory Insurance in Traffic (Official Gazette, Nos. 151/05, 36/09, 75/09, 76/13, 152/14)
- Law on Fiscalisation in Real Cash (Official Gazette, No.133/12, 115/16)
- Law on Financial Operations and Pre-Bankruptcy Settlement (Official Gazette, Nos. 108/12, 144/12, 81/13, 112/13, 71/15 – Bankruptcy Law, 78/15 – Law on Modifications of the Civil Obligations Act)

LABOUR RELATIONS

Labour relations in the Republic of Croatia are regulated by legislation, collective and individual relationships, as well as the regulations adopted by an employer. The Labour Act is harmonised with the conventions of the International Labour Organisation. The labour legislation, among other, regulates:

- employment commencement
- work / labour regulations
- life and health insurance, as well as privacy policy
- expectant mothers', parents' and foster parents' / adopters' protection
- temporarily or permanently disabled workers' protection
- temporary employment
- trial work, education and work qualification
- working hours (full time includes 40 hours per week)
- vacations and holidays
- the possibility of working hours rearrangement, as well as managing night work and holidays
- salary and remuneration
- inventions and technical upgrade for workers
- prohibition of competition between the worker and the employer
- damage compensation (indemnity)
- termination of an employment contract
- implementation of rights and obligations according to employment
- workers participating in the process of decision making through the Works Council, work assemblies and via representative
- collective relations

A foreigner, according to the Law on Foreigners, can work in Croatia on the basis of an issued residence and work permit or a work registration certificate, unless the Law provides otherwise. The Government of the Republic of Croatia, in accordance with its migration policy and given the situation on the labour market, determines the annual quota for the employment of foreigners. Citizens of EEA members (as well as Swiss Confederation citizens) and their family members (which is valid for foreigners as well – Croatian citizens family members) are allowed to work and provide services in the Republic of Croatia, without labour or residence permit or without work registration certificate.

At the request of an employer, **residence and work permits** for foreigners shall be issued by the Ministry of the Interior according to the foreigner's place of residence. Residence and work permits shall be issued for a limited time period with the validity equal to the duration of an employment contract or other appropriate contract signed, but no longer than one year. Residence and work permits outside the annual quota may be granted to daily migrants living under the principle of reciprocity, the key personnel, service providers, workers and members of their families, whose status is regulated by

the Stabilisation and Association Agreement between the EU and Croatia, foreigners holding key management positions, a foreigner who is self-employed in his/her own company or in a company in which he/she has an ownership interest higher than 51 percent or in his/her own trade, professional athletes or sports professionals and artists who work in cultural institutions in Croatia, teachers - native speakers of foreign languages, lecturers and other teachers who teach in the Croatian higher education institutions or registered foreign language schools and the like.

A **work registration certificate** shall be issued to a foreigner on the basis of the duration of their work in the Republic of Croatia. In this regard, there are work registration certificates issued for up to 90, 60 and 30 days per year. The work registration certificate shall be obtained, prior to the beginning of the foreigner's work, from the competent police administration or a police station by any legal or natural person who shall use the services of a foreigner. Based on the issued certificate, the foreigner may work for the same employer or the service recipient within the whole territory of the Republic of Croatia. The legal or natural person who shall employ or use the services of a foreigner shall conclude the corresponding contract or other relevant proof on the execution of the job with the foreigner or the foreign employer who has deployed the foreigner to work in the Republic of Croatia.



LIST OF MOST IMPORTANT REGULATIONS

<http://narodne-novine.nn.hr/default.aspx>

- Constitution of the Republic of Croatia (Official Gazette, Nos. 85/10, 05/14)
- Law on Companies (Official Gazette, Nos. 152/11, 111/12, 68/13, 110/15)
- Law on Property and Other Material Rights (Official Gazette, Nos. 91/96, 68/98, 137 /99, 22/00, 73/00, 114/01, 79/06, 141/06, 146/08, 38/09, 153/09, 143/12, 152/14)
- Law on Civil Obligations (Official Gazette, Nos. 35/05, 41/08, 125/11, 78/15)
- Law on Public Procurement (Official Gazette, Nos. 120/16)
- Law on Concessions (Official Gazette, No. 143/12)
- Law on Public-Private Partnership (Official Gazette, Nos. 78/12, 152/14)
- Law on Free Zones (Official Gazette, Nos. 44/96, 92/05, 85/08, 148/13)
- Law on Areas of Special State Concern (Official Gazette, Nos. 86/08, 57/11, 51/13, 148/13, 76/14, 147/14, 18/15)
- Law on Trade (Official Gazette, Nos. 87/08, 96/08, 116/08, 76/09, 114/11, 68/13, 30/14)
- Law on Implementation of EU Legislation Customs Control (Official Gazette, No. 40/16)
- Supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards detailed rules concerning certain provisions of the Union Customs Code (Sl. L. 269 October 10th 2013)
- Commission Delegated Regulation (EU) 2446/2015 about the Supplementing Regulation (EU) 952/2013 of the European Parliament and of the Council as regards detailed rules concerning certain provisions of the Union Customs Code (Sl. L. 343/2015)
- Commission Implementing Regulation (EU) 2447/2015 about the laying down detailed rules for implementing certain provisions of Regulation (EU) No 952/2013 of the European Parliament and of the Council laying down the Union Customs Code
- Law on General Taxation (Official Gazette, No. 115/16)
- Law on Personal Income Tax (Official Gazette, No. 115/16)
- Law on Profits Tax (also known as Corporate Income Tax Law on) (Official Gazette, Nos. 177/04, 90/05, 57/06, 146/08, 80/10, 22/12, 148/13, 143/14, 50/16, 115/16)
- Law on Value-Added Tax (Official Gazette, Nos. 73/13, 148/13, 153/13, 143/14, 115/16)
- Law on Real Estate Transfer Tax (Official Gazette, No. 115/16)
- Law on the Financing of Units of Local and Regional Self-Government (Official Gazette, Nos. 117/93, 33/00, 73/00, 59/01, 107/01, 117/01, 150/02, 147/03, 132/06, 26/07, 73/08, 25/12, 147/14, 100/15, 115/16)
- Law on Excise Duties (Official Gazette, Nos. 22/13, 32/13, 81/13, 100/15, 120/15, 115/16)
- Law on Special Tax on Coffee and Non-Alcoholic Beverages (Official Gazette, No. 72/13)
- Law on Special Tax on Motor Vehicles (Official Gazette, Nos. 15/13, 108/13, 115/16)
- Law on Games of Chance (Official Gazette, Nos. 87/09, 35/13, 158/13, 41/14, 143/14)
- Law on Foreign Exchange (Official Gazette, Nos. 96/03, 140/05, 132/06, 150/08, 92/09, 133/09, 153/09, 145/10, 76/13)
- Law on Fiscalisation of Cash Transaction (Official Gazette, No. 133/12, 115/16)
- Law on National Payment System (Official Gazette, Nos. 133/09, 136/12)
- Law on the Croatian National Bank (Official Gazette, Nos. 75/08, 54/13)
- Law on Credit Institutions (Official Gazette, Nos. 159/13, 19/15, 102/15)
- Law on the Croatian Bank for Reconstruction and Development (Official Gazette, Nos. 138/06, 25/13)
- Law on Insurance (Official Gazette, No. 30/15)
- Law on Compulsory Pension Funds (Official Gazette, Nos. 19/14, 93/15)
- Law on Voluntary Pension Funds (Official Gazette, No. 19/14)
- Law on Securities Market (Official Gazette, Nos. 88/08, 146/08, 74/09, 54/13, 159/13, 18/15, 110/15)
- Law on Investment Funds (Official Gazette, No. 150/05)
- Law on Labour (Official Gazette, No. 93/14)
- Law on Foreigners (Official Gazette, No. 130/11, 74/13)

PUBLIC AND OTHER HOLIDAYS IN CROATIA

New Year's Day	1 January
Epiphany	6 January
Easter	16 April
Easter Monday	17 April
Labour Day	1 May
Corpus Christi	4 June
Anti-Fascism Day	22 June
Statehood Day	25 June
Homeland Gratitude Day	5 August
Assumption of Mary	15 August
Independence Day	8 October
All Saints Day	1 November
Christmas holidays	25 and 26 December

OTHER HOLIDAYS (APPLY TO COMMUNITIES CONCERNED)

Christmas (Julian calendar)	7 January
Ramadan Bairam	27 May
Kurban Bairam	1 September
Rosh Hashanah (New Year)	21-22 July
Yom Kippur	30 July

WORKING HOURS

- Public services: 8.30 – 16.30 (Monday-Friday)
- Banks 8 – 19 (on workdays)
7 – 12 (Saturday)
- Food stores 7 – 20 (on workdays)
7 – 15 (Saturday)
- Other stores (non-alimentary products) 8 – 20 (on workdays)
7 – 15 (Saturday)

CREDIT CARDS

The credit cards mostly used in Croatia are Mastercard, Visa, American Express and Diners Club. Some supermarkets issue special cards for their clients.

CUSTOMS SYSTEM

The value limits for entry of goods of non-commercial value in the personal luggage of passengers.

Exemption from payment of customs duty, VAT and excise duties shall be applicable to the import of the goods whose total value does not exceed:

- HRK 3,200.00 for passengers in maritime and air transport,
- HRK 2,200.00 per passenger for other modes of transport,
- HRK 1,100.00 for passengers under 15 years of age, regardless of the type of transportation.

Should the value of a particular item exceed the listed value limits, the division of the value of such an item shall not be allowed, but the prescribed contributions shall be charged

on the total value of such an item. Also, the cumulation of exemption of more persons for the particular item shall not be allowed.



ENTERING OR LEAVING CROATIA WITH CASH

The import of cash money into the Community and its export (foreign and domestic currencies and other means of payment - such as traveler's checks, negotiable securities, including checks, bills of exchange, promissory notes and blank money orders, etc.) is customs free and not amountlimited to all natural persons who, **by submitting a declaration to a customs officer, can smoothly transfer any amount of cash money in any currency.**

However, there is an obligation to declare cash to a customs officer at the border customs office when entering or leaving the European Union if carrying the amount of € 10,000.00 or more in cash, or the equivalent of this amount in other currencies or other means of payment.

Since 1 July 2013, the Cash Declaration Form is in use for the purpose of declaring cash, which can be electronically filled in, printed and handed over to a customs officer at the border customs office or it can be filled in at the border office. The referred form is available in the English or Croatian language.

On the territory of the Republic of Croatia, the customs authorities shall not perform cash money supervisions at the borders with other EU Member States.

CROATIAN NATIONAL TOURIST BOARD

Communication and Publishing Department

Iblerov trg 10/IV, HR-10000 ZAGREB

Tel.: +385 (0)1 4699-333

Fax: +385 (0)1 4557-827

E-mail: info@htz.hr

htz.hr

Links to programmes and events

Zagreb Philharmonic: zgf.hr

Croatian National Theatre: hnk.hr

Zagreb Concert Management: kdz.hr

Zagreb Fair: zv.hr

Vatroslav Lisinski Concert Hall: lisinski.hr

More detailed information for visitors to Zagreb: zagreb-touristinfo.hr

IMPORTANT INSTITUTIONS AND MINISTRIES OF THE REPUBLIC OF CROATIA

PARLIAMENT OF THE REPUBLIC OF CROATIA

Trg sv. Marka 6, HR-10000 Zagreb
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sabor@sabor.hr
sabor.hr

GOVERNMENT OF THE REPUBLIC OF CROATIA

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E-mail: predsjednik@vlada.hr
vlada.gov.hr

MINISTRY OF FINANCE

Katančičeva 5, HR-10000 Zagreb
Tel.: +385 (0)1 4591-333
mfin.hr

MINISTRY OF STATE PROPERTY

Ulica Ivana Dežmana 10, HR-10000
Zagreb
Tel.: +385 (0)1 6346-286
Fax: +385 (0)1 6448-907
E-mail: pisarnica@midim.hr
imovina.gov.hr

MINISTRY OF DEFENCE

Trg kralja Petra Krešimira IV br.1, HR-
10000 Zagreb
Tel.: +385 (0)1 4567-111
E-mail: infor@morh.hr
morh.hr

MINISTRY OF ENVIRONMENTAL PROTECTION AND ENERGY

Radnička cesta 80, 10000 Zagreb
Tel.: +385 (0)1 3717-111
Fax: +385 (0)1 3717-149
mzoip.hr

MINISTRY OF THE INTERIOR

Ulica grada Vukovara 33, 10000 Zagreb
Tel.: +385 (0)1 6122-111
E-mail: pitanja@mup.hr
mup.hr

MINISTRY OF FOREIGN AND EUROPEAN AFFAIRS

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Tel.: +385 (0)1 4569-964
Fax: +385 (0)1 4551-795
E-mail: ministarstvo@mvep.hr
mvep.hr

MINISTRY OF THE ECONOMY, ENTREPRENEURSHIP AND CRAFTS

Ul. grada Vukovara 78, 10000 Zagreb
Tel.: +385 (0)1 6106-111
mingo.hr

MINISTRY OF CULTURE

Runjaninova 2, 10000 Zagreb
Tel.: +385 (0)1 4866-666
min-kulture.hr

MINISTRY OF AGRICULTURE

Ul. grada Vukovara 78, 10000 Zagreb
Tel.: +385 (0)1 6106-111
Fax: +385 (0)1 6109-201
mps.hr

MINISTRY OF REGIONAL DEVELOPMENT AND EU FUNDS

Račkoga 6, 10000 Zagreb
Tel.: +385 (0)1 6400-600
Fax: +385 (0)1 6400-644
E-mail: kabinet@mrrfeu.hr
mrrfeu.hr

MINISTRY OF CROATIAN VETERANS

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E-mail: ministarstvo@branitelji.hr
branitelji.hr

MINISTRY OF TOURISM

Prisavlje 14, 10000 Zagreb
Tel.: +385 (0)1 6169-111
E-mail: ministar@mint.hr
mint.hr

**MINISTRY OF THE
SEA, TRANSPORT AND
INFRASTRUCTURE**

Prisavlje 14, 10000 Zagreb
Tel.: +385 (0)1 6169-111
Fax: +385 (0)1 3784-580
E-mail: info@mppi.hr
mppi.hr

**MINISTRY OF SCIENCE AND
EDUCATION**

Donje svetice 38, 10000 Zagreb
Tel.: +385 (0)1 4569-000
mzos.hr

MINISTRY OF JUSTICE

Ulica grada Vukovara 49, 10000 Zagreb
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E-mail: pitanja@pravosudje.hr
mprh.hr

MINISTRY OF HEALTH

Ksaver 200 a, 10000 Zagreb
Tel.: +385 (0)1 4607-555, 0800-7999
Fax: +385 (0)1 4677-076
E-mail: pitajtenas@miz.hr
zdravlje.hr

MINISTRY OF ADMINISTRATION

Maksimirska 63, 10000 Zagreb
Tel.: +385 (0)1 2357-555
Fax: +385 (0)1 2357-607
E-mail: kontakt-uprava@uprava.hr
uprava.hr

**MINISTRY OF LABOUR AND
PENSION SYSTEM**

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Tel.: +385 (0)1 6106-111
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mrms.hr

**MINISTRY OF CONSTRUCTION
AND PHYSICAL PLANNING**

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mgipu.hr

**MINISTRY FOR
DEMOGRAPHICS, FAMILY,
YOUTH AND SOCIAL POLICY**

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mspm.hr

CROATIAN NATIONAL BANK

Trg hrvatskih velikana 3, 10000 Zagreb
Tel.: +385 (0)1 4564-553
hnb.hr

**CROATIAN BANK FOR
RECONSTRUCTION AND
DEVELOPMENT**

Trg. J. J. Strossmayera 9, 10000 Zagreb
Tel.: +385 (0)1 4591-666, 4591-731
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hbor.hr

**STATE AGENCY FOR DEPOSIT
INSURANCE AND BANK
REHABILITATION**

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dab.hr

FINANCIAL AGENCY (FINA)

Koturaška 43, 10000 Zagreb
Tel.: +385 (0)1 6127-111
E-mail: info@fina.hr
fina.hr

**CROATIAN AGENCY FOR
SMES, INNOVATION AND
INVESTMENTS – HAMAG-
BICRO**

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hamagbicro.hr

**CROATIAN AGENCY FOR
SUPERVISION OF FINANCIAL
SERVICES (HANFA)**

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hanfa.hr

**CROATIAN COMPETITION
AGENCY**

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aztn.hr

**STATE INTELLECTUAL
PROPERTY OFFICE (SIPO
CROATIA)**

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**CENTRAL BUREAU OF
STATISTICS**

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4806-154
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E-mail: stat.info@dzs.hr
dzs.hr

**STATE OFFICE FOR
METROLOGY**

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E-mail: pisarnica@dzm.hr
dzm.hr

**NATIONAL PROTECTION AND
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**NATIONAL INSTITUTE
FOR RADIOLOGICAL AND
NUCLEAR SAFETY**

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**METEOROLOGICAL
AND HYDROLOGICAL
INSTITUTE**

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klima.hr

**STATE INSTITUTE FOR
NATURE PROTECTION**

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E-mail: info@dzzp.hr
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**STATE GEODETIC
ADMINISTRATION**

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dgu.hr

**CROATIAN PENSION
INSURANCE INSTITUTE**

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**CROATIAN EMPLOYMENT
SERVICE**

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**HYDROGRAPHIC
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REPUBLIC OF CROATIA**

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hhi.hr

**CROATIAN INSTITUTE FOR
HEALTH INSURANCE**

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STATE AUDIT OFFICE

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**CENTRAL REGISTRY
OF INSURED PERSONS
(REGOS)**

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www.regos.hr

Croatian Chamber of Economy (CCE) plays an important role in Croatia's economic development ever since its establishment in 1852. As the main institution for economy in Croatia, the Chamber fully serves its members as the provider of business information and services. The network of County Chambers makes it possible for the CCE to be fully updated and informed on Croatian regional economies. Furthermore, Representative Offices abroad and the memberships in numerous international associations have placed the Chamber in a position of a business gateway and the expert on the different commercial politics around the world. Due to developed international contacts, the Chamber's role is now crucial for the positioning of the Croatian economy in this demanding economic environment.

We provide full support to investors in identifying and implementing investment projects, as well as in doing business in general in Croatia. Potential investors and business partners can rely on the assistance of the Croatian Chamber of Economy during their project's realization, especially in coping with legal and administrative procedures as well as in finding the appropriate business partner. In addition, CCE influences the legislation through its professional associations for various economic sectors.

Feel free to contact us and use the economic potential of Croatia by working with the best experts in Croatian economic opportunities.

The Croatian Chamber of Economy is your reliable partner!

THE SCOPE OF WORK OF THE CROATIAN CHAMBER OF ECONOMY

- Counselling on financial conditions
- Lobbying on the occasion of legal framework creations and modifications
- Free tax counselling
- Simplified connection between your product and the public procurement client, via Croatian Products Catalogue
- Free educations / seminars / conferences
- Customized Database
- Co-financing and organization of the participations on fairs and exhibitions
- Visual marks Croatian Creation and Croatian Quality, for Croatian products
- Product promotion via Buy Croatian, *Drvo je prvo* and *Riba Hrvatske – Jedi što vrijedi*
- Using CCE's atriums for promotions, meetings and manifestations
- Service *Poduzetnik – izvoznik* helps in search of foreign markets and business partners for your product or service
- Customized tenders about international applications (tenderi.hgk.hr)
- B2B and other meetings organization
- International delegations organizations within the country and abroad
- Providing information about foreign markets
- Providing information about EU market



- Providing information on domestic investment projects
- Offering assistance in using structure funds and cohesion EU fund
- Economic trends analysis
- *Zlatna kuna* award for the most successful companies
- *Indeks DOP-a* award for socially responsible business
- *Excellent SME certification*
- Professional literature issuing
- Consolidated laws vouchers
- Industry Development Centre – national innovation and strategic smart specialization implementation (CIRAZ)

THE PUBLIC POWERS OF THE CROATIAN CHAMBER OF ECONOMY

The Croatian Chamber of Economy is vested with a number of public powers on the basis of special laws. Certificates and other documents issued by the Croatian Chamber of Economy in the exercise of its public powers have the character and the importance of public documents.

Issuance of certificates accompanying the goods in exports and imports

Based on the Law on Trade (Official Gazette, Nos. 87/08, 116/08, 114/11, 68/13, 30/14), the Community Customs Code (the EU Official Journal, 02 / Sv.2) and the Customs Code Community Implementing Regulations (EU Official Journal, L 253 of 11.10.1993, and the EU Regulation 2454/93), the Chamber issues, verifies and supplies the following documents:

- Certificate of non-preferential origin of goods
- Certificate of origin from third countries
- Confirmation of the facts of which the Croatian Chamber of Economy keeps records
- Certificate of origin of goods A FORM

Along with certificates of Croatian / EU origin, the Chamber also performs the verification of the certificates of origin from third countries, certifies, as necessary, documentation accompanying the goods in exports, such as invoices, price lists, technical documentation, etc.

Along with the support by the Chamber's Headquarters, the county chambers are as well authorised to perform the above listed activities in order to accelerate the formalities associated with foreign trade operations and thus reduce operational costs. The largest number of certificates issued by the Chamber refers to the certificates of non-preferential origin issued under the customs rules of the European Union.

EU Certificate

Under the provisions of the Ordinance on Issuing the EU Certificate (Official Gazette 92/14), the Croatian Chamber of Economy is the competent authority for issuing EU certificates to legal entities. The Ordinance lays down the appearance, content and procedure of issuing a EU certificate that shall be issued to Croatian legal entities for the smooth provision of services within the territory of the European Economic Area (the 28 EU Member States including Norway, Liechtenstein and Iceland).

Upon request of a party, the EU certificate shall be supplemented by other data from the respective registers and records on professional qualifications and professional activities, as well as on other facts.

Distribution of ATA Carnets

By the authority of the Ministry of Finance – the Customs Administration, the Chamber is authorised to issue the ATA Carnets, the customs documents for temporary exports or imports of goods. The ATA Carnet is an international customs document used to simplify the temporary import of goods to a foreign country with a validity period of one year. Generally, ATA carnets are issued by chambers of commerce, affiliated to the International ATA Carnet Guarantee Chain of the International Chamber of Commerce (ICC).

By presenting the ATA Carnet documentation to foreign customs, the import of certain categories of goods shall be allowed into the customs territory of any country that has adopted the Convention on Temporary Admission, thus eliminating the need to fill in customs forms, pay tax or deposits, as required under the regular procedure for the temporary export or import.

The ATA carnets cover the three major categories: temporary imports of commercial samples, temporary imports of professional equipment and temporary imports of goods intended for use at exhibitions, trade fairs, conferences and similar events.



Issuance of Certificates of Registration into the Register by the Croatian Chamber of Economy on press production and distribution

Pursuant to Articles 2 and 12 of the Law on Media (Official Gazette, Nos. 59/04, 84/11, 81/13), a newspaper publisher shall record the press production in the relevant register kept by the Chamber. Legal entities engaged in press distribution are as well entered in the referred register.

Register of immovable and movable properties sold in execution and bankruptcy proceedings

Based on the Law on Execution (Official Gazette, Nos. 112/12, 25/13, 93/14), the Law on Bankruptcy (Official Gazette, Nos. 82/06, 116/10, 25/12, 133/12) and the Regulations on the Content and Method of Keeping the Register of Immovable and Movable Properties Sold in Execution Proceedings (Official Gazette, No. 156/14), the Chamber keeps the Register of immovable and movable properties that are sold in execution and bankruptcy proceedings. The Register maintains records of all the properties sold in execution and bankruptcy proceedings, including of movables if their estimated value exceeds HRK 50,000.00.

Public Commissioners

Pursuant to the Law on Execution (Official Gazette, Nos. 112/12, 25/13, 93/14), the Chamber organises and manages the work of public commissioners. The provisions of the Law on Execution prescribe the organisation and legal status of public commissioners, their rights and duties, and the manner of performing the sale of movable properties. The Chamber avails itself of the possibility to directly conduct the affairs of public commissioners or their organisation in a way that, with the prior approval of the Ministry of Economy, it can announce a public competition for the selection of a public commissioner.

Register of Real Estate Brokers

On the basis of the Law on Real Estate Brokerage (Official Gazette, Nos. 107/07, 144/12, 14/14), the Chamber keeps the Register of Real Estate Brokers. The form, content and the method of keeping the Register are prescribed by the Regulation on the Register of Real Estate Brokers (Official Gazette, No. 56/08).

The Register maintains records of all the legal entities and physical persons to whom the Ministry of Economy has issued the decision on eligibility for the performance of brokerage in real estate operations. Upon a written request, the Chamber may issue a certified extract from the Register, which is public.

Register of Business Entities interested in participating in NATO tenders

Based on the Instruction on the Implementation of the Project "The Croatian Economy and NATO" (Official Gazette, Nos. 61/10, 138/13), the Chamber keeps the Register of Economic Subjects (legal entities and natural persons) interested in participating in NATO tenders who have fulfilled the requirements for receiving unclassified and classified data and access to them. The Register also classifies Croatian economic subjects according to their business activities and the degree of data secrecy that can be made available to them.

Register of Real Estate Agents

On the basis of the Law on Real Estate Brokerage (Official Gazette, Nos. 107/07, 144/12, 14/14), the Chamber keeps the Register of Real Estate Agents. The form, content and the method of keeping the Register are determined by the Regulation on the Register of Real Estate Agents (Official Gazette, Nos. 56/08, 137/08).

The Register maintains data on all the real estate agents to whom the Ministry of Economy has issued the decision on the registration in the Register of Real Estate Agents. Upon a written request, the Chamber may issue a certified extract from the Register, which is public.

Organisation and administration of professional real estate agent examinations

On the basis of the Law on Real Estate Brokerage (Official Gazette, Nos. 107/07, 144/12, 14/14) and the Ordinance on the Training Programme for Real Estate Agents (Official Gazette, Nos. 56/08, 99/13, 115/13), the Chamber administers licensed real estate agent examinations. Having successfully passed the professional examination, an applicant shall be issued a certificate of the passed professional examination, after which the applicant shall submit a request to the Ministry of Economy for the adoption of the decision on the registration in the Register of Real Estate Agents or the Register of Real Estate Brokers.

Distribution of permits for international carriage of goods by road

According to the provisions of the Law on Road Transport (Official Gazette, No. 82/13), the Chamber distributes permits for the performance of international transportation of cargo by road. The criteria, procedure and manner of distribution of foreign permits are prescribed by the Regulation on the Distribution of Permits for International Carriage of Goods (Official Gazette, No. 122/13). According to Article 4 of the Regulation, the Croatian Chamber of Economy and the Croatian Chamber of Trades and Crafts, through their county chambers, implement the distribution of foreign permits to domestic carriers, except for critical permits whose distribution is implemented through the Ministry of Maritime Affairs, Transport and Infrastructure.

Coordination of timetables of regular passenger transport services in road transport

On the basis of the Law on Road Transport (Official Gazette, No. 82/13), the Chamber adjusts timetables for the provision of regular passenger transport services in road transport on county, inter-county and international routes.

Harmonisation of pricelists applied by bus terminals

Pursuant to the Law on Road Transport (Official Gazette, No. 82/13), the Chamber performs the harmonisation of pricelists applied by bus terminals. Under Article 100 of the Law and the Regulation on the Categorisation of Bus Terminals (Official Gazette, No. 52/14), it is stipulated that the bus terminal shall adopt the pricelist for bus terminal services in accordance with the established category of the bus terminal, which is further harmonised and verified by the Chamber.

Issuance of certificates of professional competence in road passenger transport

Under Article 22 of the Law on Road Transport (Official Gazette, No. 82/13), the Croatian Chamber of Economy and the Croatian Chamber of Trades and Crafts administer examinations for the issuance of a certificate on professional competence for the occupation of road passenger transport operator and in line with the professional competence examination programme consisting of the general and special part, as laid down in Regulation (EC) No. 1071/2009.

The examination shall be taken before the commission established by the Minister of Maritime Affairs, Transport and Infrastructure, at a proposal by the Chambers. Having successfully passed the examination, an applicant shall be issued a certificate on professional competence in road passenger transport which shall also be kept in the registers of the both Chambers.

Extra-judicial settlement of consumer disputes

On the basis of the Law on Consumer Protection (Official Gazette, No. 41/14) in the case of a dispute between a consumer and trader, a proposal for conciliation may be submitted to the Conciliation Centre, and a complaint may be filed to the Court of Honour.

The Law on the National Payment System (Official Gazette, No. 133/09, 136/12), the Law on Credit Institutions (Official Gazette, No. 159/13, 19/15) and the Law on Consumer Credit (Official Gazette, No. 75/09, 112/12, 143/13, 147/13, 09/15) also prescribe the extrajudicial settlement of disputes between consumers and institutions.

Point of Single Contact for Services

The establishment of a point of single contact, as set out in the EU Services Directive 2006/123/EC on services in the internal market, is a legal requirement of each EU Member State. On the basis of the provisions of the Services Directive and the Law on Services (Official Gazette, No. 80/11), the Point of Single Contact (PSC) has been established in the Croatian Chamber of Economy. It is available at the website www.psc.hr functioning as an Internet portal which provides information on the rules and formalities to be fulfilled, under the Services Directive, for the performance of services in the Republic of Croatia and the EU. Within the computerisation process of the state administration bodies, the submission of required applications and supporting documents shall also be available electronically.

The Point of Single Contact in the Republic of Croatia is part of the network of the Points of Single Contact of the EU and the European Economic Area (EEA), consisting of the 28 Member States of the EU, Iceland, Norway and Liechtenstein. By using services of the Points of Single Contact, within the European EUGO network, all administrative procedures required for the

registration of an establishment and additional permits to perform service activities can be obtained in one place, without the need to go to the individual offices of different authorities. The Point of Single Contact is organised as a bilingual portal available in the Croatian and English language.

INTERNATIONAL ACTIVITIES – ORGANISATIONS AND INITIATIVES

- International Chamber of Commerce - ICC (www.iccwbo.org)
 - Commissions of the International Chamber of Commerce (www.iccwbo.org and www2.hgk.hr/icc)
 - ICC International Court of Arbitration – www.iccwbo.org/court/arbitration/
 - ICC World Chambers Federation – WCF – www.iccwbo.org/wcf

In the Republic of Croatia, Croatian National Committee of the International Chamber of Commerce – ICC Croatia (www2.hgk.hr/icc), operates at the Croatian Chamber of Economy.

- Association of European Chambers of Commerce and Industry – Eurochambres – www.eurochambres.eu
- World Chambers Network (www.worldchambers.com)
- Mediterranean Chambers of Commerce and Industry – ASCAME (www.ascame.org)
- EU Strategy for the Adriatic and Ionian Region (www.adriaticionian.eu) / Forum of the Adriatic and Ionian Chambers of Commerce – FORUM AIC (www.forumaic.org)
- EU Strategy for the Danube Region (www.danube-region.eu)
- Southeast European Cooperative Initiative – SECI (www.secinet.info)

Since the year 2002, professional associations and communities of the Croatian Chamber of Economy are intensively becoming members of more than 35 appropriate international and European associations, thus pursuing their interests. CCE has signed more than 340 agreements on cooperation with chambers of commerce from more than 70 countries, which is the base for the strengthening of bilateral and multilateral cooperation.

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