



CROATIAN
CHAMBER OF
ECONOMY

Croatia - Your Business Partner

Croatia - Your Business Partner



**President of the
Croatian Chamber of Economy**

Luka Burilović

The growth of the Croatian economy has intensified over the last few years due to positive reform measures and favourable external conditions. In addition to the recovery of domestic demand, positive trends in the exports of goods and services necessary for the achievement of long-term sustainable growth are recorded.

However, in order to continue such trends, Croatia must make better use of its competitive advantages based on its geostrategic position, a high-quality and educated workforce, developed infrastructure, as well as tradition in individual manufacturing sectors.

Through its projects, the Croatian Chamber of Economy (HGK) actively works to create a better entrepreneurial climate for its members, as well as for international investors that must recognize Croatia as a country of opportunity.

Structural problems of the economy, such as labour market imbalances, require complex solutions, and the Chamber offers them through a dual vocational education model. The Digital Chamber project we recently presented should make the HGK the first institution in Croatia and the region that is to digitize its business completely by 2020, and we are particularly proud of that.

The Chamber also contributes to the process of faster development of the economy by numerous other activities such as lobbying through the HGK representative office in Brussels, membership in the association of European chambers Eurochambres, the International Chamber of Commerce in Paris and international professional organizations. Through the Enterprise Europe Network of Croatia, the HGK enables its members to have access to all the information about the EU and by organizing seminars on EU funds and other issues it helps Croatian businessmen enter the EU market and increase the utilization of these funds. The HGK also represents the views of its members before state institutions, organizes visits to fairs and economic delegations and facilitates finding business partners in the country and abroad.

With its 166-year long tradition, the Croatian Chamber of Economy, which acts as a modern and professional institution, assists its members in approaching and operating on a single European market of 500 million people, but in other markets as well, which is why further expansion of the network of foreign HGK representative offices is planned.

The door of the Croatian Chamber of Economy is open to all domestic and foreign businessmen to whom the Chamber is always at disposal by providing business information, services and contacts.



Economic Profile

GEOGRAPHICAL DATA

87,661 square kilometers

56,594 square kilometers of land

31,067 square kilometers of territorial sea

1778 kilometers of coastline

1246 islands

4,284,889 residents (according to 2011 census)

790,017 the population of the capital city of Zagreb

52% 

48% 

ECONOMIC INDICATORS OF CROATIA FOR 2017

GDP, EUR bn **49.0**

GDP, per capita EUR **11,880**

Industrial production, % **1.4**

Inflation rate, % **1.1**

Unemployment Rate (ILO), % **11.2**

Export, mil. EUR **14,016.9**

Imports, mil. EUR **21,891.7**

Current account of balance of payments, % of GDP **3.9**

General government surplus/deficit, % of GDP **+0.8**

Average monthly gross salary, EUR **1,080**

Exchange rate HRK/EUR **7,4601**

Exchange rate HRK/USD **6,6224**

Discount rate of the CNB, %, end of period **3.0**

CNB Foreign currency reserves, mil. EUR, end of period **15,706.2**

Number of active companies **118,591**

Number of banks **24**

Average number of employees in 000s (ILO) **1,625**

Source: CNB, CBS, MF

AGRICULTURE, FISHERIES, FOOD AND WOOD INDUSTRY



Croatia can be divided into three geographic and climatic zones: the lowland zone in the north of the country, which has a continental climate, the Mediterranean coastal zone in the south, and the mountainous zone stretching across the central part of the country. Various types of climate, relief, and soil are favourable for the production of a wide range of agricultural products, from field crops to grapes, continental and Mediterranean fruits and vegetables. Agriculture, forestry, and fisheries account for 3.5% of the total GDP. Of the 1.5 million hectares of agricultural land used, 54% is taken up by arable land and gardens, 4% is taken up by orchards, vineyards, and olive groves, and 41% is taken up by permanent grasslands. Farming mainly covers domestic needs for grains and oilseeds.

Orchards take up over 30,000 ha, and vineyards take up 22,000 ha. Winemaking has over 2,500 years of tradition, and there is growing interest in the European and world markets for Croatian wines. Olive groves take up 18,000 ha, and olive oils are increasingly being recognized as top quality or are among the best in the world in terms of quality.

Awards with the highest recognitions at numerous exhibitions, fairs, and similar events are proof of the quality of wine and olive oil. Live-stock production in this area has always been very important and it has a share of 34% of the value of agricultural production. Croatia can offer recognizable high-quality products with authenticity and geographical origin to the world market. Along with 16 protected EU wine designations of origin, there are 9 registered food products with protected geographical indication, and 10 products bear the designation of origin. Fisheries and fish processing have traditionally been the most important activities along the coastal part of Croatia and on the islands. More than 70 companies are engaged in the production of fish products. They annually produce more than 24,000

tons of processed products, of which 21% are canned sardines, 57% frozen seafood and 12% dried fish. In 2016, 7,000 tonnes of freshwater fish and fry were produced, while catching and breeding of marine fish and other marine organisms amounted to about 85,000 tonnes. White sea fish and shellfish farming are increasingly developing. Exports of tuna to Japan account for 30% of the total exports of fresh fish.

Out of 2.7 million hectares of forests, 76% of the land is state-owned, and the rest is privately owned. Forests cover 43% of the total land area of the country. Beech is the most common species, and oak, fir, spruce, and ash are used to make solid wood furniture. Slavonian oak (*Quercus robur*) is by far the most desirable in the world in terms of quality, so the wood processing and furniture manufacturing products are competitive in the major European and world markets today. The wood-processing industry has recorded an increase in production in recent years, it has achieved a positive foreign trade balance and employs 22,000 workers.

The significance of the food processing industry in relation to the total processing industry is reflected in the fact that about one quarter of the value of indicators is related to the food processing industry: the number of persons employed (23%), turnover (27%), added value (21%). The number of enterprises in the food processing industry is 17 percent compared to the total processing industry.

The most significant exported food products are chocolate, sugar, malt extracts, bread, pastry and cakes, and sauces.

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

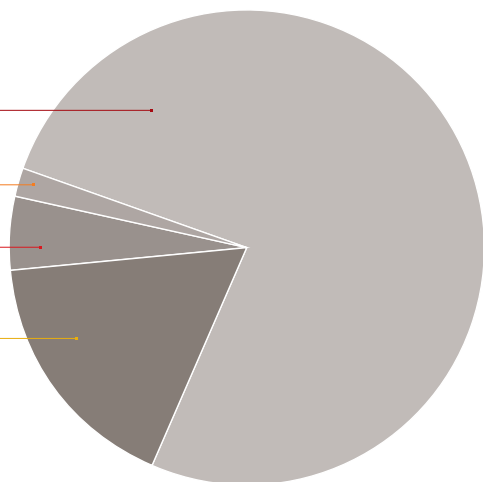
INDUSTRY

In the structure of GDP of the Republic of Croatia, industry took up 20.7% in 2017.

Industry in Croatia has a long tradition and is a foundation of the Croatian economy. According to the National Classification for Economic Activities (NCEA), industry covers the following areas:

- 76%** - processing industry
- 2%** - mining and quarrying
- 5%** - water supply, sewage disposal, waste management and environmental restoration
- 17%** - electricity supply, gas supply, steam supply and air conditioning

(The graph shows the share of individual industries in the total industry income for 2016)



The largest share by total income in the processing industry of 23% refers to the production of foodstuffs and beverages (but this branch of industry is monitored within the Sector for Agriculture, Food Industry and Forestry) and the metal processing industry which, together with metal production, also includes the manufacture of finished metal products, manufacture of machinery, motor vehicles, trailers and other transport equipment and other manufacturing industries.

The industry achieved exports of EUR 13.2 billion in 2017 (94.6% of total export). The traditional branches of the processing industry are the most export-oriented: the metal processing industry with 25.8%, chemicals, pharmacy, and plastics and rubber (includes the manufacture of chemicals and chemical products, manufacture of plastics and rubber and the pharmaceutical industry) with 16.4%, manufacture of computers, electrical products and electrical equipment with 10.0%, manufacture of foodstuffs with 9.5%, manufacture of petroleum products.

The Industrial Strategy of the Republic of Croatia 2014-2020 recognized the metalworking industry, the electronics industry, the pharmaceutical and ICT industry as driving industries. They are monitored within the Industry Sector and the Energy and Environmental Sector.

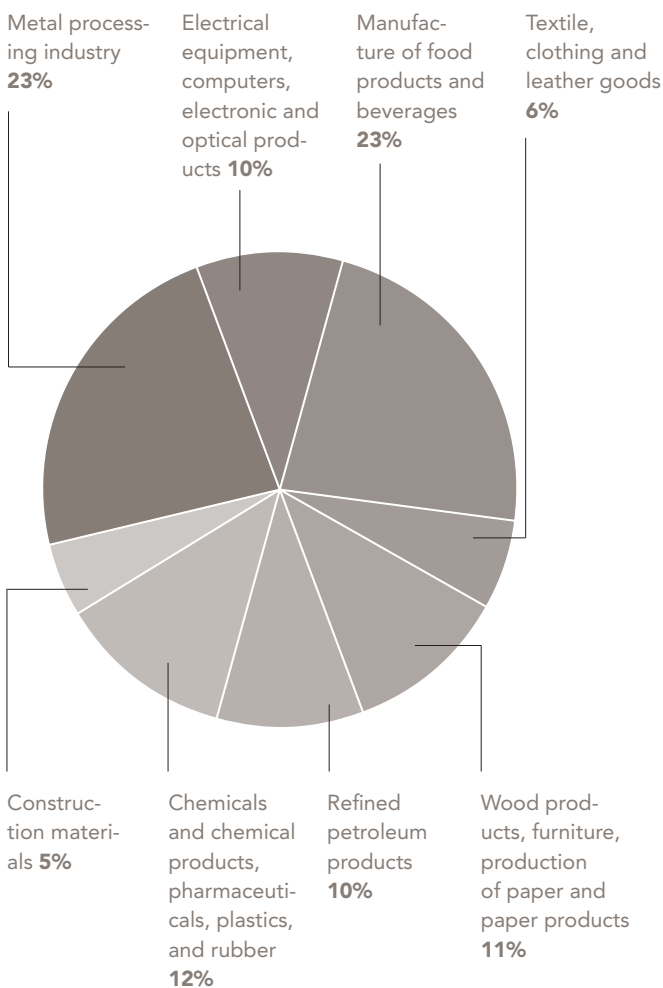
The expected economic growth can cause an increase in energy consumption. It is reasonable to expect that the energy sector in the Republic of Croatia will take on a more important role since such a development of events supports the strengthening of geostrategic position of the Republic of Croatia in Europe. The preparation of the energy strategy of the Republic of Croatia is under way, which should be completed by the end of 2018.

For the liquefied natural gas (LNG) project the Republic of Croatia is supported via projects of common interest of the European Union from CEF funds amounting to EUR 102 million, partly as funds for the realization of the terminal and partly for the preparation of the project documentation. Construction of an LNG terminal is regulated by special legislation. In the field of electricity transmission, the SinCroGrid project should be emphasized, in which Croatia and Slovenia jointly manage cross-border capacities through the advanced network technology. These projects are important for the diversification of supply routes and sources, but also for the purpose of raising security of supply of the Republic of Croatia, the region and the entire Europe.

Among other energy projects, it is important to emphasize the continuation of hydrocarbon exploration and exploitation. This segment is important for the Republic of Croatia to maintain its current level of energy independence. When talking about (in)dependence on imports of energy-generating products, Croatia belongs to a group of countries that partially meet their energy needs, which is not something a large number of countries in Europe can boast. New research should define whether there is potential to keep the Republic of Croatia at its current level of energy independence, i.e., that at least part of its primary energy needs is met from its own sources, primarily in gas. The Republic of Croatia currently meets 40% of its gas demands, with a downwards trend.

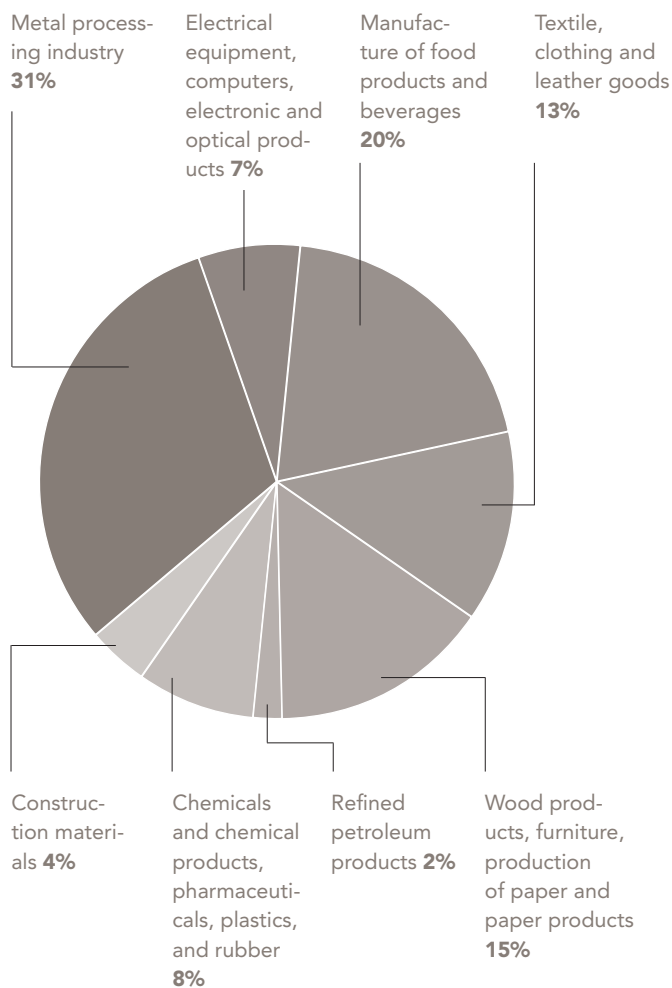
In the field of electrical power generation, the construction of new capacities in renewable energy sources is only certain for already contracted and yet unbuilt production facilities, however, the increase of the capacity of renewable energy production from renewable sources with new capacities is not certain in 2018 without a revision of the National Action Plan for Renewable Energy, Amendments to the Act on Renewable Energy Sources and High-Efficiency Cogeneration and the Adoption of Regulations that will regulate specific parts. The renewable energy area is regulated by the Act on Renewable Energy Sources and High-Efficiency Cogeneration, effective as of

SHARE OF INDIVIDUAL INDUSTRIES IN THE PROCESSING INDUSTRY BY TOTAL INCOME FOR 2016



NUMBER OF PERSONS EMPLOYED IN THE PROCESSING INDUSTRY FOR 2016

In 2016, the total number of employees in the industry accounted for 31.2% of the total number of employees in the Republic of Croatia.



1st January 2016, which provides for a transition from the previous model of incentive tariffs to the premium model.

The development of the domestic industry in the production and development of renewable energy production equipment has been accompanied by an increase in such production capacities. Lately, positive developments have been noted and the market is seeing the emergence of Croatian makers of significant equipment parts, from wind turbine equipment, steam turbines, to the production of equipment for foreign buyers, whether it is finished pieces of equipment or elements installed as parts of foreign products.

A significant role in the energy sector is given to the application of energy efficiency measures, and the savings are seen as the production of an appropriate amount of untapped energy. Therefore, after the manufacturing industry, trade, and tourism, the continuation of co-financing measures is expected through the Operational Programme Cohesion and Competitiveness for advanced grids and heating. At the EU level significance is given to economic measures, so the activities of the CCE are recognized in the National Energy Efficiency Action Plan.

The Sector for Energy and Environmental Protection and the Sector for Construction and Utility Management also actively monitor the areas of water supply, wastewater removal, waste management and remediation activities. In these sectors there was a decrease in exports of 0.88% in 2016 compared to 2015, while imports increased by 14.22% in the same period. The mentioned economic sector, which

monitors the activities of waste management, collection, processing, recovery and disposal of certain categories of waste, is highly horizontal and a new impetus to new policies is expected at the EU level, but also at the national level of the Republic of Croatia. The Sector therefore actively monitors the development of the project, advocates for Member States' stances and actively participates in the preparation and drafting of the new legislative framework with the relevant authorities. Significant investments in this economic area have already been achieved, especially in relation to the development of the waste management system, while more investments are expected in the coming period as the Republic of Croatia Waste Management Plan 2017-2022 has been adopted which, in terms of co-financing, provides for significant resources aimed at improving and upgrading the existing waste management systems.

All of these projects should ultimately be in the interest of the Croatian economy, because Croatian companies can also participate in the realization of these projects, which means additional jobs, but also the employment of a new workforce.

The core features of the Croatian industry are a stable quality and reliability of products in line with EU standards, an available professional workforce, support from scientific institutions, a good manufacturing infrastructure and traffic connectivity with the world. In the period ahead, intensification of economic activity, i.e. projects in the field of energy, energy efficiency, infrastructure, environmental protection etc. is expected.



TOURISM

Croatia has been recording a steady growth of all tourism indicators in recent years, and with its long tourism tradition and development potential, it is one of the most important tourist destinations in the Mediterranean. The advantages of its tourist product are preserved natural resources and the environment, cultural and historical heritage, mild Mediterranean climate, close proximity to European markets and excellent transport links with them.

Croatia is exceptionally rich in natural and cultural diversity and boasts one of the most indented and beautiful coastlines with 1246 islands, ecologically preserved natural resources with eight national parks (Plitvice Lakes, Paklenica, Risnjak, Northern Velebit, Kornati, Mljet, Brijuni and Krka), 11 nature parks (Biokovo, Kopački rit, Lastovo islands, Lonja Field, Medvednica, Papuk, Telašćica, Učka, Velebit, Vrana Lake, Žumberak - Samobor mountains), as well as 7 cultural, historical and natural resources enrolled as a UNESCO World Heritage Sites (Diocletian's Palace in Split, Euphrasian Basilica in Poreč, Plitvice Lakes National Park, the historical centre of Trogir, Old Town of Dubrovnik, St. James's Cathedral in Šibenik and Stari Grad Plain).

Alongside "the sun and the sea" and the mild Mediterranean climate, Croatia attracts tourists all year round by a diverse and rich nautical, congress, health, cultural, gastronomical and enological offer and other attractions such as diving, adventure, and rural tourism, cyclo-tourism and golf tourism. With the possibility of investing in the said forms of tourism, there is a great opportunity to invest in the development of high-quality accommodation capacities.

Each Croatian tourist region develops its specific offer in accordance with world trends and its own traditions, and the most important regions are Istria, Kvarner, Dalmatia, Dubrovnik, the Adriatic islands, Zagreb as the capital city, the Danube region and other continental regions of Croatia.

Croatia has 124,935 permanent beds in hotels, 23,262 in tourist resorts, 229,358 in camps, 604,813 in households and 70 marinas (13 dry-dock) with more than 17,067 berths along the coastline. In 2017, there were 17.4 million arrivals, or 13 percent more than the previous year, and 86.2 million overnight stays, or 11 percent more than in 2016. As much as 93 percent of all overnight stays were made by foreign tourists, with the largest share being German tourists (24 percent of overnight stays). According to the Croatian National Bank data, tourism revenues from foreign guests amounted to EUR 9.5 billion in 2017, which is an increase of 10 percent compared to 2016.

TOURISM TURNOVER IN CROATIA IN 2017

	Arrivals	Index '17 / '16	Overnight stays	Index '17 / '16
TOTAL	17,430,580	112.7	86,200,261	110.6
Domestic	1,837,681	105.1	5,978,264	102.7
Foreign	15,592,899	113.7	80,221,997	111.3
EMISSIVE MARKETS				
Germany	2,615,900	115.2	19,525,823	114.4
Austria	1,331,215	108.2	6,990,661	107.5
Slovenia	1,297,681	100.0	7,140,125	100.0
Italy	1,110,219	102.2	4,915,170	99.8
Poland	934,336	123.5	6,056,181	122.0
Czech Republic	741,757	107.7	5,067,098	106.2

CON- STRUC- TION



The trend of restructuring the construction activity in the Republic of Croatia has been driven by the economic crisis and is in line with trends in EU member states, where small and medium-sized businesses adapt to the modern market demands more easily. This trend is reflected

in the increase in the number of companies listed, while the number of large companies has decreased considerably. In recent years, harmonization of domestic legislation and standards with those in the EU has been carried out, as this was a necessary step in creating the preconditions for rapid restructuring and adaptation of Croatian construction to achieve competitiveness on a demanding EU market. In 2017, about 5 percent of the Croatian gross domestic product was realized in construction, with an upwards trend. By the end of 2017, 67,307 employees worked in construction in 13,852 active legal entities. From January to December 2017, the number of employees was 1.2% lower than in the same period of 2016. The value of completed works in 2017 was HRK 20,180,147,000 or about EUR 2,705,077,000. In order to fulfil the citizens' needs for affordable housing, in addition to the already defined programmes, the country is providing new solutions to problems in the housing construction. An incentive program for housing construction will enable citizens to purchase new unused apartments on the market under favourable conditions and to intensify the reconstruction of buildings and family houses. More active participation of commercial banks is expected in providing loans for housing construction. The Croatian motorway and semi-motorway network totals 1,315 km.

In Croatia there are four companies that operate the motorways. Hrvatske autoceste d.o.o. operates a 925.8 km network, AC Rijeka - Zagreb d.d. operates a 187 km network, Bina Istra d.d. operates a 141.2 km semi-motorway, AC Zagreb - Macelj d.o.o. operates a 61 km motorway. Motorway A1 (King Tomislav Motorway) Zagreb (Lučko) - Bosiljevo - Split - Dubrovnik, is still under construction (completed to Metković). It is now 483 km long, and when it is completed, it will have a total length of 554 km. The Kvarner motorway A7 Rupa - Rijeka - Žuta Lokva, was partially built and opened for traffic (35.2 km), part of it being under construction, while part of it is planned. The

total length of A7 will be 99 km. The Sisak motorway A11 Zagreb (Jakuševac) - Velika Gorica - Sisak is under construction. So far, 32.3 km have been built, and it will be 48 km long. The Slavonian motorway (Slavonika) A5 Beli Manastir (border with Hungary) - Osijek - Svilaj (border with Bosnia and Herzegovina) has been partially built and opened for traffic (56 km), part of it is under construction and when it is completed, it will be 89 km long. The Neretva motorway A10 from the border with Bosnia and Herzegovina to the Ploče loop at the A1 is 9 km long. The A12 motorway is also under construction, from the Sveta Helena loop (A4) via Vrbovec, Križevci, and Koprivnica to Gola, the border crossing with Hungary. The planned length of the motorway is 67 km. The A12 motorway is divided into five sections, and part of the future route of the A12 motorway is the expressway Sv. Helena - Vrbovec - Gradec (23 km), which will be reconstructed into a full-profile motorway. The A13 motorway is a motorway under construction from the Vrbovec 2 (A12) loop via Bjelovar - Virovitica to the border crossing with Hungary, near Terezino Polje. The planned length of the motorway is 86,5 km. The further dynamics of construction and completion of the motorway will be determined by the construction programme.

Investments in infrastructure projects are planned, of which the Pelješac Bridge project should be mentioned. This is certainly the most significant investment in Croatia after the construction of the motorway network and will be in the following few years. The Pelješac Bridge construction project has an exceptionally strategic importance for Croatia and should, not only in terms of construction, strengthen the Croatian economy. The bridge project consists of three main phases: the first one is the Pelješac Bridge, which is 2.4 kilometers long; the second is access roads on Pelješac Duboka (D8) - Zaradeže (D414) with a length of 12.04 km, and the third phase is the bypass Stona Zaradeže (D414) - Donta Doli (D8) - Prapatno (D414) and the construction of the Prapatno (D414) bypass with a length of around 18 km. The planned completion of construction is 2021.

Regarding investments in construction and modernization of the railway network, one of the most important projects currently underway is the reconstruction and the construction of a second track of the railway line Dugo Selo - Križevci. This is a project worth HRK 1 billion and 254 million, of which 85 percent is funded from EU funds.

Construction continues with investments in the tourism sector and in energy renovation of existing public and private buildings, and for this purpose the use of private investors and grant funds from EU funds is available.

UTILITY MANAGEMENT

The utility management system is a complete system regulated by the Utility Management Act, which sets out the principles, manner of conducting and financing utility management. Utility services are performed as a public service. Local government units performing utility activities are obliged to ensure their permanent, sustainable and high-quality performance, to ensure the maintenance and

functionality of utility facilities.

Utility services can only be performed by companies and public institutions established by local government units and the service - own facility established by local government units and legal and natural persons under a concession agreement or agreement on outsourcing utility services. Utility services are exhaustively determined and defined

by law, and include: transport of passengers in public transport, maintenance of public areas, maintenance of unclassified roads, retail markets, maintenance of cemeteries and crematoria, performing chimney sweep activities, public lighting and activities of local importance determined by the decision of the representative body of the local government unit.

TRAFFIC



A favourable geographic and traffic position of the Republic of Croatia enables the development of a transport infrastructure and transport activities as one of the most important factors of the overall economic and social development of the country.

Croatia's traffic connection improves every year, and in mid-2005, the long-awaited Zagreb-Split motorway connecting the continent with the coast opened for traffic. Even though a lot has been done over the last few years on the construction of new roads, large investments in existing and new infrastructure are still needed, with a special emphasis on better linkage between the coastal and continental parts of the country - the completion of the Zagreb-Dubrovnik motorway.

Also, investments in ports, sea and river shipping as well as railways activities are increasing. In 2012, Hrvatske željeznice transformed from five companies into three new companies: HŽ Cargo, HŽ putnički prijevoz and HŽ infrastruktura. In 2013, all three companies started restructuring and modernizing the infrastructure and fleet. The railway system of the Republic of Croatia is based on the principle of separation of railway transport and railway infrastructure in which the Croatian Railway Safety Agency operates, while the regulation of railway services is performed by the Croatian Regulatory Authority for Network Industries (HAKOM). Access to the Croatian railway network for freight carriers has been liberalized since 1st July 2013, at Croatia's accession to the EU as a full member.

Also, excellent geographical position and excellent prerequisites for loading all types of cargo (general, bulk, container, Ro-Ro, liquid, livestock, etc.) of the port of Rijeka, as well as of our other ports, should be utilized even more, because estimates of future traffic flows indicate a rise in maritime traffic, especially in the northern Adriatic route, primarily as a result of the overcapacity of the ports of Northern Europe.

The share of the combined transport in the total freight transport is very small. As this branch of transport is one of the most sophisticated forms and environmentally friendly, it is necessary to develop it using state incentives as soon as possible to include it in the European network.

Also, the Republic of Croatia should take advantage of its geopolitical position in air traffic as well, as it is a Mediterranean country situated at the intersection of air routes to southern, eastern and central Europe. Croatia has 8 airports holding a certificate in accordance with the European Commission Regulation no. 139/2014 (Zagreb, Split, Dubrovnik, Rijeka, Zadar, Pula, Osijek and Brač) and the airport of Lošinj holds a certificate in accordance with the Air Traffic Act (Source: Croatian Civil Aviation Agency, www.ccaa.hr)

INFRASTRUCTURE IN 2017

Roads

Total of 26,958.5 km, of which:

- motorways and semi-motorways: 1,416.5 km
- state roads: 6,858.9 km
- county roads 9,703.4 km
- local roads 8,979.7 km

(Source: web site of the Ministry of Sea, Transport and Infrastructure)

Railway

- 2,617 km of tracks, with 542 stations and stops
- 1,512 railway-road crossings
- 109 tunnels and 548 bridges

(Source: Railway network report 2019 HŽ Infrastruktura and the HŽ Infrastruktura web site)

Pipelines

- 610 km of pipelines
- 2693 km of gas pipeline

(CBS - data for 2016)

Registered road motor vehicles

Total registered: 2,098,159 road vehicles, of which:

- 1,596,087 passenger vehicles
- 5,698 buses
- 156,724 trucks
- 85,121 mopeds
- 69,148 motorcycles
- 11,334 road tractors
- 12,824 special purpose vehicles
- 119,191 agricultural tractors
- 29,105 trailers
- 12,927 semi-trailers

(Source: CBS, Press Release, Registered Road Vehicles and Road Traffic Accidents in 2017, 18th April 2018)

**STRUCTURE OF PASSENGER AND FREIGHT
TRANSPORT BY TYPE OF TRANSPORT IN 2017**



85,889

**Passengers
transported**
(in thousands)



19,832

Railway
transport



49,561

Road transport



14,315

Sea and coastal
transport



2,181

Air transport

In the period from January to December 2017, 85.9 million passengers were transported, which is 1.0% lower than in the same period of 2016. Rail transport decreased by 4.4%, and road transport by 1.7% as well. An increase was achieved in maritime and coastal transport by 5.8%, and in air transport by 3.8%.



114,855

Transported goods
(in thousands of tonnes)



12,178

Railway
transport



72,329

Road transport



19,579

Sea and coastal
transport



2

Air
transport



574

Inland
waterway
transport



10,192

Pipeline
transport

In the period from January to December 2017, 114.9 million tonnes of goods were transported, which is 1.6% more than in the same period of 2016. An increase of 22.0% in transport of goods was realized in rail transport, and 13.6% in pipeline transport. There was a drop of 12.0% in air transport, 0.2% in road transport, 15.2% in inland waterway transport, and 6.5% in sea and coastal transport.

(Source: CBS, Press Release - Fourth Quarter of 2016, No. 5.1.1./1, Processing: CCE)

In the area of transport and storage, there are 7,116 legal entities with 61,683 employees.

This is 2.78% of the total number of registered legal entities and 5.24% of total employment in legal entities in the Republic of Croatia.

(Source: CBS, Statistical Yearbook of the Republic of Croatia 2017)

TRADE

According to the National Classification of Activities (NCA) G, in legal entities engaging in trade, there were 191,060 employed persons in 2017. Of the total number of employees in trade, most of them were employed in retail trade, excluding motor vehicles and motorcycles (G47) trade, with 110,556 employees. The second largest employer in trade is wholesale trade, excluding motor vehicles and motorcycles (G46), which employed 65,841 people. Wholesale and retail trade in motor vehicles and motorcycles, motor vehicles and motorcycle repair (G45) employed 14,663 people.

In 2017, real turnover in retail trade, according to calendar-adjusted data, was 4.2% higher on average compared to 2016 (when it was 4.4%). The positive trend of consumer optimism in recent years was impacted by improvements in taxing salaries, which occurred in early 2015 and 2017, and had an impact on increasing the purchasing power of the population.

The mentioned improved retail turnover trends in recent years have also been positively impacted by personal consumption trends (almost 60% of the GDP), which have also experienced growth in the last three years and have had a positive impact on GDP growth as well.

In accordance with European and world practice, Croatian trade seeks to respond more effectively and more successfully to the wishes and needs of customers, as is the case in other EU member states. Domestic trade follows all trends, as demonstrated by the construction of a modern trade network whose range of products, quality of supply and the level of services and prices enable it to participate in the market on equal terms given the fact that trade today faces great competition.

National Classification of Activities - Area G

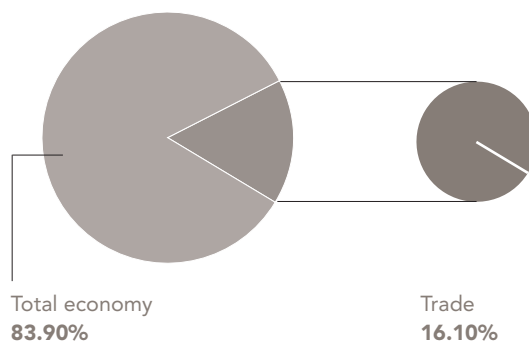
G - Wholesale and retail trade, repair of motor vehicles and motorcycles

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

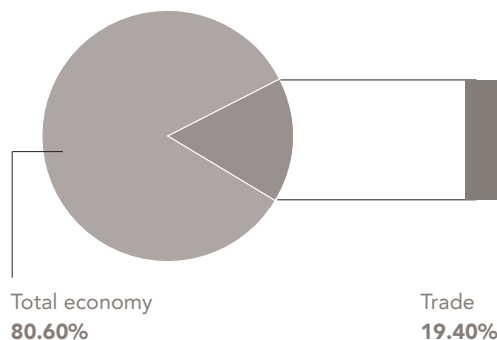
G 46 - Wholesale trade, excluding motor vehicles and motorcycles

G 47 - Retail trade, excluding motor vehicles and motorcycles

SHARE OF EMPLOYEES IN TRADE IN THE TOTAL ECONOMY OF THE REPUBLIC OF CROATIA



SHARE OF TRADE ACTIVITY IN THE TOTAL NUMBER OF LEGAL ECONOMIC SUBJECTS



Source: CBS; Processing: CCE Trade Sector

14,663

Number of employees in wholesale and retail trade, repair of motor vehicles and motorcycles - G45

65,841

Number of employees in wholesale trade, excluding motor vehicles and parts trade - G46

110,556

Number of persons employed in retail trade, excluding motor vehicles and parts trade - G47

191,060

Number of employees in trade - G

Source: CBS - Number and structure of persons employed in legal entities under the NCA in 2016; Processing: CCE Trade Sector

HUMAN RESOURCES DEVELOPMENT



Education and training are recognized as the foundation for the development and success of today's society of knowledge and the economy of knowledge. The economic development of a country requires creativity, innovation, and lifelong learning. Knowledge and innovation are the most valuable assets, especially in the conditions of intense global competition. A high-quality pre-school, elementary, secondary, higher and vocational education and training as well as the recognition of the value of lifelong learning are the foundation of Europe's success. Lifelong learning leads to growth and employment and gives everyone the opportunity to be fully involved in society. Croatia, as part of the European cultural space, has adopted the concept of lifelong learning as the foundation of its own education strategy.

One of the strategic determinants of Europe, and Croatia as well, is the increase of the employability and adaptability of the workforce through the establishment of a system that will meet current and future needs for labour market competences. Disparity between the education system and the needs of the labour market is great. In Croatia, reform activities in the field of education are under way, by further developing and implementing the Croatian Qualifications Framework (CQF) and proposing a complete curricular reform. The aim of the reform is to enable the development of a dynamic and adapted curriculum for all levels and forms of education, the development of staff and technical infrastructure as well as legislation for

non-formal education and the promotion of lifelong learning. The complex process of adaptation of the education system in Croatia takes place through the development and implementation of the Croatian Qualifications Framework (CQF) - a reform tool for the organization of lifelong learning systems and national qualifications systems. The framework systematically, at all levels of education, promotes learning outcomes and real competences, acquired knowledge and skills and alignment of learning outcomes with the needs of the labour market and the development of the economy, society and the individual, opens up the possibility of building a system of recognition of knowledge acquired through informal and informal learning or lifelong learning, qualifications, comparability and recognition in Croatia and the international environment via the European Qualifications Framework, thereby respecting the principle of education and labour mobility.

The Act on the Croatian Qualification Framework was adopted in 2013, and the Ordinance on the Croatian Qualification Framework Register was adopted in 2014. The Education, Science and Technology Strategy of the Republic of Croatia was adopted in 2014. In 2016, the Vocational Education System Development Programme was adopted in order to align vocational education with the needs of the labour market and economic development. A key element of strengthening work-based learning will be ensuring the quality of the educational pro-

cess that takes place with the employer.

At the level of secondary education, a state graduation exam or a final exam were introduced in general-programme secondary schools and four-year vocational schools in the school year 2009/2010. The state graduation exam is a compulsory written final exam at the end of secondary education. Only general-programme secondary school (gimnazija) students must take the state graduation exam, and students of four-year vocational schools take the state graduation exam only if they plan to continue their education at a higher education institution. The result of the state graduation exam is an essential condition for continuing education, as well as a form of external evaluation of education that enables quality improvement and assurance and standardization of knowledge at the level of the entire country.

The reform of higher education aligned with the Bologna process has introduced a new way of studying in three cycles, a diploma supplement and a measuring of students' load via ECTS credits were introduced. In order to achieve compliance with the European system and create a common area of higher education, which will ensure student mobility and the employability of citizens of the European Union. Further efforts by the academic community, business community, and competent ministries are aimed at developing links between higher education institutions, the academic community and the economy in order to transfer knowledge and increase employment opportunities.

ENROLLED CHILDREN, PUPILS AND STUDENTS BY EDUCATION LEVELS AT THE START OF THE SCHOOL YEAR 2016/2017

	Number of institutions	Number of children pupils / students	Number of educators /teachers/ lecturers and assistant lecturers
Pre-school education	1,727	143,878	12,396
Primary education	2,118	319,204	33,345
Secondary education	743	162,556	27,465
Higher education	131	160,361	16,625
Total	4,719	785,999	89,822

Source: CBS, Statistical Yearbook for 2017; Processing: CCE

PERSONS EMPLOYED IN LEGAL ENTITIES BY LEVEL OF PROFESSIONAL EDUCATION - ON 31st MARCH 2016

Levels of professional education		Structure in %
Higher	249,310	23.0
Two-year post-secondary	94,522	8.8
Secondary	551,364	5.1
Elementary	27,297	2.5
Highly-skilled	12,322	1.1
Skilled	74,315	6.9
Semi-skilled	14,196	1.3
Unskilled	57,262	5.3
Total	1,080,588	100.0

Source: CBS, Statistical Yearbook for 2017; Processing: CCE

Foreign Trade

GOODS EXCHANGE IN 2017

	in HRK	%		in HRK	%
Export in Total	104,348,016,080	100.00	Import in Total	162,681,147,239	100.00
Europe	91,138,440,830	87.44	Europe	142,994,015,124	87.44
North and Central America	5,363,171,243	5.14	Asia	14,560,939,244	8.97
Asia	4,796,641,972	4.60	North and Central America	1,434,321,701	0.88
Africa	2,461,626,762	2.36	Africa	1,229,742,266	0.76
Oceania	265,054,752	0.25	South America	534,568,582	0.33
South America	96,176,702	0.09	Oceania	146,410,285	0.09

Source: CBS; Processing: CCE

THE MOST IMPORTANT TRADE PARTNERS IN 2017

Export	in HRK	%	Import	in HRK	%
Italy	14,193,231,579	13.60	Germany	25,706,256,819	15.80
Germany	12,853,241,846	12.32	Italy	21,006,808,268	12.91
Slovenia	11,209,814,867	10.74	Slovenia	17,433,015,855	10.71
Bosnia and Herzegovina	10,200,004,636	9.78	Hungary	12,325,188,172	7.57
Austria	6,532,496,830	6.26	Austria	12,308,434,969	7.56
Serbia	4,999,284,174	4.79	The Netherlands	6,300,371,830	3.87
USA	4,079,835,069	3.91	Poland	5,676,379,617	3.49
Hungary	3,474,344,277	3.33	China	5,178,444,030	3.18
France	2,703,626,221	2.59	Bosnia and Herzegovina	5,111,649,151	3.14
The Czech Republic	1,843,940,546	1.77	Serbia	4,287,371,356	2.64
Total export presented	72,089,820,045	69.08	Total import presented	115,333,920,067	70.89
Total export of the Republic of Croatia	104,348,016,080	100.00	Total import	162,681,147,239	100.00

Izvor: DZS; obrada: HGK

**STRUCTURE
OF GOODS
EXCHANGE
IN 2017**

Export	in HRK	%
Most significant products		
Fossil fuels, mineral oils and distillates	11,120,804,954	10.65
Nuclear reactors; boilers, machines, appliances	9,002,047,640	8.63
Electric machines and equipment and their parts	8,954,287,717	8.58
Pharmaceuticals	8,417,868,456	8.06
Wood and wood products	5,720,396,142	5.48
Vehicles, other than railway or tram vehicles and parts	4,019,076,971	3.85
Clothes and clothes accessories	3,512,896,982	3.36
Furniture; bed equipment, mattresses, pillows	3,461,252,846	3.32
Products made of iron and steel	3,413,630,389	3.27
Aluminum and aluminum products	3,177,744,246	3.05
Total export presented	60,800,006,343	58.26
Total export	104,348,016,080	100.00

Source: CBS; Processing: CCE

EUR/HRK = 7.46010 (2017 annual average)
USD / HRK = 6.62240 (2017 annual average)

Import	in HRK	%
Most significant products		
Fossil fuels, mineral oils and distillates	21,747,552,599	13.37
Nuclear reactors; boilers, machines, appliances	15,815,737,396	9.72
Electric machines and equipment and their parts	12,588,033,404	7.73
Vehicles, other than railway and tram vehicles, and parts	12,191,354,450	7.49
Pharmaceuticals	7,499,683,407	4.61
Plastic and plastic products	6,963,256,779	4.28
Clothes and clothes accessories	4,438,858,868	2.73
Optical, measuring, checking, medical instruments and apparatus	4,371,712,629	2.69
Products made of iron and steel	4,260,859,447	2.62
Iron and steel	3,972,344,567	2.44
Total import presented	93,849,393,546	57.68
Total import	162,681,147,239	100.00

Source: CBS; Processing: CCE

LEGAL FRAMEWORK

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

With the EU membership, Croatia became part of a single internal market and a customs union. The internal market is characterized by the free movement of goods, services, capital and labour, and a common trade policy and agricultural policy. In the European Single Market, which is made up of 28 Member States, goods, services, capital and people can move freely, as within a single country, without obstacles represented by state borders. The Customs Union is characterized by common customs regulations and free trade between the EU Member States.

In trade relations with third countries, a Common trade policy based on single principles of trade relations of the EU with the world is applied, in particular with regard to common rates of duty, resulting from concluded trade agreements, the harmonization of trade liberalization measures, the establishment of a common export policy, the use of trade protection mechanisms, removal of trade barriers, commercial aspects of intellectual property rights and direct foreign investment. The common trade policy encompasses and determines bilateral trade relations of the EU and third countries through multilateral organizations (WTO).

By joining the EU, the possibilities of preferential exports and imports have increased significantly with regard to free trade agreements that the Union has concluded or will enter into with third countries. Imports of goods of non-preferential origin from third countries shall be subject to the Common Customs Tariff of the EU.

When importing or exporting frequently, besides other documentation, the goods are accompanied by evidence of the origin of the goods. The relevant evidence is issued for goods which comply with certain prescribed rules of origin, for such goods the preferential rate of duty is applied with regard to imports, or the goods are subject to or exempt from the application of certain trade policy measures. For this reason, the origin of goods, whether it is independently used to apply preferential tariff rates or the exemption from the application of some of the trade policy measures, is of utmost importance. What is to be noted is that the EU has concluded a number of preferential agreements both bilaterally and unilaterally and on the pages of the Customs Administration - Republic of Croatia - Ministry of Finance there is a published overview of all preferential arrangements that the EU applies with indications where the relevant contracts or decisions can be found in order to be studied in detail. At the same time, it should be emphasized that this is a current state of affairs, the trade negotiations are a "living organism" and there is continuous negotiating with certain states, therefore the contractual scheme itself is subject to change.

Free trade agreements and other preferential arrangements that the EU has concluded with certain third countries are being applied. List of all free trade agreements (origin protocols) and autonomous arrangements that the EU applies in trade with the party states https://carina.gov.hr/pristup-informacijama/propisi-i-sporazumi/carinskatarifa-vrijednost-i-podrijetlo/podrijetlo-robe/informacije-4092/16-02-2017-tab-ela-ugovori-preferencijalni-aranzmani-v1_10-16-2-2017/4780.

With the General Benefits System (GSP), there are additional benefits that the EU unilaterally applies with developing countries and the least developed countries, thus enabling a more favourable treatment of imports of goods from these countries. In the case of exports from the Republic of Croatia/European Union for the export of goods of non-preferential origin to countries with which the EU has not concluded a free-trade agreement or the preferential rules of origin have not been met, the basic duty rate is applied according to the most favoured nation (MFN) principle.

In the case of exports to the countries with which the EU has concluded a free-trade agreement, the reduced rates of duty i.e. customs duties laid down in those agreements shall apply.

When free-trade agreements and unilateral arrangements stipulate that goods in export and import are accompanied by a certificate of preferential origin (EUR.1, EUR-MED), this certificate is issued by the competent customs authority. If the contract with a foreign person, foreign country regulations or EU regulations stipulate that the goods should be accompanied by a certificate of non-preferential origin, the said certificate is issued by the Croatian Chamber of Economy. In addition to the prescribed exemption from customs duties for certain groups of goods, depending on the specific use, the EU has an elaborate mechanism to encourage and increase the competitiveness of domestic production by tariff suspensions and autonomous tariff quotas. This mechanism allows European producers to initiate a procedure to lower the rate of duty in order to enable the supply of raw materials under more favourable conditions. The EU applies numerous trade policy measures to protect the market and domestic production from excessive dumped or subsidized imports of goods from third countries. The most significant are trade policy measures: anti-dumping and compensation duties.

Anti-dumping and compensation duties are introduced as an addition to regular duty. The procedure and the method of establishing the existence of dumping or subsidies on imports or possible damage to domestic production due to such imports, and the procedure and the manner of introducing the anti-dumping i.e. compensation tariff, shall be governed by the WTO rules.

In addition to the tariff measures, it is possible to apply a range of non-tariff measures to restrict or prohibit 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, ban on trade with individual countries and others.

When importing certain products from third countries (food, animals, medication, cultural property, dual use, etc.), special certificates (sanitary, veterinary, phytopathological or quality certificates) are required as proof of their soundness and quality. These certificates are issued by the competent institutions depending on the type of goods. Goods originating from a third country for which a compulsory attesting or type-approval procedure has been prescribed shall be tested and attested by an authorised organisation and marked appropriately before being placed on the market.

CUSTOMS SYSTEM

For a business conducted between two economic operators on a single EU market to be based on free movement of goods and services, trade is conducted without customs formalities, i.e. without carrying out customs supervision of the goods and collecting customs charges. Commodity exchanges between EU Member States and third countries are subject to common EU customs legislation, binding on all Member States, and the Common Customs Tariff. Regulation (EU) No. 952/2013 of the European Parliament and of the Council of 9th October 2013 laying down the Union Customs Code is the basic rule of EU customs policy under which legal entities and natural persons should act when importing goods from third countries or when goods are exported to third countries and who, when and how pays export or import duties and other charges.

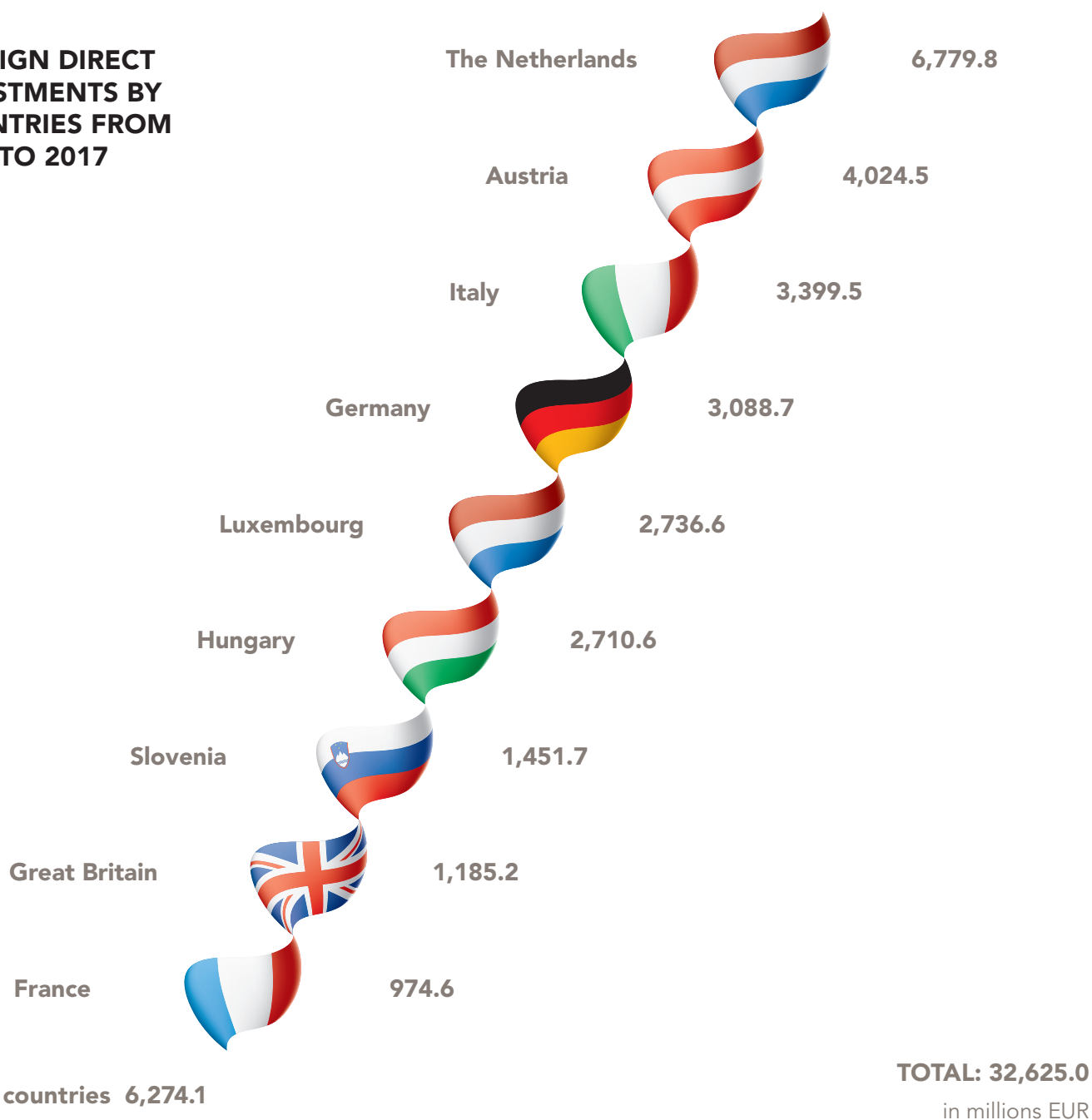
The entry and exit of goods into the customs territory of the Union shall be permitted only through the prescribed border crossings. The entry and exit of goods requiring phytosanitary, veterinary or other control shall be permitted only on those border crossings which are subject to special rules for the entry and exit of such goods, in accordance with the obligation of the Member State to determine the border crossings through which the traffic of goods or passengers is carried out. in Regulation (EU) No. 952/2013 of the European Parliament and of the Council of 9th October 2013 laying down the Union Customs Code prescribes provisions regulating the customs-approved treatment or use of goods, which regulate in more detail the customs declaration and the related activities of the customs authorities and the parties in the customs procedure (acceptance and verification of customs declarations, taking samples of goods, changing the data in the declaration), as well as the conditions for issuing approvals for the implementation of simplification of the transit procedure.

Foreign Investments

Foreign investments in Croatia are regulated by the Companies Act, the Investment Promotion Act, the Act on Strategic Investment Projects of the Republic of Croatia and other laws. A foreign investor has the same rights, obligations and legal position in a company, subject to reciprocity, as a Croatian citizen or company. The Constitution of the Republic of Croatia establishes that the rights acquired by investing capital shall not be diminished by law or other legal acts and ensures free extraction of profit and invested capital from the country upon completion of investment.

The total foreign investments in Croatia from 1993 to 2017 amounted to EUR 32,625.00 million.

FOREIGN DIRECT INVESTMENTS BY COUNTRIES FROM 1993 TO 2017



FOREIGN INVESTMENT OPTIONS

Foreigners can invest in Croatia in the following ways:

- on a contractual basis
- in a company
- in a bank or insurance
- open a small business or operate as sole traders

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

- public company
- limited partnership
- joint stock company
- limited liability company
- simple limited liability company
- economic interest grouping
- silent company

Foreigners can acquire equity interests and stocks in companies. All companies are registered in the court register of the competent commercial court according to their seat. Joint-stock companies and limited liability companies can be established on the basis of a contribution in money, kind and rights. The share capital of a company must be expressed in HRK. The lowest share capital for the establishment of a joint-stock company is HRK 200,000, and the nominal value of a stock may not be less than HRK 10.00. The minimum share capital for the establishment of a limited liability company is HRK 20,000 and the nominal value of an equity interest may not be less than HRK 200.00. The lowest share capital for a simple limited liability company is HRK 10.00 and the lowest nominal value of an equity interest is HRK 1.00.

A company may be established by one or more persons. A foreign natural person may operate in Croatia as a craft business owner. For the purpose of performing free and associated crafts, a craftsman must obtain a craft licence issued by the competent county office according to the seat of the craft business. In case of privileged crafts, the privilege certificate is issued by the competent ministry depending on the type of craft.

PROMOTION OF INVESTMENTS

The Investment Promotion Act (OG 102/15, NN 25/18) regulates the allocation of state aid to encourage investments by legal entities or natural persons registered in the Republic of Croatia liable for payment of corporate income tax and engaged in economic activity and trade of goods and services in the Republic of Croatia.

The aid regulated by this Act relates to investment projects and strengthening competitive capability in:

- manufacturing and processing industry,
- development and innovation activities,
- business support activities
- high value-added services which simultaneously ensure environmentally safe entrepreneurial activity and one or more of the following objectives:
 - introduction of new equipment and modern technologies
 - higher employment rate and better employee training
 - development of high value-added products and services
 - increasing entrepreneurial competitiveness
 - uniform regional development of the Republic of Croatia.
- economic activation of inactive assets owned by the Republic of Croatia.

Investment, initial investment or investment project under the provisions of the Act is an investment in long-term assets registered as property of the beneficiary of the aid, in a minimum amount of EUR 150,000 in kuna countervalue, or a minimum amount of EUR 50,000 in kuna equivalent for microentrepreneurs subject to the requirement of opening at least five new jobs related to the investment, or three for microentrepreneurs or a minimum amount of EUR 50,000 in kuna equivalent and subject to the requirement of opening at least ten new jobs for the Centres for Development of Information and Communication Systems and Software. Initial investment is an investment in tangible and intangible assets related to the establishment of a new business unit, expansion of capacity of an existing business unit, diversification of a business unit's production to products that the business unit has not previously produced or fundamental change in the overall production process of an existing business unit.

Minimum investment for incentives:

- EUR 50,000 and opening three new jobs - micro-entrepreneurs or
- EUR 150,000 and opening five new jobs - small, medium and large entrepreneurs or
- EUR 50,000 and opening at least 10 new jobs for the Centres for Development of Information and Communication Systems and Software.

Initial investment aid is determined on the basis of:

- eligible investment costs - in tangible and intangible assets or
- eligible costs of opening new jobs related to the investment.

A minimum of 25% of eligible investment costs must be provided by the beneficiary of the aid and may not include any state aid.

The maximum aid intensity is determined in accordance with the rules on regional aid and may not exceed the amount of the upper limit of permitted intensity established by the regional aid map (the Republic of Croatia is divided into two spatial units: Adriatic and continental Croatia).

A special methodology for calculating the maximum aid intensity is fore-

seen for large investment projects whose eligible costs exceed the amount of EUR 50 million in kuna equivalent.

The beneficiary of the aid is an entrepreneur - a natural person (a craftsman) who is liable to pay a profit tax, or a company registered in the territory of the Republic of Croatia; they utilize the aid, i.e. regional aid is granted to them for the purposes of initial investment and opening new jobs, and training aid related to the investment.

A natural person (a craftsman) liable to pay profit tax, micro, small, medium-size and large company that intends to use the aid for initial investment submits the application for utilizing the aid for the purpose of investment promotion to the Ministry of Economy, Entrepreneurship and Crafts before the start of the investment.

The term “start of an investment” shall mean the beginning of construction works on that investment or the first legally binding commitment taken on by the entrepreneur for the purpose of ordering equipment or any other obligation which makes the investment irrevocable, whatever comes first. Land acquisition and preliminary activities such as obtaining permits and implementing preliminary feasibility studies are not considered as the start of an investment.

AID AIMED AT PROMOTION OF INVESTMENT

Types of aid provided for in the Act are as follows:

- tax incentives for micro-entrepreneurs
- tax incentives for small, medium and large entrepreneurs
- aid for justified costs of new jobs related to the investment project
- aid for justified training costs associated with the investment project
- aid for:
 - development and innovation activities
 - business support activities and
 - activities of high value added services
- aid for capital costs of the investment project
- aid for labour-intensive investment projects
- aid for the economic activation of inactive assets owned by the Republic of Croatia.

TAX INCENTIVES

The total amount of tax incentives that the beneficiary can use when using tax incentives is determined in the absolute amount of the difference in the calculation of the amount of due corporate income (profit) tax calculated on the basis of the Profit Tax Act and the amount calculated on the basis of the Investment Promotion Act while respecting the maximum allowable amount of total aid.

If the beneficiary ceases to be a payer of profit tax during the period of utilization of the aid, the right to use the tax incentives for the remainder of the period for which they have been granted shall cease as well, with the obligation to preserve the new jobs and the investment project. If the beneficiary of the aid reduces the number of new jobs established by the Act prior to the expiration of the stipulated minimum period of preservation of investment, the right to use the tax incentives for the entire period for which they have been granted shall cease, with the obligation to repay the funds realized through the use of the granted incentives increased by the amount of the base reference rate, which is determined and issued pursuant to rules on state aid, plus 100 base points.

For investments above EUR 150,000, incentives for large, medium and small businesses apply.

Minimum amount of investment	Minimum number of new jobs	Period for opening new jobs	The profit tax rate decreases	Duration of incentives
EUR 50,000 for micro-entrepreneurs	3	3 years	50%	up to 5 years
> 0.05 - EUR 1 million for centres for development of information and communication systems and software	10	3 years	50%	up to 10 years
0.15 to 1 mil. €	5	3 years	50%	up to 10 years
1 - 3 mil.€	10	3 years	75%	up to 10 years
over 3 mil. €	15	3 years	100%	up to 10 years

The minimum period of preservation of investment is five years after the completion of the investment for large entrepreneurs or three years in the case of micro, small and medium-sized entrepreneurs but not shorter than the period of utilization of aid according to the Investment Promotion Act. The date when the material assets related to the investment project become operative shall be considered as the completion of the investment.

If the aid is calculated on the basis of salary costs, a new job must be occupied within a period of three years from the start of the investment project. The new job must be related to the implementation of the investment project and preserved in a particular area five years after its first opening for large entrepreneurs, or three years for micro, small and medium-sized enterprises, but not shorter than the period of utilization of the aid under the Investment Promotion Act for which this job is a requirement.

AID FOR JUSTIFIED COSTS OF NEW JOBS RELATED TO THE INVESTMENT PROJECT

According to the data provided by the State Bureau of Statistics regarding the unemployment rates registered in the previous year by counties, the beneficiary of the aid which ensures the opening of new jobs related to the investment shall be granted aid as follows:

Unemployment rate in the county	Minimum period of preservation of new jobs	Grants for costs of opening new jobs	Maximum amount of aid
up to 10%	3/5 years	up to 10% of eligible costs	up to EUR 3,000
10% - 20%	3/5 years	up to 20% of eligible costs	up to EUR 6,000
more than 20%	3/5 years	up to 30% of eligible costs	up to EUR 9,000

The eligible costs of opening new jobs linked to the investment are calculated as salary costs. Salary costs are the total amount that the beneficiary of the aid actually has to pay for the said jobs, which in a given period consists of gross salary plus the amount of the benefits according to the base salary.

New jobs must be occupied within a period of three years after the completion of the investment. The completion of an investment shall be considered the date of issue of the decision allowing the performance of business activities or the date when the material assets related to the investment project become operative. The minimum period of preservation of new jobs related to the investment is five years for large entrepreneurs, or three years for small and medium-sized entrepreneurs.

AID FOR JUSTIFIED COSTS OF TRAINING RELATED TO THE INVESTMENT PROJECT

A grant for the training of employees on new jobs related to the investment project shall be approved to the beneficiary of the aid.

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

- A. by 10 percentage points if training is delivered for disabled employees
- B. by 10 percentage points if the aid is granted to a medium-sized entrepreneur
- C. by 20 percentage points if the aid is granted to a small and micro-entrepreneur.

Eligible costs for training are as follows:

- A. costs of the lecturer
- B. business-related costs in connection with the lecturers and trainees directly related to the training project, such as travel costs, costs of materials and consumables directly linked to the project, depreciation of tools and equipment, if used exclusively for the training project; accommodation costs are excluded
- C. costs of consultancy services related to the training project
- D. costs of staff attending the training and general indirect costs (administrative costs, rent, overheads) for the hours that the trainees spend on the training.

AID FOR DEVELOPMENT AND INNOVATION ACTIVITIES, ACTIVITIES OF BUSINESS SUPPORT AND ACTIVITIES OF HIGH VALUE ADDED SERVICES

For investment in development and innovation activities, business support activities and activities of high value added services, additional incentives shall be granted for the following investment projects:

A. DEVELOPMENT AND INNOVATION ACTIVITIES which influence the development of new and significant improvement of existing:

- products,
- production batches,
- manufacturing processes and
- production technologies.

For investments in development and innovation activities, along with the aid provided for in this Act, the beneficiary of the aid shall be granted a 50 percent increase in aid for the costs of opening new jobs linked to the investment project. Also, grants for the purchase of equipment/machinery up to 20 percent of the actual eligible costs of purchase of equipment/machinery, in the maximum amount of EUR 0.5 million, shall be approved (requirement - the purchased equipment/machinery must be high- technology equipment/machinery).

B. BUSINESS SUPPORT ACTIVITIES:

1. centres for customer/user support
2. centres of isolated business activities
3. logistic and distribution centres
4. centres for the development of information and communication systems and software.

For investments in business support activities, along with the aid provided for in this Act, the beneficiary of the aid shall be granted a 25 percent increase in aid for the costs of opening new jobs linked to the investment project.

C. ACTIVITIES OF HIGH VALUE ADDED SERVICES

1. activities of creative services
2. activities of hospitality and tourist services - projects of four or five-star category hospitality and tourist facilities and projects of accompanying facilities
3. activities of industrial engineering services.

For investments in business support activities, along with the aid provided for in this Act, the beneficiary of the aid shall be granted a 25 percent increase in aid for the costs of opening new jobs linked to the investment project.

AID FOR CAPITAL COSTS OF INVESTMENT PROJECTS

This category of aid is approved for investment in long-term assets of the business unit of the beneficiary of the aid in the amount of kuna equivalent of at least EUR 5 million and filling at least 50 new jobs related to the investment project within three years from the start of the investment.

Unemployment rate in the county	Grant for the costs of building a new facility*	Grant for the purchase of new production equipment	Maximum amount of aid for new equipment	Minimum share of investment in new equipment/share of high-technology equipment
10% - 20%	10% of eligible costs	10% of eligible costs	up to 0.5 mil. €	40% / 50%
more than 20%	20% of eligible costs	20% of eligible costs	up to 1 mil. €	40% / 50%

* new facility - factory, industrial plant

AID FOR LABOUR-INTENSIVE INVESTMENT PROJECTS

This category of aid is approved for investment projects in long-term assets of the beneficiary of the aid that allows for the opening of at least 100 new jobs related to the investment project within a period of three years from the start of the investment.

New jobs	Increase in aid for the costs of opening new jobs
100	25%
300	50%
500	100%

AID FOR INVESTMENT PROJECTS THROUGH ECONOMIC ACTIVATION OF INACTIVE ASSETS OWNED BY THE REPUBLIC OF CROATIA

Inactive assets under the Investment Promotion Act are land and/or buildings owned by the Republic of Croatia, which is managed by the ministry responsible for the management of state property, which is not operational and on which no economic activity is carried out.

Minimum amount of investment	Minimum number of new jobs	Period for opening new jobs	Aid	Duration of aid
3 mil. €	15	3 years	lease without compensation of inactive assets owned by the Republic of Croatia, which is managed by the ministry responsible for the management of state property	up to 10 years

A lease without compensation of inactive assets owned by the Republic of Croatia which is managed by the ministry responsible for the management of state property shall be approved for a period of 10 years from the start of the investment to the beneficiary of the aid which realizes an investment project according to the criteria laid down in the Investment Promotion Act, in the areas of local government units classified according to the regulation on the classification of units of local and regional government according to the values of development indexes from groups I to IV. In the areas of those local government units classified according to the value of the development index from groups V to VIII of local government units, a lease without compensation shall be approved only after three rounds of public tender for the sale of inactive assets, previously conducted by the ministry responsible for management of state property within a period of 90 days from the submission of a request for lease of inactive assets without compensation by the investor or beneficiary of the aid.

During the period of realization of the investment project, the beneficiary of the aid is obliged to make a direct material investment in the inactive assets leased without compensation in the amount of at least 50% of the estimated value of the inactive assets at the moment of lease without compensation, excluding from this calculation the value of the contributed equipment that represents the investment.

APPROVAL AND SUPERVISION

Entrepreneurs who intend to use the aid under the Act submit to the relevant ministry the application for approval of the beneficiary status or the application for utilization of the aid prior to the commencement of works on the investment project or before the start of the investment project.

During the period of validity of the beneficiary status, beneficiaries are obliged to submit an annual written report on the realization of the investment project, eligible costs, use of incentive measures and the preservation of investment and opened jobs related to the investment to the relevant ministry and the Ministry of Finance - Tax Administration. During the minimum period of preservation of the investment, beneficiaries are obliged to submit to the relevant ministry an annual written report on the preservation of this investment and opened jobs related to the investment.

ACT ON STRATEGIC INVESTMENT PROJECTS

The Act on Strategic Investment Projects of the Republic of Croatia (OG 29/18) regulates the criteria and procedure for submission of strategic investment projects (hereinafter: strategic projects), procedure of evaluation, selection, preparation and implementation of strategic projects, management of property owned by the Republic of Croatia for the purposes of implementation of strategic projects, granting of concessions related to the implementation of strategic projects and the issuance of administrative acts related to the implementation of strategic projects. The purpose of the Act is to speed up the preparation and implementation of projects and the procedures for obtaining the required documentation for the realization of a particular investment project. Strategic projects of the Republic of Croatia can be private investment projects, public investment projects or public-private investment projects in the fields of economy, mining, energy, tourism, transport, infrastructure, electronic communications, postal services, environmental protection, utility services, agriculture, forestry, water management, fisheries, health care, culture, audio and visual activities, science, defence, justice, technology and education, including construction of buildings, which are proclaimed by the Government of the Republic of Croatia under this Act. A strategic project shall be considered a project whose implementation creates the conditions for employment of a larger number of people depending on the type and location of the project, which significantly contributes to the development or improvement of conditions and standards for product manufacturing and service delivery, introduces and develops new technologies that increase competitiveness and efficiency in the economy or the public sector and/or increases the overall level of safety and quality of life of citizens and environmental protection, which has a positive impact on a number of economic activities and whose implementation creates added value and largely contributes to the sustainable development and protection of areas, environment and culture and significantly contributes to the competitiveness of the Croatian economy and meets the following criteria:

1. complies with the physical planning documents and
2. has a value of total capital investment costs equal to or larger than HRK 75,000,000.00 without value added tax
3. has the option to be co-financed from EU funds and programs and the total value of capital costs of the project is equal to or larger than HRK 75,000,000.00 without VAT or
4. is realized in assisted areas, in accordance with the regulation governing assisted areas and areas with developmental peculiarities of the Republic of Croatia, and the total value of the capital investment costs in the assisted area is equal to or larger than HRK 10,000,000.00 without VAT or
5. is realized on the islands and the total value of the capital investment costs on islands is equal to or larger than HRK 10,000,000.00 without VAT or
6. for projects in the field of agricultural production, fisheries and forestry and the total value of the capital investment costs is equal to or larger than HRK 10,000,000.00 without VAT.

In addition to meeting the criteria, a private project may be declared strategic if it relates to:

1. manufacturing and processing activities or
2. development and innovation activities or
3. business support activities or
4. activities of high value added services or
5. activities in the energy sector or
6. infrastructure activities or
7. activities in the agriculture, forestry and fisheries sector or
8. activities in the health care sector.

The Ministry of Economy, Entrepreneurship and Crafts is responsible for the implementation of this Act.

TRANSFER OF PROFIT ABROAD

The profit that a non-resident realizes through direct investment may be freely transferred abroad provided that all legal obligations are met in the Republic of Croatia.

RIGHT OF OWNERSHIP FOR FOREIGNERS

Legal entities established and registered in Croatia, regardless of whether domestic or foreign capital has been invested in them, are considered to be domestic legal entities and have the right to acquire ownership of real property. A foreign natural or legal person may acquire the right of ownership of real property, in line with the principle of reciprocity and the consent of the Ministry of Justice, according to the Act on Ownership and Other Real Rights, with the exception of citizens and legal entities from EU Member States for which there are no such restrictions.

OPERATION OF FOREIGN COMPANIES

The Companies Act regulates the activities of foreign companies and sole traders (with registered office outside of Croatia) on the territory of Croatia. In Croatia, foreign companies and sole traders, as a rule, have equal rights and obligations as domestic entities. The freedom to provide services in accordance with the EU's *acquis communautaire* is also guaranteed (occasional or one-time performance of the activity, or performance of particular works for entrepreneurs with registered office in EEA countries). In some cases, the condition for doing business in Croatia may be the establishment of subsidiaries, which are not legal entities. By virtue of their business, all rights and obligations are acquired by the parent company. Subsidiaries can perform all activities covered by the scope of business activity of the company.

BRANCH OFFICES OF FOREIGN COMPANIES

According to the Trade Act, foreign persons who carry out economic activities from non-EU countries or non-EEA countries may establish a branch office in the Republic of Croatia. The branch office does not have the status of a legal entity; therefore, it cannot carry out the tasks within the scope of activity of the founder or contract works for the founder, but carries out works as directed by the founder, specifically, only tasks of market research, promotional and informative work and representation of the foreign entity which established it. Its operation may commence upon registration in the Register of Branch Offices of Foreign Entities in the Ministry of Economy, Entrepreneurship and Crafts.

Tax System of the Republic of Croatia

The Croatian tax system is in line with European principles, with equal status of all taxpayers, i.e. domestic and foreign natural persons and legal entities. The Croatian tax system is plural - it has several tax forms. According to the level of authority, taxes shall be divided into: state, county, city or municipal and joint taxes. Joint taxes shall be those of which a part is left in the state budget and the other part in the budgets of counties and cities/municipalities.

However, the most common division of taxes is into direct and indirect taxes. Direct taxes shall be those paid by taxpayers personally or paid on their behalf by the employer into the state treasury. Those shall be personal income tax imposed on wages, royalties or trades and profit tax paid by companies. Indirect taxes shall be not paid by those who pay them into the state budget, but the tax burden is borne by the end consumer. The most known indirect tax is the Value Added Tax (VAT).

STATE TAXES

- value added tax (VAT)
- profit tax
- special taxes and excise duties
 - special tax on motor vehicles
 - special tax on coffee and non-alcoholic beverages
 - tax on liability and comprehensive road vehicle insurance premiums
 - system of excise duties levied on alcohol, alcoholic beverages, tobacco products, energy products and electricity

COUNTY TAXES

- inheritance and gifts tax
- tax on road motor vehicles
- tax on vessels
- tax on coin operated machines for games for amusement

CITY OR MUNICIPAL TAXES

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

PROFIT TAX

Profit tax taxpayers shall be trading companies and other legal persons who carry out their business independently, permanently and for the purpose of earning profit, income or other economic values. The taxpayers of this tax shall be also natural persons who generate income under the income tax regulations, and they state that they wish to pay income tax instead of profit tax or if they are subject to taxation according to the scope of their business, as determined by the following criteria:

1. if they have received a total of more than HRK 3,000,000.00 in the previous tax period or
2. if they fulfil two of the following three conditions
 - they possess long-term assets in the value above HRK 2,000,000.00,
 - they have employed more than 15 employees on average in the previous taxation period.
 - in the previous taxation period, they have generated an income above HRK 400,000.00,

A taxpayer is also a domestic business unit of a foreign entrepreneur (non-resident).

The basis of profit tax is defined as:

- according to accounting principles – as a difference in income and expense, with regulated increases and decreases
- According money principle – for small taxpayers who earn an annual income of up to HRK 3 million - 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 shall be determined according to the cash principle)

The taxable base of a resident taxable person is the corporate income earned in Croatia and abroad, and the taxable base of a non-resident is the profit earned in the Republic of Croatia.

Income tax is paid at the established tax base at the rate of:

- 12% if revenues of up to HRK 3.000.000,00 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 in the form of:

- not paying income tax – a taxable person performing activities in Vukovar does not pay income tax, in accordance with relevant rules on small value grants.
- paying 50% of the defined tax rate – taxable persons performing activities in the area of local government units, Group I, according to the degree of development and to the special regulation on regional development of the Republic of Croatia
- 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 government unit, within the Group I according to the development level, or in Vukovar, during the period of at least nine months of the tax period

Tax incentives under the Investment Promotion and Development of Investment Climate Act refer to the possibility of reductions in corporate income tax (reduction of the 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 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.
- 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 Act on State Aid for Education and Training and other regulations adopted under that Act. State aid beneficiaries that are considered micro, small, medium or large enterprises can reduce the taxable amount for profit 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 a 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 tax base 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 tax basis by 10 percentage points in case of general and special education and training of disadvantaged employees.

WITHHOLDING TAX

Withholding tax shall be paid for corporate income (profit) by a non-resident in the Republic of Croatia. A taxpayer liable to pay withholding tax is a paying agent, whereas the tax base is the gross amount of compensation that a paying agent pays to a non-resident. The withholding tax shall be paid for:

- interest (except interest 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 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 the like) for which considerations are paid to non-resident persons who are not natural persons;

Withholding tax shall also be paid for 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% for 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. In addition, withholding tax on dividends and profit shares shall not be paid when paying 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 profit share has a minimum holding of 10% in the capital of the company distributing dividend or profit share for an uninterrupted period of 24 months.

INCOME TAX

A taxpayer liable to pay income tax is a natural person who acquires an income. Resident and a non-resident persons shall be considered to be taxpayers. Residents are taxed on income realized in the country and abroad (reduced by personal deduction), and non-residents are only taxed on income realized in the country.

The income tax basis 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 the country (the domes-

tic income principle) reduced by the non-resident's personal deductions.

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

There are receipts for 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 etc. Income tax is payable for the calendar year (tax period).

Calculation of salary income tax advance:

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

- 24% on the tax base up to 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 taxpayer 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 and no personal deductions 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 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 employee contributions assessed on salaries, and employers and payers of salaries shall calculate, suspend and pay the following employee contributions assessed on salaries:

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

Employer's contributions assessed on salaries shall be:

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

The lowest monthly wage base for calculating contributions for full working time relating to salaries for 2018 amounts to HRK 3,047.60, and the highest is HRK 48,120.00.

The Regulation on the Amount of the Minimum Wage established the minimum wage for 2018 at HRK 3,439.80.

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 employer's contributions assessed on salaries, 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)

The turnover 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.

A taxpayer 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 manufacturers, 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 Member State.

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

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

- supplies goods and services in the country 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 or do not pay VAT on 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 payment postponement.

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

- goods that are not shipped or transported - the place where the goods are at the time of delivery,
- goods that are shipped 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 where input tax for these goods is imposed 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 persons).

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:

Taxpayers who carry out deliveries of goods to other EU member states (and the acquisition of goods within the EU) need a 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 their member state and that the number 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 does not have a VAT identification number (small taxpayer, state body, etc.) or end consumer (citizen), the principle of the country of origin shall apply, which means that the Croatian taxpayer shall be obliged to calculate Croatian VAT for 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 is late to or gives up the threshold of delivery prescribed by other EU member states, they 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.

ACQUISITION OF GOODS WITHIN THE EU:

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

If the taxpayer (the acquirer) does not submit the VAT identification number, the supplier of goods from another Member State shall calculate value added tax in accordance with the regulations of their country (where the acquirer is not exempt from VAT in the Republic of Croatia).

For the acquisition of goods from other 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 accounting without cash flow. When goods from other EU Member States 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 another 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 another Member State shall not charge them VAT, but they shall be required to calculate and pay VAT on acquisition of goods in the Republic of Croatia. Here, VAT is not just an accounting category, but there is physical payment of VAT for 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 VAT Act is that services provided to the taxpayer acting as such shall be taxed according to the headquarters 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 country shall be considered to be one place where the supply of service is performed.

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, fees and similar charges 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 they become a monthly VAT taxpayer.

The taxpayer must establish the tax liability on their own for the accounting period 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 has the right to deduct input tax in the accounting period the amount of which is higher than their tax liability shall be entitled to a 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 enticers, 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% - for 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 have a media statute (and to those publishers that are not prescribed with the obligation of making a media statute), 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 food and processed cereal-based foods for infants and young children
 - delivery of water, except for water that is placed on the market in bottles or other containers, in terms of public water supply and public drainage according to a special regulation,
 - concert tickets
 - delivering electricity to the other deliverer or to the end user, including fees related to that delivery
 - public service of collecting mixed municipal waste, biodegradable waste and separate waste collection in accordance with special regulations
 - urns and coffins
 - seedlings and seeds
 - fertilizers, pesticides and other agrochemicals
 - animal feed, other than pet food
- 5% - for 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
 - medication that is prescribed by a doctor and which has the approval of the competent authority for medication 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 orthopaedic and other aids of the Croatian Institute for Health Insurance
 - cinema tickets
 - newspapers by a newspaper publisher which has a media statute, 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 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 who has their headquarters in a 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 – excluding passenger transport and telecommunications services, hospital care, dental technician services, culture services etc.)
- other activities (e.g. insurance and reinsurance transactions, investment fund management, delivery of buildings or parts thereof and land on which they are located, other than deliveries prior to first settlement or use or deliveries in which no more than two years passed the from the date of first settlement or use until the date of the next delivery, deliveries of land other than construction, rent of housing, etc.)
- delivery of goods within the EU (delivery of goods that the seller or the person acquiring the goods or another person for their account ships or transports from the country to another member state to another taxpayer or a legal person that is not a taxpayer, acting as such in that other Member State etc.)
- acquiring goods within the EU (if the delivery of those goods performed by a taxperson within the country would be exempt from VAT in any event etc.)
- certain transport services (international passenger transport services, excluding road and rail transport)
- in case of import (final import of goods for which the delivery performed by a tax-person, was exempt from VAT on the territory of the Republic of Croatia in all cases, import of non-commercial goods in form of small packages, import of goods used or consumed in fairs or similar events, import of goods from shipped or transported from a third area or third country to the Republic of Croatia, if those goods were delivered by an importer or person determined as a taxpayer at import immediately after import within the EU, applying the VAT exemption in accordance with Article 41, paragraph 1 of this Act, etc.)
- in case of export (delivery of goods shipped or transported from the Republic of Croatia by a deliverer or another person on their own account outside the European Union, delivery of goods, excluding delivery of fuel or goods of fuel and supplies for equipping and supply of any means of transport used for private purposes, which is shipped or transported from the Republic of Croatia to outside the European Union by the a buyer without a headquarters in the Republic of Croatia or another person for their account etc.)
- when 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 transactions relating to international trade
- certain deliveries equated with export

TAX REFUND TO FOREIGN ENTREPRENEURS

A taxpayer who is not established in the EU, does not have a permanent business unit 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 which was charged on importation into the Republic of Croatia. The right to a tax 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 tax refund shall be given to 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 in the country, excluding transport and transport-related services exempt from VAT under legislation 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 30th June of the calendar year after the year to which the request refers. The amount of VAT for which a return is requested may not be less than HRK 3,100.00 if the refund refers to a period shorter than one year, and it may not be less than HRK 400.00 if it refers to one year. A taxpayer with headquarters in another Member State shall be entitled to a refund of the charged VAT on goods and services that were supplied to them, or provided by domestic taxpayers, or for goods imported into the country. The following conditions must be met: that during the period of refund they did not have headquarters, a permanent business unit or residence in Croatia; that they did not deliver goods or services in the country, excluding 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 VAT refund generated in other EU Member States. The application shall be submitted no later than 30th September of the current year for the previous year, and the right to a refund shall not be given to entrepreneurs who are not VAT payers, who exclusively provide exempt supplies or apply exemptions 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 be applicable to travel agencies which operate only as mediators, i.e. act on somebody else's behalf and account. The provision of services by travel agencies in relation to travel is a unique service that shall be taxable according to the headquarters or permanent business unit of the travel agency providing travel servic-

es. 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 traveller 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 are carried out directly to the traveller. Travel agencies cannot use the input tax from bills charged by other taxpayers.

A unique travel agency service shall be exempt from VAT for the supply of goods and services directly to consumers, 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.

The tax position of accommodation in commercial hospitality establishments determines the location of the property.

SPECIAL PROCEDURE OF MARGIN TAXATION

A 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 taxed under the special margin taxation procedure 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 in that margin. The basic rule referring to the tax treatment in margin taxation is that the reseller who uses the special margin taxation procedure cannot deduct tax which they were charged with by another reseller for the goods delivered from the VAT which they are obliged to pay, if the margin taxation procedure was applied to the delivery of the goods.

The reseller may apply the special margin taxation procedure if they were delivered the goods by:

- taxpayers who carry out exempt deliveries under Article 40 paragraph 2 of the VAT Act,
- persons who are not taxpayers,
- small entrepreneurs who have not yet achieved a turnover in excess of HRK 300,000.00 and are not entered in the Register of VAT payers,
- another reseller whose supply is taxable by the special margin taxation procedure.

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

EXCISES AND SPECIAL TAXES

The Croatian excise system is regulated by the Excise Duty Tax Act, which determines the taxation of alcohol and alcoholic beverages, tobacco products, energy-generating products and electricity. Besides these products, the Republic of Croatia shall also tax other products, e.g. coffee, soft drinks and motor vehicles.

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

- authorised warehouse keeper, 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 payment postponement,
- importer of excise products,
- manufacturer of excise products outside the system of payment postponement,
- 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 sales, and other legally prescribed persons.

The obligation to calculate excise duty shall arise with the release of excise goods for consumption in the territory of the Republic of Cro-

atia, whereas the excise duty payer shall calculate and pay excise duty themselves in accordance with the prescribed excise duty tax bases and rates, i.e. amounts that are effective on the date when the obligation of charging excise duty occurs. At import 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 legislation. The obligation of calculation and payment of excise duty also arises with 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 the 1st to the 15th of the month until the 20th day of the same month, and for the period from the 16th to the last day of the month by the 8th day of the following month. The 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 in Croatia, under the principle of reciprocity, excluding consular missions headed by honorary consular officials,

- personal needs of foreign staff of 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 be payable for excise products that are sold on ships and aircrafts during the trip or flight to third countries, products which are sold in separate stores of customs and excise warehouses in airports and ports open to international traffic to passengers traveling to third countries, products which a traveller carries in their personal luggage from a third country or third territory which is subject to exemption, products that a natural person from a third country or third territory sends in small packages of to a natural person in the Republic of Croatia non-commercial value, free of charge.

An authorised warehouse keeper, 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 or for scientific purposes,

- to be used for quality control,
- to be used for the purpose of excise duty inspection,
- that were destroyed under customs supervision,
- for established losses or shortages which 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 beverages are considered to be beer, wine, other beverages obtained by fermenting other than beer and wine, intermediate products and ethyl alcohol. The excise duty depends on the product, specifically:

- 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.

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

TOBACCO PRODUCTS

Tobacco products shall be considered to be cigarettes, cigars, cigarillos, and smoking tobacco, products intended for vaporizers, heated tobacco products, e-liquids.

Tobacco products must be marked with tobacco stamps of the Ministry of Finance of the Republic of Croatia in accordance with the provisions of the Act.

The excise duty base for cigarettes shall be 1000 pieces and the retail price. Excise duty on cigarettes is:

- specific excise duty HRK 310,00 for 1000 cigarettes,
- proportional excise duty of 34% of the retail price

The minimum excise duty for cigarettes amounts to HRK 696.00 for 1000 cigarettes. The excise duty for cigars and cigarillos is 1000 pieces. Excise duty shall be determined as a specific excise duty prescribed in a specific amount for a quantity of 1000 pieces and amounts to HRK 600.00.

The excise duty for fine-cut rolling tobacco shall be one kilogram.

Excise duty shall be determined as a specific excise duty prescribed in a given 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 product

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 warehouse keepers who perform sale in separate stores of excise warehouses in airports to passengers traveling to another EU Member State. The retail price includes excise, customs duty and value added tax. Excise duties on tobacco products shall be not paid on products exclusively intended for scientific research and product quality analysis.

ENERGY-GENERATING PRODUCTS AND ELECTRIC ENERGY

The subject of taxation shall be energy-generating products used as propellant fuel or as fuel for heating and electric energy. Energy-gen-

erating products include all petroleum derivatives as well as biofuels, solid fuels (coal, coke), natural gas and all other products if they are used for motor vehicles or for heating.

The excise duty base for energy-generating products shall be 1000 kilograms net mass, 1000 litres under the basic conditions of energy-generating product temperature of +15 °C, or a gross gigajoule of heat value.

The excise duty base for electricity shall be the amount of electricity measured in megawatt hours.

Excise duty:

- for propulsion gas oil, it shall be HRK 3,060.00/1000 l and for heating it shall be HRK 423.00/1000 l
- for propulsion petroleum kerosene it shall be HRK 2,660.00/1000 l
- for LPG (liquefied petroleum gas) for propulsion it shall be HRK 100.00/1000 kg and for heating it shall be HRK 100.00/1000 kg
- for natural gas for propulsion, it shall be HRK 0.00/MWh, for commercial heating it shall be HRK 4.05/MWh, and for non-commercial heating it shall be HRK 8.10/MWh

For motor fuels used as propellant fuel, the excise tax is:

- lead gasoline HRK 4,500.00/1000 l, and for unleaded HRK 3,680.00/1000 l
- heavy fuel oil HRK 160,00/1000 kg
- the excise tax on electricity shall be HRK 3.75/MWh for commercial use and HRK 7.50/MWh for non-commercial use
- coal and coke for commercial and non-commercial shall be HRK 2.30/Gj.

Excise duty shall be not payable, inter alia, for energy-generating products used as propellant fuel in air traffic and marine navigation, other than for private use, and which the energy-generating product producer uses in their production facilities for further processing.

SPECIAL TAX OF COFFEE AND NON-ALCOHOLIC BEVERAGES

The subject of the special tax shall be coffee (roasted coffee, extracts, essences, preparations, substitutes and soft drinks containing coffee) and non-alcoholic beverages (water, including mineral, carbonated and with added sugars, other beverages with an alcohol content of not more than 1.2% , syrups, concentrates, powders, and granules) placed on the market of the Republic of Croatia.

The taxpayer of the special tax shall be the authorized tax warehouse keeper, the producer and the trader outside the postponement system, the recipient and the person found to have been acting unlawfully regarding the subject of taxation in the Republic of Croatia.

The taxpayer shall be obliged to calculate and pay a separate tax themselves in accordance with the tax bases and the amounts in force at the date of the obligation to calculate the special tax.

The obligation to calculate and pay a special tax shall be created by placing the taxable items on the market in the Republic of Croatia, specifically:

- at the time of production or launch from the system of postponement of payment,

- at the time of import, entry, or receipt outside the payment postponement system,
- when a lack or loss is determined in the tax warehouse or during movement within the postponement system, except for losses caused by force majeure,
- on the day of termination of the validity of the business authorization in the postponement system,
- when unlawful conduct is determined.

The tax base for the taxation of coffee shall be one kilogram of net mass and the special tax shall be paid:

- for roasted coffee HRK 6,00/kg and for extracts, essences and concentrates HRK 20,00/kg,
- for roasted coffee in a finished product HRK 6,00/kg, and for extracts, essences and coffee concentrates contained in a finished product HRK 20,00.

The tax base for the taxation of non-alcoholic drinks shall be one hectolitre and the special tax shall be payable in the amount of HRK 40,00/he for water and other beverages with an alcohol content of not more than 1,2%, HRK 240,00/he for syrups and concentrates and HRK 400.00 /100 kg net for powders and granules.

A special tax does not apply to taxable items that a natural person produces and imports in their personal luggage in quantities considered not to be for commercial use. A special tax shall be not payable on products sold on board ships or aircrafts during a trip or flight to a third country or other EU Member State. A person who, in the course of carrying out an activity, exports taxable items from the Republic of Croatia for which a special tax has been paid has the right to a refund of the special tax in the amount of special tax paid for taxation in the Republic of Croatia.

SPECIAL TAX ON MOTOR VEHICLES

The subject of taxation shall be motor vehicles for which no special tax has been calculated and paid in the Republic of Croatia, that are registered according to special regulations: personal vehicles and other motor vehicles primarily designed for the transport of persons, including motor vehicles of the type station-wagon, van and racing cars, motorcycles, mopeds, bicycles and similar vehicles with or without side car, "pick-up" vehicles with double cab, "ATV" vehicles, and other motor vehicles converted to the aforementioned vehicles.

A taxpayer shall be the buyer or acquirer (legal and natural person).

The special tax shall be determined on the basis of the sales price of the motor vehicle, carbon dioxide emissions (CO₂) expressed in grams per kilometre, engine displacement in cubic centimetres and exhaust emission level.

The tax base for the determination of a special tax on new motor vehicles shall be the sales price. A special tax on second-hand vehicles shall be paid in the amount of the rest of the special tax determined on the percentage of the fall in the value of the motor vehicle market in Croatia, from whose first registration the same period elapsed.

Motor vehicles powered exclusively by an electric drive, motor vehicles whose carbon dioxide emissions (CO₂) shall be 0 grams per kilometre and motor vehicles manufactured 30 and more years ago

which are classified according to special regulations into the category of old-timer vehicles shall be not subject to taxation.

TAX ON INSURANCE PREMIUMS FOR AUTOMOBILE LIABILITY AND PREMIUMS FOR ALL-RISK ROAD-VEHICLE INSURANCE

The taxpayers of this tax shall be insurance companies that conclude agreements with legal and natural persons and charge insurance premiums for automobile liability and all-risk road-vehicle liability insurance directly or indirectly through intermediaries or agents. The tax base for determining the tax on the all-risk road-vehicle liability insurance premium is the insurance premium for which the insurance company determines for a legal or natural person when concluding an agreement for the all-risk insurance of road vehicles.

The tax rate shall be 15% of the contractual insurance premium for automobile liability.

The tax rate shall be 10% of the contractual premium for all-risk road-vehicle insurance.

REAL ESTATE TRANSFER TAX

The subject of taxation shall be any acquisition of real estate in the Republic of Croatia (purchase, substitution, inheritance, donation, entering and exempting real estate from a company, acquisition of property by prescription, acquisition of real estate in liquidation or bankruptcy proceedings and on the basis of court decisions). Transfer of real estate shall be not considered be acquisition of property on which VAT is paid. A taxpayer for real estate transfer tax shall be the acquirer of the real estate, and the basis shall be the market value of the real property at the time of acquisition. Real estate tax shall be paid at a rate of 4%. A tax liability arises at the time of the conclusion of an agreement or other legal transaction that acquires real estate and shall be filed with the Tax Administration not later than 30 days after its occurrence.

Exceptionally, value added tax shall be paid for the delivery of buildings or their parts and land on which they are located if they are sold prior to their first settlement (use) or if no longer than two years elapsed from the date of first resettlement to the date of the subsequent delivery, years have elapsed, and the delivery of construction land conducted by taxpayers.

Taxable delivery of real estate will also be considered to be the delivery of renovated buildings or their parts and land on which they are located, if the reconstruction costs in the previous two years before delivery exceeded 50% of the sales price.

The act also prescribes certain exemptions from the payment of real estate sales tax - general exemptions, tax exemptions at the introduction of real estate into a company's capital, tax exemptions for inheritance, donation, and other acquisition of real estate free of charge etc.

FOREIGN PERSONS AND REAL ESTATE ACQUISITION

Citizens and legal entities from EU Member States in the Republic of Croatia since 1st February 2009 acquire property rights under the same conditions as Croatian citizens, only with the fulfilment of the general conditions for the validity of the legal transaction. Bans on the acquisition of real property rights when it comes to agricultural land and protected nature areas remain for these persons.

For other parties, the general (valid legal transaction) and special conditions (mutuality and consent of the Minister of Justice) for the acquisition of real estate rights in the Republic of Croatia continue to apply.

If foreign natural persons (citizens of non-EU countries) and legal persons who do not have their headquarters in EU Member States acquire real estate in the Republic of Croatia on the basis of a legitimate decision on inheritance or on the basis of a final court judgment, no prior consent of the Minister of Justice of the Republic of Croatia shall be required.

In the acquisition of real estate in the Republic of Croatia, foreign legal and natural persons pay a real estate tax at a rate of 4%.

Foreign persons acquiring property in the territory of the Republic of Croatia enter their ownership of the real estate into the relevant land register department. Considering that this is a registration of the right of ownership of the real estate into the official register, the foreign person must be designated and assigned a personal identification number. For this purpose, a foreign person submits a request to the local competent branch office of the Tax Administration (the responsible Tax Administration branch office according to the real estate location) that determines and assigns a personal identification number. Only by issuing a personal identification number shall be it possible to enter the right of ownership of the property into the land register.

GAMES OF CHANCE

Games of chance shall be those games in which participants, after their payment of a certain amount, are given the possibility of winning money, things, services, or rights. The right to organize games of chance, excluding Hrvatska lutrija d.o.o., can be acquired by other companies based in the Republic of Croatia.

Games of chance shall be categorized into four groups:

- lottery games
- casino games
- betting games
- slot machine games

To organize lottery games, the organizer shall pay a monthly fee of 10% of the basis, which in all forms of lottery is made up of the total value of the sold tickets, i.e. the total value of the payments received for a particular game.

Lottery winnings tax shall be paid by natural persons who gain from games of chance. The basis for calculating the tax on cash winnings shall be the monetary amount of an individual winning, and the basis for the tax on those winnings consisting of things, services, or rights shall be the market value of the things, services, or rights that make up an individual winning.

The winnings tax shall be paid at a rate of 10% on winnings of up to HRK 10,000.00, at a rate of 15% on winnings of over HRK 10,000.00 to HRK 30,000.00, at a rate of 20% on winnings of over HRK 30,000 to HRK 500,000.00, and at a rate of 30% on winnings of above HRK 500,000.00.

The winnings tax shall be calculated and charged during pay-out of the winnings, and the calculation and pay-out shall be made by the organizer of the games of chance.

COUNTY TAXES

The inheritance and gifts tax shall be paid by legal and natural persons who have inherited or received in the territory of the Republic of Croatia a gift of real estate, cash, monetary claim and receivables or securities or movable property if the individual value exceeds HRK 50,000.00 on the date of determining the tax liability. The inheritances and gifts tax shall be not paid if VAT is paid on the inherited or donated movable property. The inheritances and gifts tax shall be paid at a rate of 4%, with the basis of the inheritance and gifts tax being the amount of cash and the market value of the financial and other assets on the date of determining the tax liability after the deduction of debts and expenses relating to the property for which the tax shall be paid. The inheritances and gifts tax base shall be determined by the competent tax authority. Exemption shall be possible for married or extramarital partners, life partners, lineal descendants, adoptees, former spouses when regulating property relations and in the case of donations by the Republic of Croatia.

Road motor vehicles taxes shall be determined at registration of the vehicle. The amount of tax depends on the strength of the car and its age, for personal vehicles at a minimum of HRK 200,00 up to HRK 1,500,00, and for motorcycles at a minimum of HRK 50,00 up to HRK 1,200. A taxpayer shall be considered to be the owner or user entered in the vehicle certificate of title.

A boat tax shall be paid by all legal and natural persons who are owners of registered vessels. The tax shall be paid annually according to the decision of the competent tax administration in the area where the vessel shall be registered, no later than 15 days from the delivery of the decision on the determination of this tax.

The amount of tax determined by the decision depends on: length of vessels expressed in meters, age of vessel, engine power in KW and whether the vessel has a cabin and a sail

The amount of the boats tax (depending on length and strength):

- no cabin - from HRK 100,00 to HRK 600,00
- with cabin and motor - from HRK 200,00 to HRK 5,000,00
- with cabin and sail - from HRK 200,00 to HRK 4,000

Boats tax shall be not payable for vessels engaged in a registered activity and boats owned by the domicile population on islands that serve for the necessary organization of life and maintaining visits to the islands.

Taxes on slot machines shall be paid by legal and physical persons who place slot machines for use in entertainment clubs, catering establishments, public buildings, and other public spaces. The tax on slot machines shall be paid HRK 100,00 per month.

MUNICIPAL TAXES

Surtax on income tax payers shall be income taxpayers who have their permanent residence or habitual residence in the area of the municipality or city which have prescribed the obligation to pay the surtax.

A consumption tax payer shall be a legal and natural person providing catering services. The consumption tax shall be paid for the consumption of alcoholic beverages (brandy, fruit brandy, and spirits), natural wines, specialty wines, beer and non-alcoholic drinks in catering facilities. The tax rate shall be set by the city or municipality, but it may not exceed 3%. In Zagreb, the consumption tax shall be paid at a rate of 2%.

Holiday homes tax shall be paid by legal and natural persons - holiday home owners. The tax base shall be a square meter of usable area, and the tax shall be paid in an annual amount prescribed by the city or municipality. The amount of tax shall be between HRK 5 and 15 per square meter of usable area

The tax on the use of public land shall be paid by legal and natural persons who use public land under the conditions prescribed by the municipality or city. What is considered public land and the amount of tax shall be prescribed by the city or municipality in its decision.

Banking, Financial and Foreign Exchange System

CREDIT INSTITUTIONS

A **credit institution** based in the Republic of Croatia is a legal person who has been approved by the Croatian National Bank for work and can be established as a bank, savings bank or housing savings bank.

The Work approval contains authorization to provide banking services and may also include approval for providing basic and additional financial services (financial services approval).

The initial capital of a bank amounts to at least HRK 40 million, for a savings banks it is at least HRK 8 million, and for a housing savings banks it is at least HRK 20 million. A credit institution is a joint stock company. The shares of a credit institution are personal shares and are issued in an intangible form. The shares of a credit institution must be fully paid in cash before the registration of the incorporation or registration of the increase of the share capital in the court register, with exceptions provided by Law.

Banking services are receiving deposits or other repayable funds from the public and approving loans from these funds for their account.

Banking services in the Republic of Croatia can be provided by:

- a credit institution headquartered in the Republic of Croatia which has been approved by the Croatian National Bank for providing banking services,
- a credit institution of a Member State which establishes, in accordance with the law, a branch in the territory of the Republic of Croatia or is authorized to directly provide banking services in the territory of the Republic of Croatia and
- a branch of a credit institution from a third country which has been granted approval from the Croatian National Bank for the provision of banking services in the Republic of Croatia.

Basic financial services are: receiving deposits or other repayable funds; Approving loans and credits, including consumer loans and credits and mortgage loans and credits, if permitted by a special law, and financing commercial transactions, including export-based discount-based financing and without recourse for long-term undue receivables ensured through financial instruments (forfeiting), ; purchase of receivables with or without recourse (factoring); leasing; is-

suance of guarantees or other warranties; trading for own account or a client's account (money market instruments, transferable securities, foreign exchange funds, including exchange transactions, financial futures and options, currency and interest instruments); payment services in accordance with special laws; crediting-related services, e.g. data collection, creation analyses and issuing information on the creditworthiness of legal and natural persons who independently carry out an activity; issuing and managing other payment instruments (in accordance with the law); renting of safes; brokerage in the conclusion of transactions in the money market; participation in the issuance of financial instruments and provision of services related to the issuance of financial instruments in accordance with the law regulating the capital market; client asset management and consulting in that regard; custodial services over financial instruments and custody-related services over financial instruments in accordance with the law regulating the capital market; counselling of legal entities regarding the capital structure, business strategy and similar issues and providing services relating to business mergers and acquisitions of shares and business interests in other companies; issuing electronic money; investment and ancillary services and activities prescribed by a special law regulating the capital market.

Additional financial services are: jobs related to the sale of insurance policies in accordance with regulations governing insurance; provision of services of managing payment system in accordance with the provisions of a separate law; other services that a credit institution may provide in accordance with the provisions of a special law, gold trading, the services of provision of data in accordance with the regulations regulating the capital market and other services or activities which, having regard to the manner of delivery and the risk to which the credit institution is exposed, have similar characteristics as the basic financial services, which are specified in the credit institution's approval for work.

The State Agency for Deposit Insurance and Bank Resolution manages the deposit insurance system in the Republic of Croatia. When the Croatian National Bank issues a decision on the unavaila-

bility of a deposit or when the competent court issues a decision on starting bankruptcy proceedings over a credit institution, the Agency shall be responsible for paying damages to depositors. Deposits from natural persons, companies, non-profit institutions and local and regional government units were insured, whose budget for the previous year amounted to a maximum of HRK 3,750,000.00 in credit institutions which received approval for work from the CNB and in branches of these credit institutions in another Member State. The amount that a depositor has in a credit institution on the day of the insured event is insured, up to the amount of EUR 100,000 in HRK equivalent according to the CNB middle exchange rate valid on the day of the insured event.

The Croatian Bank for Reconstruction and Development (HBOR) is the development and export bank of the Republic of Croatia, and the goal of HBOR is to stimulate the development of the Croatian economy. Through its business, HBOR promotes systematic, sustainable, and equitable economic and social development and its activities are primarily financing the reconstruction and development of the Croatian economy, financing infrastructure, promoting export, supporting the development of small and medium businesses, encouraging environmental protection, insuring export of Croatian goods and services from non-market risks. HBOR performs its activities directly and indirectly through banks and other legal entities.

The Croatian National Bank is the central bank of the Republic of Croatia. The main goal of the CNB is to maintain price stability. It is autonomous and independent in the overall business of its jurisdiction, which is reflected in the establishment and implementation of monetary and foreign exchange policies; maintaining and managing international reserves of the Republic of Croatia; issuing banknotes and coins; issuing and revoking authorizations and approvals in accordance with the laws regulating the operation of credit institutions, credit unions, payment institutions, electronic money institutions and payment settlement systems, as well as foreign exchange operations and the operation of authorized currency exchanges; performing activities of supervision and monitoring in accordance with the legislation regulating the operations of credit institutions, credit unions, payment institutions, electronic money institutions and the systems of settlement of payment transaction; managing accounts of credit institutions and performing payment transactions on those accounts, lending to credit institutions and receiving deposits from credit institutions; regulating and improving the payment system; performing legally prescribed work for the Republic of Croatia; adopting subordinate legislation in the activities within its competence, contributing to the stability of the financial system as a whole and the performance of other legally determined activities.

LEASING

A leasing company is a company based in the Republic of Croatia registered in a court register on the basis of an approval to perform leasing operations issued by the Agency. A leasing company may be established as a joint-stock company or a limited liability company. The share capital of the leasing company may not be less than HRK one million.

A leasing company fulfilling the conditions for performing leasing operations as mutually recognized services outside the territory of the Republic of Croatia under the legislation governing the conditions for establishing, conducting, and terminating the operation of credit institutions and providing banking and/or financial services performs leasing operations in a Member State in accordance with the legislation regulating conditions for establishing, conducting, and terminating the operation of credit institutions and providing banking and/or financial services. A leasing company that does not meet the requirements for conducting leasing operations as mutually recognized services outside the territory of the Republic of Croatia can perform such affairs through a subsidiary under legislation governing the establishment, operation, and termination of credit institutions activities and providing banking and/or financial services. A leasing company may only perform leasing operations in a third country through a subsidiary. A leasing company fulfilling the con-

ditions for performing leasing operations as mutually recognized services under the legislation governing the conditions for establishing, conducting, and terminating the operation of credit institutions and providing banking and/or financial services from a Member State may perform leasing operations in accordance with the legislation regulating conditions for establishing, conducting, and terminating the operation of credit institutions and providing banking and/or financial services. A leasing company which is in accordance with the legislation of a Member State is authorized to carry out leasing (financial and/or operating) activities in that Member State and which does not fulfil the conditions for operating as a financial institution conducting such transactions as a mutually recognized service (financial leasing) and other stipulated conditions in accordance with the law legislation regulating the conditions for establishment, operation and termination of the operation of credit institutions and the provision of banking and/or financial services may only perform such activities (financial and/or operational) in the territory of the Republic of Croatia through a subsidiary. A leasing company from a third country may carry out leasing operations in the territory of the Republic of Croatia only through a subsidiary, provided that it is authorized to provide these works in that country.

INSURANCE*

An insurance company is a legal entity headquartered in the Republic of Croatia which carries out activities of life or non-life insurance, which has the approval of the Croatian Financial Services Supervisory Agency (HANFA) for the performance of insurance activities and is entered in the court register of the competent commercial court. Insurance activities in the Republic of Croatia may be performed by: an insurance company based in the Republic of Croatia with the approval of the Agency for the performance of insurance activities; a company for mutual insurance based in the Republic of Croatia with the approval of the Agency for the performance of insurance activities; an insurance company from another Member State which, in accordance with the Insurance Act, has the right to carry out insurance activities on the basis of the freedom to provide services or establishment; an insurance company from the Swiss Confederation which has the approval of the competent supervisory body for the performance of insurance business and which, in accordance with legislation, is entitled to carry out insurance activities through business establishment and a subsidiary of an insurance company from a

third country which has the approval of the Agency for the performance of insurance activity through business establishment.

In accordance with the Insurance Act, reinsurance activities may be performed by reinsurance companies and insurance companies based in the Republic of Croatia and another Member State, reinsurance companies from the Swiss Confederation and reinsurance companies from a third country.

An insurance company may be established as a joint stock company, a *Societas Europea* - SE or as a mutual insurance company, and a reinsurance company may only be formed as a joint stock company or a *Societas Europea* - SE.

The share capital at the incorporation of an insurance company and a reinsurance company or at extending authorization to carry out insurance activities for the insurance company shall not be less than the absolute floor of the minimum capital required. The share capital assets of an insurance company and a reinsurance company may not be derived from loans or credits nor be encumbered in any way.

The minimum capital required must be at least equal to the absolute floor of the minimum capital required amounting to:

- HRK 19,500,000.00 for non-life insurance companies, including own insurance companies, unless one or all of the risks are covered by one of the types of insurance referred to in Article 7, paragraph 2, items 10 - 15 of the Insurance Act, in which case the absolute floor of minimum capital required amounts to HRK 28,860,000.00,
- HRK 28,860,000.00 for life insurance companies, including own insurance companies,
- HRK 28,080,000.00 for reinsurance companies, except in the case of own reinsurance companies, in which case the absolute floor of the minimum capital required is HRK 9,360,000.00
- the sum of the amounts referred to in items 1 and 2 for insurance companies which simultaneously carry out life and non-life insurance activities.

Insurance and reinsurance brokerage activities may be carried out by an insurance and reinsurance brokerage company based in the Republic of Croatia licensed by the Croatian Financial Services Supervisory Agency for the performance of insurance and reinsur-

ance brokerage activities and an insurance and reinsurance brokerage company of a Member State which, in accordance with the Insurance Act, has the right to perform insurance and reinsurance brokerage activities in the territory of the Republic of Croatia directly or through a subsidiary.

The license to carry out insurance and reinsurance brokerage activities is issued by the Agency, provided that the company meets the following requirements:

- share capital paid in cash in the amount of at least HRK 200,000.00
- at least two insurance and reinsurance intermediaries who will be employed full-time on the basis of employment contracts
- that there is no relationship of close connection within the meaning of this Act with an insurance company, another insurance and reinsurance brokerage company, or insurance representation company
- there are no final convictions for criminal offenses prescribed by the Criminal Code

The activity of insurance representation can be performed by an insurance representation company based in the Republic of Croatia

licensed by the Croatian Financial Services Supervisory Agency for the activities of insurance representation, a small business for insurance representation with a registered office in the Republic of Croatia with a license from the Agency for the performance of activities of insurance representation and a company for insurance representation from another Member State which, in accordance with the Insurance Act, is entitled to conduct insurance representation activities in the territory of the Republic of Croatia either directly or through a subsidiary.

The Agency will issue an insurance representation company with a license to perform insurance representation activities provided that the company meets the following conditions:

- share capital paid in cash in the amount of at least HRK 100,000.00
- at least one insurance representative who will be employed full time on the basis of an employment contract
- that there is no relationship of close connection insurance and reinsurance brokerage company
- there are no final convictions for criminal offenses prescribed by the Criminal Code

* Amendments to the Insurance Act are under way and will take effect in October 2018.

FACTORING

Factoring is a legal transaction whereby the factoring service provider, on the basis of a factoring agreement concluded with the supplier and/or customer and in accordance with it, purchases factoring items with or without the right to recourse. Factoring can only be performed on the basis of a factoring agreement concluded in writing. Factoring in terms of its features can be either internal or external, recourse or non-recourse, and supply (reverse) factoring is a special type of factoring.

Factoring can be performed by:

- a factoring company, i.e. a legal entity with headquarters in the Republic of Croatia which is registered in the court register based on the approval of the agency for performing factoring activities. Fundamental capital of a factoring company may not be less than HRK one million and must be fully paid in cash prior to the incorporation date.
- a factoring company from another Member State fulfilling the conditions for performing factoring activities as mutually recognized services under the law governing the establishment, operation, and termination of credit institutions activities and the provision of banking and/or financial services from another

country, in accordance with the law regulating the conditions for establishing, operating and terminating the operation of credit institutions and providing banking and/or financial services.

- a subsidiary of a factoring company from another Member State; a factoring company which is, in accordance with the regulations of a Member State, authorized to perform factoring operations in that Member State and which does not fulfil the conditions for business as a financial institution carrying on those activities as a mutually recognized service and other prescribed conditions in accordance with the law governing the conditions for the establishment, operation, and termination of credit institutions activities and the provision of banking and/or financial services, provided that it is authorized to provide such work in that State for at least two years and that it has the approval of the Agency for the performance of factoring activities.
- a subsidiary of a factoring company from a third country, provided that it is authorized to provide those activities in that State, that it has been in business for at least two years and has the approval of the Agency for the performance of factoring activities.
- a credit institution in accordance with regulations governing the operations of credit institutions in the Republic of Croatia.

CAPITAL MARKET

An exchange is established as a joint stock company based in the Republic of Croatia, in accordance with the provisions of this Law and the law regulating the incorporation and operation of companies. Other than as a joint-stock company, an exchange can also be established as a Societas Europea with headquarters in the Republic of Croatia.

The exchange prescribes and applies acts regulating the general terms and conditions of the exchange and the regulated market it manages. Only the exchange as a market operator can manage the regulated market in the Republic of Croatia, based on the approval of the Agency. Managing a regulated market must be the main activity of the exchange.

The exchange can: manage an organized trading platform (OTP) or multilateral trading platform (MTP) and perform data delivery services in accordance with the Law on the basis of a special approval from the Agency. The exchange is authorized to disclose data defined by the Law on its website. The exchange may also perform other activities after the expiry of at least 30 business days from the date on which it notifies the Agency. When carrying out activities that are not related to the management of a regulated market, the exchange must take into account that a particular activity does not jeopardize the quality and continuity of the main activity of the exchange.

Financial instruments are:

- transferable securities - shares and other equivalent securities representing a portion in the capital or member rights in the company or other entities, as well as certificates on deposited securities for shares; bonds and other types of securitized debt, including certificates on deposited securities; all other securities entitling the acquisition or sale of transferable securities or the sale of transferable securities, or which are settled in cash by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measurement sizes
- money market instruments - treasury, cash and commercial bills and deposit certificates, excluding payment instruments,
- shares in joint venture entities,
- derivatives - options, futures, swaps, forward rate agreements, derivative instruments for credit risk transfer, financial contracts for differences, emission units.

An investment company is a legal person whose regular activity is the provision of one or more investment services to third parties and/or performing one or more investment activities on a professional basis. The amount of the investment firm's minimum initial capital depends on the type and scope of the investment services and activities for which the investment company requires the approval of the

Agency (from HRK 400,000 to HRK 6,000,000). The investment company is obligated to classify its clients into small and professional investors with regards to their knowledge, experience, financial situation, and investment objectives.

A professional investor is a client with enough experience, knowledge, and expertise to make independent investment decisions and a proper assessment of the related risks. A client who does not meet the criteria for a professional investor is considered a small investor.

A credit institution headquartered in the Republic of Croatia may perform investment services and activities and related ancillary services, in accordance with the Law, for which it received the approval of the Croatian National Bank, subject to the prior agreement from the Agency.

The Croatian Financial Services Supervisory Agency (the Agency) is a supervisory body whose scope and competence include supervising the financial market, the entities being supervised and the financial services they provide. The fundamental goals of the Agency are to promote and maintain the stability of the financial system and to supervise the legality of the business of the entity being supervised. The Agency carries out supervision over the activities of the entities being supervised that are regulated by regulations regulating capital markets, investment and pension funds, takeover of joint stock companies, pension insurance companies, insurance and reinsurance, leasing, factoring, and financial services, as well as other laws when it is authorized,

The Agency is authorized to issue and revoke permits, consent, approvals and licenses in accordance with the laws regulating the entities being supervised. The Agency is also authorized to adopt legislation on the implementation of the legislation regulating the entities being supervised and taking other measures and carrying out other tasks in accordance with statutory authorities.

INVESTMENT FUNDS

An investment fund is a joint venture whose sole purpose is raising funds by public or private offering and investing these resources in various types of assets in accordance with a predetermined investment fund investment strategy, solely for the benefit of equity holders in that investment fund. An investment fund can be a **UCITS (Undertakings for Collective Investment in Transferable Securities) fund or an alternative investment fund (AIF)**.

A UCITS fund is an open-ended investment fund with a public offering, the sole purpose of which is to jointly invest property, collected through a public offering of shares in a fund, into transferable securities or other forms of liquid financial assets, operating according to the principles of risk distribution. Shares of the UCITS Fund are purchased at the investor's request directly or indirectly from the assets of that fund. A UCITS fund is established and managed by a management company, and the lowest amount of the stock capital of the management company amounts to HRK 1,000,000.00. The Agency issues an approval for work to the management company. A management company manages and disposes of the assets of the UCITS Fund and realizes all rights arising from it in its own name

and for the joint account of all shareholders of the UCITS fund, in accordance with the provisions of the legislation, fund prospectus and rules of the UCITS Fund. A Fund prospectus is a call for placing offerings for issuing shares of the UCITS fund and must contain all information that the investor requires to make an informed decision on the investment offered to him, and in particular the risks associated with such an investment.

An alternative investment fund (AIF) is an investment fund established for the purpose of raising funds by public or private offering and investing these funds in various types of assets in accordance with a predetermined strategy and the aim of investing of the AIF, and solely in favour of the shareholders of that AIF. AIF may be open-ended and closed-ended, and a closed-ended AIF may be established as an AIF with legal personality and AIF without legal personality.

Shares of an open-ended AIF, shares of a closed-ended AIF without legal personality and shares of a closed-ended AIF established in the form of a joint-stock company may be offered by public or private offering, while business shares of a closed-ended AIF established in the form of a limited liability company may be offered exclusively with a private offering.

PENSION FUNDS

The pension insurance system in the Republic of Croatia, whose application started on 1st January 2002, consists of three pillars:

- compulsory pension insurance on the basis of generational solidarity (1st pillar),
- compulsory old-age pension insurance on the basis of individual capitalized savings (2nd pillar),
- voluntary pension insurance based on individual capitalized savings (3rd pillar).

A pension fund (compulsory or voluntary) is a separate legal entity with no legal personality, which is constituted as a special-type fund for the purpose of collecting monetary funds by paying the contributions of members of the pension fund or cash funds via payments to the personal accounts of the members of the fund and investing them in order to increase the value of the pension fund assets for the purpose pensions to members of the fund. A pension fund is managed by a pension company.

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

The minimum amount of the stock capital of a pension company for managing mandatory pension funds is HRK 40 million, and the company may be formed as a joint stock company or a limited liability company. An open-ended voluntary pension fund is a voluntary pension fund in which all natural persons can be enrolled under the terms prescribed by legislation. A closed-ended voluntary pension fund is a voluntary pension fund that, under the conditions prescribed by legislation, natural persons can join, provided they are employed by an employer who is the fund's sponsor or if they are members of a trade union or association of the fund sponsor.

A closed-ended voluntary pension fund with defined income is an enclosed fund that covers biometric risks or guarantees an investment result or a certain level of retirement.

A company for managing voluntary pension funds may be formed as a joint stock company or limited liability company, and the lowest amount of stock capital is HRK 15 million or HRK 22.8 million if the company manages a closed-ended fund with defined income.

A pension company based in the Republic of Croatia may, through a subsidiary or directly, manage a closed-ended fund with one or more sponsors from another Member State, during which it must comply with the provisions of the legislation governing the area of work and social welfare of the host Member State of the fund. A pension company from another Member State may manage a closed-ended fund

with one or more sponsors from the Republic of Croatia, without the approval of the Agency, but it must comply with the provisions of the legislation of the Republic of Croatia regulating the field of work and social welfare.

A pension insurance company is a joint stock company offering retirement programmes and pays out pensions to pension beneficiaries and other persons in accordance with the provisions of this Act on Pension Insurance Companies.

A pension insurance company may, either through a subsidiary or directly, operate in another Member State, during which it must comply with the provisions of the legislation governing the field of work and social welfare of the host Member State.

FOREIGN CURRENCY SYSTEM

Business of residents and non-residents in foreign currency and kuna, the business of residents in foreign currency and one-sided transfers of assets from the Republic of Croatia and in the Republic of Croatia which do not have the characteristics of work between a resident and a non-resident are regulated by the Foreign Exchange Act. This implies concluding current and capital business and its execution by payments, collections, or transfers.

Capital transactions concluded between residents and non-residents include direct investments, real estate investments, securities transactions, transactions with shares in investment funds, credit and deposit transactions, payments on the basis of insurance agreements. Unilateral transfers of assets, personal and physical, for the transfer of capital are also capital operations. In addition, capital transactions are also those which revoke rights acquired through investment, i.e. securities, repatriation of assets and the transfer of the remaining liquidation or bankruptcy mass.

Current affairs are jobs concluded between residents and non-residents whose intention is not transfer of capital.

Direct investment of non-residents in the Republic of Croatia are free unless prescribed otherwise by special law. Transfer of income abroad which a non-resident acquires by direct investment is free, provided that the tax to the amount transferred abroad is paid in the Republic of Croatia. Direct investments of residents abroad are also free.

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

PREVENTION OF MONEY LAUNDERING

Prevention of money laundering and terrorist financing in the Republic of Croatia is organized within the framework of the system in which the roles and the co-operation of all participants have been legally defined: prevention authorities - obligated to implement the Anti Money Laundering and Terrorist Financing; supervisory bodies – the Croatian National Bank (CNB), the Croatian Financial Services Supervisory Agency (HANFA), Financial Inspectorate, Tax Administration; criminal prosecution authorities - police, state attorney, judiciary; Anti-Money Laundering Office - a central national authority for collecting, analysing, and submitting to competent authorities cases of suspected money laundering and terrorist financing.

Measures, actions, and procedures for the prevention and detection of money laundering and terrorist financing are carried out before and/or during each transaction, as well as during the conclusion of legal transactions which acquire or use assets and in other forms of disposition of funds, rights, and other assets that may serve for money laundering and terrorist financing.

Bodies with the obligation for the implementation of measures, actions and procedures are: credit institutions; credit unions; the Croatian Bank for Reconstruction and Development; the Croatian Post in the section of business relating to postal money orders; payment institutions; investment fund management companies and investment funds with legal personality with internal management; pension companies in the section of the business relating to voluntary pension funds and pension insurance companies in the section of the business relating to direct single payments of persons to such companies and purchased supplementary pension companies; companies authorized to provide investment services and conducting investment activities; insurance companies that have an authorization to carry out life insurance activities and other investment-related insurances; legal and natural persons engaged in insurance representation in the conclusion of life insurance agree-

ment and other investment-related insurance; legal and natural persons engaged in insurance representation when concluding life insurance agreements and other investment-related insurances; factoring societies; leasing companies; institutions for electronic money; authorized currency exchanges; providers of games-of-chance (for lottery games, casino games, betting games, slot machine games, online gaming); legal and natural persons engaged in the activity of: loan and credit approval (including consumer credits and financing commercial transactions, including forfeiting and repayment of outstanding claims), issuance of other payment and management instruments (travel checks and bank bills), issuance of guarantees and warranties, management of investments for third parties and consultancy relating thereto, renting of safes, provision of services related to trusts or trade companies, trade in precious metals and precious stones, trade in art and antiques, the organization or conduct of auctions, real estate brokerage; legal and natural persons in the performance of professional activities (audit firm, independent auditor, external accountant who is a natural or legal person performing accounting services, tax consultant, tax consultancy company, attorney, law firm, notary public, if they participate in any type of financial transactions or transactions involving real estate or providing assistance in the planning or execution a transaction for their party in connection with the purchase or sale of real estate or business entities, managing money, securities, or other property owned by a party, opening and managing bank accounts, savings deposits or accounts for business with financial instruments, raising funds necessary for incorporating, operating, or managing a company, establishing, operating, or managing trusts, trade companies, foundations, or similar legal arrangements).

For the purpose of preventing and detecting money laundering and terrorist financing, the obligated bodies must fulfil obligations when carrying out their activities, which include, among others, creation of risk assessments and establishment of policies, controls, and procedures for effectively reducing

and effectively managing money laundering and terrorist financing risks; carrying out party deep analysis measures; the implementation of measures to prevent money laundering and terrorist financing in business units and companies in which the obligated body has a majority share or a majority right in decision-making and has its headquarters in another Member State or a third country; creating and regularly updating the list of indicators for identifying parties and suspicious transactions and assets for which there are grounds for suspicion of money laundering or terrorist financing; notifying and submitting to the Office the prescribed and required data, information, and documentation on transactions, funds, and persons; the obligation to establish an appropriate information system for the full assessment of the risks of the parties, business relationships, and transactions and continuous monitoring of business relations, with the purpose of a providing the Office (credit and financial institution) with timely and complete information and carrying out other obligations and measures prescribed by the Act and subordinate legislation adopted on its basis.

A legal or natural person performing a registered activity in the Republic of Croatia may not receive payment or make a payment in cash in the amount of HRK 75,000.00 and above.

The obligated body must abstain from conducting a suspicious transaction when they know, have suspicion or have reason to suspect that there are reasons for suspicion about money laundering or terrorist financing in connection with a suspicious transaction.

The obligated body must notify the Office without delay before conducting the suspicious transaction and specify the deadline for the transaction to be conducted in the notification.

The obligated body must notify the Office of the cash transaction in the amount of HRK 200,000.00 or higher at least within three days from the date of the transaction.

LIST OF THE MOST IMPORTANT LEGISLATION:

- Act on the Croatian National Bank (Official Gazette 75/08, 54/13)
- Credit Institutions Act (Official Gazette 159/13, 19/15, 102/15, 15/18)
- Act on the Financial Stability Council (Official Gazette 159/13)
- Act on the Resolution of Credit Institutions and Investment Firms (Official Gazette 19/15)
- The Electronic Money Act (Official Gazette 139/10, 64/18)
- Financial Inspectorate Act (Official Gazette 85/08, 55/11, 25/12)
- Financial Conglomerates Act (Official Gazette 147/08, 54/13)
- Act on Settlement Finality in Payment and Financial Instruments Settlement Systems (Official Gazette 59/12, 44/16)
- Leasing Act (Official Gazette 141/13)
- Factoring Act (Official Gazette 94/14, 85/15, 41/16)
- Payment System Act (Official Gazette 66/18)
- Act on the Implementation of EU Regulations Governing Payment Systems (Official Gazette 50/16)
- Act on enforcement over monetary assets (Official Gazette 16/18)
- Foreign Exchange Act (Official Gazette 96/03, 140/05, 132/06, 150/08, 92/09, 133/09)
- Croatian Bank for Reconstruction and Development Act (Official Gazette 138/06, 25/13)
- Act on Housing Savings and State Incentive to Housing Savings (Official Gazette 109/97, 117/97, 76/99, 10/01, 92/05, 21/10, 15/13, 139/13, 151/14, 110/15)
- Credit Institutions Act (OG 141/06, 25/09, 90/11)
- Act on the State Agency for Deposit Insurance and Bank Rehabilitation (Official Gazette 44/94, 79/98, 19/99, 35/00, 60/04, 12/12, 15/13)
- Deposit Insurance Act (Official Gazette 82/15)
- Anti-Money Laundering and Terrorist Financing Act (Official Gazette 108/17)
- Capital Market Act (Official Gazette 65/18)
- Croatian Act on Open-Ended Investment Funds with a Public Offering (Official Gazette 44/16)
- Alternative Investment Funds Act (Official Gazette 21/18)
- Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05, 12/12)
- Act on the Takeover of Joint Stock Companies (Official Gazette 109/07, 36/09, 108/12, 148/13)
- Pension Insurance Act (Official Gazette 157/13, 151/14, 33/15, 93/15, 120/16)
- Mandatory Pension Funds Act (Official Gazette 19/14, 93/15)
- Voluntary Pension Funds Act (Official Gazette 19/14, 93/15, 64/18)
- Pension Insurance Companies Act (Official Gazette 22/14, 29/18)
- Act on Lifelong Severance Payment or Supplementary Pension Purchase (Official Gazette 153/13)
- Contributions Act (Official Gazette 84/08, 152/08, 94/09, 18/11, 22/12, 144/12, 148/13, 41/14, 143/14, 115/16)
- Act on the Central Registry of Insured Persons (Official Gazette 159/13, 39/18)
- Insurance Act (Official Gazette 30/15)
- Act on Compulsory Insurance in Transportation (Official Gazette 151/05, 36/09, 75/09, 76/13, 152/14)
- Cash Transaction Fiscalization Act (Official Gazette 133/12, 115/16)
- Act on Financial Operations and Pre-Bankruptcy Settlement (Official Gazette 108/12, 144/12, 81/13, 112/13, 71/15 - Bankruptcy Act, 78/15 - Civil Obligations Act and Act on Amendments to the Civil Obligations Act)

Labour Relations

In Croatia, labour relations are governed by laws, collective and individual agreements, and rulebooks issued by employers. The Labour Act is in compliance with the conventions of the International Labour Organization. The Labour Act, inter alia, regulates:

- employment relationships
- working regulations
- protection of life, health and privacy
- protection of pregnant workers, parents and adoptive parents
- protection of workers suffering from temporary or permanent incapacity for work
- temporary work
- probationary period, education and training for work
- working time (Full-time work 40 hours a week)
- rest and leave
- different regulation of working time, night work and rest
- remuneration and compensation
- inventions and technical innovations created by workers
- ban of competition between worker and his employer
- indemnification
- termination of employment contracts
- exercise of the rights and obligations arising from employment
- participation of workers in decision-making through a works council, workers' meetings and workers' representative in the employer's body
- collective industrial relations and others

Third-country nationals, according to the Aliens Act, may work in Croatia on the basis of an issued residence and work permit or work registration certificate, unless otherwise provided by the Act. The Government of the Republic of Croatia, in accordance with the labour market situation, determines the annual quota for the employment of third-country nationals. Citizens of EEA Member States (and Swiss Confederation nationals), as well as members of their family i.e. members of family of Croatian nationals who are EEA country citizens may operate and provide services in the Republic of Croatia without a residence and work permit and without a work registration certificate.

At the employer's request, the residence and work permit for a third-country national is issued by the Ministry of the Interior according to their place of residence. The residence permit and work permit are issued for a limited period of time with a validity period equal to that of a work contract or other appropriate contract concluded and has validity for a maximum of one year. Residence and work permit outside the annual quota may be granted to frontier workers under the condition of reciprocity, the key staff, providers of services, workers and members of their families whose status is governed by the Stabilization and Association Agreement between the European Communities and their Member States and the Republic of Croatia, third country nationals carrying out key business affairs in companies, branch offices and representative offices, to a third country national who is self-employed in their own company or is a shareholder in the possession of more than 51 percent of shares or has their own trade, to professional athletes or sports workers and artists working in cultural institutions in the Republic of Croatia, professors - native speakers of foreign languages, lecturers and other teachers who are teaching at Croatian higher education institutions or registered foreign language schools, etc.

A work registration certificate is issued to a third-country national on the basis of duration of work in the Republic of Croatia. In this respect, we differentiate work registration certificates of up to 90, 60 and 30 days a year. The legal entity or natural person who will use the services of a third country national shall acquire the work registration certificate, according to the place of work or to the employer's headquarters, from the competent police administration or station prior to the commencement of work. Based on the issued certificate, a third-country national may work in the entire territory of the Republic of Croatia for the same employer or recipient of the service. A legal entity or natural person who employs or uses the services of a third-country national must have concluded an appropriate contract or other proof of performance with a third-country national or a foreign employer referring them to work in the Republic of Croatia.

LIST OF THE MOST IMPORTANT LEGISLATION

<https://narodne-novine.nn.hr/>

- Constitution of the Republic of Croatia (Official Gazette 85/10, 05/14)
- Companies Act (Official Gazette 152/11111/12, 68/13, 110/15)
- Act on Ownership and Other real Rights (Official Gazette 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)
- Civil Obligations Act (Official Gazette 35/05, 41/08, 125/11, 78/15, 29/18)
- Public Procurement Act (Official Gazette 120/16)
- Concessions Act (Official Gazette 69/17)
- Act on Public Private Partnerships (Official Gazette 78/12, 152/14)
- Act on Free Trade Zones (Official Gazette 44/96, 92/05, 85/08, 148/13)
- Act on Areas of Special State Concern (Official Gazette 86/08, 57/11, 51/13, 148/13, 76/14, 147/14, 18/15)
- Trade Act (Official Gazette 87/08, 96/08, 116/08, 76/09,114/11, 68/13, 30/14)
- Act on Implementing the EU Customs Regulations (Official Gazette 40/16)
- REGULATION (EU) No. 952/2013 of the European Parliament and of the Council laying down the Union Customs Code (Official Journal of the European Union L 269/1, 10 October 2013)
- Commission Delegated Regulation (EU) 2015/2446 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 (Official Journal of the European Union, L 343/2015)
- Commission Implementing Regulation (EU) 2015/2447 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
- Ordinance on the Application Form and the Certificates of Non-preferential Origin (Official Gazette 25/18)
- General Tax Code (Official Gazette 115/16)
- Income Tax Act (Official Gazette 115/16)
- Profit Tax Act (Official Gazette 177/04, 90/05, 57/06, 146/08, 80/10, 22/12, 148/13, 143/14 50/16, 115/16)
- Value Added Tax Act (Official Gazette 73/13, 148/13,153/13, 143/14, 115/16)
- Real Estate Transfer Tax Act (Official Gazette 115/16)
- Act on Financing Local and Regional Entities (Official Gazette 127/17)
- Excise Tax Act (Official Gazette 22/13, 32/13, 81/13, 100/15, 120/15, 115/16)
- Excise Tax Act on Coffee and Non-alcoholic Drinks (Official Gazette 72/13)
- Excise Tax Act on Motor Vehicles (Official Gazette 15/13, 108/13, 115/16, 127/17)
- Act on the Games of Chance (Official Gazette 87/09, 35/13, 158/13, 41/14, 143/14)
- Foreign Exchange Act (Official Gazette 96/03, 140/05, 132/06, 150/08, 92/09, 133/09, 153/09, 145/10, 76/13)
- Cash Transaction Fiscalization Act (Official Gazette 133/12, 115/16)
- Payment System Act (Official Gazette 66/18)
- Act on the Croatian National Bank (Official Gazette 75/08, 54/13)
- Credit Institutions Act (Official Gazette 159/13, 19/15, 102/15, 15/18)
- Croatian Bank for Reconstruction and Development Act (Official Gazette 138/06, 25/13)
- Insurance Act (Official Gazette 30/15)
- Mandatory Pension Funds Act (Official Gazette 19/14, 93/15, 64/18)
- Voluntary Pension Funds Act (Official Gazette 19/14, 93/15, 64/18)
- Capital Market Act (Official Gazette 65/18)
- Labour Act (Official Gazette 93/14, 127/17)
- Aliens Act (Official Gazette 130/11, 74/13, 69/17, 46/18)

What, Where, How?

CREDIT CARDS

Most commonly used in Croatia are Mastercard, Visa, American Express and Diners cards, and some retailers issue special credit cards for their customers / clients.

CUSTOMS

Value limits for entering non-commercial goods in baggage
Exemption from payment of customs duty, VAT and excise duty applies to imports of goods whose total value does not exceed:
HRK 3,200.00 for passengers in maritime and air traffic,
HRK 2,200.00 per passenger for other types of transport,
HRK 1,100.00 for passengers under the age of 15, regardless of the type of transport.

If the value of a particular object exceeds the specified value limit, the value of such an item is not allowed, but the prescribed amount for the total value of that item is charged. Also, aggregation relief of multiple persons for a particular item is not allowed.

ENTRY AND EXIT OF MONEY

The entry of cash in the Community and exit of cash from the Community (foreign and domestic currencies and other means of payment - such as traveller's checks, transferable securities, including checks, bills of exchange, blank debenture and money order etc.) is free and without limitation regarding the sum for all physical persons who can, providing they declare it to the customs officer, take any amount of cash in any currency without charge.

However, each entry of cash into the Community and any exit of cash out of the Community in the amount of EUR 10,000 or more, or equivalent to that amount in other currencies or other means of payment shall be declared to the customs officer at the border customs office.

As of 1st July 2013, the Cash Declaration Form, which can be electronically filled and printed, is in application and can be submitted to the customs officer at the border customs office or can be filled out at the border office itself. The form can be filled out in Croatian or English.

In the territory of the Republic of Croatia there shall be no control of cash at borders with other member states.

CROATIAN NATIONAL TOURIST BOARD

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Tel.: +385 (0) 1 4699-333
E-mail: info@htz.hr
htz.hr

PUBLIC HOLIDAYS IN THE REPUBLIC OF CROATIA

New Year **January 1st**
Epiphany **January 6th**
Easter **April 1st**
Easter Monday **April 2nd**
Labour Day **May 1st**
Corpus Christi **May 31st**
Anti-Fascist Struggle Day **June 22nd**
Statehood day **June 25th**
Victory and Homeland Thanksgiving Day
August 5th
Assumption of Mary **August 15th**
Independence Day **October 8th**
All Saint's Day **November 1st**
Christmas holidays **25th and 26th**
December

PUBLIC HOLIDAYS OTHER RELIGIONS

Christmas (Julian calendar) **January 7th**
Eid al-Fitr **June 15th**
Eid al-Adha **August 21st**
Rosh Hashanah (New Year) **September 10th**
Yom Kippur (Day of Reconciliation)
September 19th

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WORKING HOURS

Civil Services

8.30 - 16.30 (Monday - Friday)

Banks

8 - 19 (on weekdays)
7 - 12 (Saturdays)

Grocery stores

7 - 20 (on weekdays)
7 - 15 (Saturdays)

Non-food stores

8 - 20 (on weekdays)
7 - 15 (Saturdays)

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Programs and events are available at:

Zagreb Philharmonic Orchestra: zgf.hr
Croatian National Theatre: hnk.hr
Zagreb Concert Management: kdz.hr
Zagreb Fair: zv.hr
Concert Hall Vatroslav Lisinski
lisinski.hr
Additional tourist information:
zagreb-touristinfo.hr

INSTITUTIONS AND MINISTRIES IN THE REPUBLIC OF CROATIA

THE CROATIAN PARLIAMENT

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sabor@sabor.hr
sabor.hr

THE GOVERNMENT OF THE REPUBLIC OF CROATIA

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MINISTRY OF FINANCE

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mfin.hr

MINISTRY OF STATE PROPERTY

Ulica Ivana Dežmana 10, 1000 Zagreb
Tel.: +385 (0)1 634-286
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imovina.gov.hr

MINISTRY OF DEFENCE

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MINISTER OF ENVIRONMENT AND ENERGY

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MINISTRY OF THE INTERIOR

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min-kulture.hr

MINISTRY OF AGRICULTURE

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**CROATIAN EMPLOYMENT
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Croatian Chamber of Economy

The Croatian Chamber of Economy is an independent professional and business organization of all legal entities that carry out an economic activity in the Republic of Croatia. It was founded in 1852 on the European tradition of the so-called continental type chamber, following the example of our largest trading partners.

As an institution representing, promoting and protecting the interests of the Croatian economy at home and abroad with a network of contacts within local development agencies, development banks, state institutions and economic associations around the world, the Croatian Chamber of Economy helps in the process of finding business partners, co-finances participation at fairs and informs about international tenders. It organizes a series of trainings, such as: how to apply for EU funding, on micro and macro financing opportunities, business operations in particular markets, etc.

Also, the Chamber is a key link between government bodies and the business community, so its members realize their interests through professional associations in the associations and communities that discuss all aspects of business and influence economic policy makers in order to create better conditions and change laws and regulations. Each member of the Chamber belongs to an association according to their registered activity or associations which link several activities. There are 63 professional associations and 42 communities in the Croatian Chamber of Economy.

Along with the Head Office in Zagreb and the Zagreb Chamber, there are nineteen county chambers throughout Croatia and the Office for Areas of Special State Concern in Knin, enabling the understanding of local entrepreneurial needs and particularities. In order to provide the best quality support to Croatian companies for their participation in foreign markets, the Croatian Chamber of Economy offers the possibility to use its services abroad, in Brussels, Moscow, Shanghai, Belgrade, Sarajevo and Mostar.

The CCE has the largest database on the Croatian economy. It is the first public institution in the Republic of Croatia, since 2005, that has introduced and certified a quality management system according to the ISO 9001 standard, with all the county chambers being included along with the Head Office.

The activity of the Croatian Chamber of Economy incorporates a number of areas determined by the Law and the Statute of the Croatian Chamber of Economy and numerous special regulations for the transfer of public authorities. With its long tradition operation, the Chamber has created an extremely strong knowledge base, data, contacts and network of business partners in the country and abroad and is a reliable source of information for all Croatian companies, their foreign partners and foreign investors.



SCOPE OF THE HGK

- consulting on financing conditions
- lobbying during drafting and amending laws and regulations
- free tax advice
- connecting domestic and foreign business entities
- Catalogue of Croatian Products - facilitates the path of your product towards the public procurement customer
- free education / seminars / conferences / expert meetings
- database tailored to your needs
- co-financing and organization of performances at fairs and exhibitions • visual marking of quality Croatian products with markings Hrvatska kvaliteta (Croatian Quality) and Izvorno hrvatsko (Croatian Creation)
- promotion of Croatian products through the deals Kupujmo hrvatsko (We buy Croatian), Drvo je prvo (Wood is first) and Riba Hrvatske – Jedi što vrijedi (Croatian Fish - Eat what is worth it)
- use of the HGK halls for promotions, meetings and events
- Service Poduzetnik–izvoznik (Entrepreneur-Exporter) - finding a market and partners for your product and service
- tenders in international biddings tailored to your needs (tenderi.hgk.hr)
- organization of business meetings and business to business (B2B) conversations
- organization of international delegations in the country and abroad
- information on foreign markets
- Information on NATO tenders
- information on investment projects in the Republic of Croatia
- providing assistance in using pre-accession and structural funds and the EU Cohesion Fund
- analysis of economic trends
- Register of economic operators interested in participating in NATO's tenders
- out-of-court settlement of disputes between business entities
- the Zlatna kuna (Golden Kuna) award for successful operations to the best companies
- The Indeks DOP-a (CSR) award for Corporate Social Responsibility
- issuing professional publications
- vouchers for consolidated versions of laws
- Center for Industrial Development - implementation of national innovation and smart specialization strategy (CIRAZ)

A unique contact point - an online portal providing information on the regulations and formalities to be fulfilled for the performance of service activities.

PUBLIC AUTHORITIES OF THE HGK

The Croatian Chamber of Economy has numerous public authorities on the basis of special acts. Certificates and other documents issued by the HGK in the exercise of public authority have the character and significance of public documents.

Issuance of certificates accompanying goods in export and import

Based on the Union Customs Code (EU) no. 952/2013, Annex 22-01 of the Commission Delegated Regulation (EU) 2015/2446 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 (Official Journal of the European Union L 343/2015), Annex 22-14 to the Commission Implementing Regulation (EU) 2015/2447 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) the Chamber and of the Ordinance on the Application Form and the form of the Certificates of Non-preferential Origin OG 25/2018 publishes, certifies and issues the following documents:

- Certificates of Non-preferential Origin
- Certificates of Third Country Origin

Certificate of Origin FORM A

FORM A certificates of origin are issued and verified on the basis of the Generalised System of Preferences (GSP) as a system with which the developed countries unilaterally approve the preferential tariffs to the developing countries and the least-developed countries.

It was founded in 1968 by UNCTAD Resolution No. 21. The objectives of the general preferential tariff are to strengthen the economies of developing countries and the least-developed countries by increasing their exports, promoting their industrialization and accelerating their economic development.

Today, in the world, the European Union and 10 other countries grant general preferential tariffs: Australia, Belarus, Japan, Canada, New Zealand, Norway, the Russian Federation, the United States, Switzerland and Turkey.

Along with issuing a certificate of Croatian/EU origin, the Chamber verifies the certificates of third country origin, certifies, as appropriate, the documentation accompanying the export goods such as invoices, price lists, technical documentation, etc. In order to speed up the formalities associated with foreign trade and reduce costs, along with the ones of the Head Office, the affairs of the authorized county chambers are also mentioned.

The largest number of certificates issued by the Chamber relates to certificates of non-preferential origin issued under the customs regulations of the European Union.

EU Certificate

Pursuant to the provisions of the Ordinance on the issuance of EU certificates (OG 123/15), the HGK is the competent body for issuing EU certificates for legal entities. The Ordinance prescribes the design, content and procedure for issuing EU certificates issued to Croatian legal entities for the uninterrupted provision of services in the European Economic Area (28 EU Member States plus Norway, Liechtenstein and Iceland). At the party's request, the EU certificate may be supplemented by other data from relevant registers and records of professional qualifications and professional activities as well as other facts.

Issuing ATA carnet

By virtue of the authority of the Ministry of Finance - Customs Adminis-

tration, the Chamber is authorized to issue ATA carnets, documents for temporary export or import of goods.

The ATA carnet is an international customs document used to simplify temporary import in a foreign country with a validity of one year. Carnets are issued by the Chamber of Economy, members of the International ATA grant chain of the International Chamber of Commerce (ICC).

This customs document provides for a temporary importation of certain categories of goods to the customs territory of each country which has adopted the Customs Convention on the Temporary Importation without filling out national customs documents, paying tariffs or deposits as in the normal procedure for temporary export or import. The ATA carnet covers three major categories: temporary import of samples, temporary import of professional equipment and temporary import of goods intended for exhibitions, fairs, congresses and similar events.

Issuance of a Certificate of Registration in the Register of the HGK on publishing and distributing press

On the basis of Articles 2 and 12 of the Media Act (Official Gazette, nos. 59/04, 84/11, 81/13) the newspaper publisher registers the issue of a press in the Register kept at the Chamber. The Register also applies to legal entities who carry out the activity of distribution of the press.

Public Commission Agents

The Chamber, based on the Enforcement Act (OG nos. 112/12, 25/13, 93/14, 55/16, 73/17) organizes and conducts the duties of a public commission agents. The provisions of the Enforcement Act prescribe the organization and legal position of public commission agents, their rights and duties and the manner of selling personal property. The Chamber has been left the possibility of direct implementation of the work of the public commission agents or its organization, in a manner that with the prior consent of the Ministry of Economy, Entrepreneurship and Crafts, issues a tender for selection of the public commission agent.

Register of Real Estate Brokers

Based on the Act on Mediation in Real Estate Transactions (OG nos. 107/07, 144/12, 14/14) the Chamber keeps the Register of Real Estate Brokers. The form, content and manner of keeping the Register is regulated by the Ordinance on the Register of Real Estate Brokers (OG no. 56/08).

The register records the data on legal entities and natural persons to whom the Ministry of Economy, Entrepreneurship and Craft has issued a decision on the fulfilment of conditions for conducting mediation in real estate transactions. At the written request the Chamber issues a certified extract from the Register.

Real Estate Brokers Directory

Based on the Act on Mediation in Real Estate Transactions (OG nos. 107 / 07,144 / 12, 14/14) the Chamber keeps a Real Estate Brokers Directory. The form, content and manner of keeping the Directory is regulated by the Ordinance on the Real Estate Brokers Directory (OG nos. 56/08, 137/08).

The Directory records the data on real estate brokers who have been issued a decision on registration in the Directory of Brokers by the Ministry of the Economy, Entrepreneurship and Crafts. At the written request the Chamber issues a certified extract from the Directory which is public.

Organization and implementation of licensing examination for real estate brokers.

Based on the Act on Mediation in Real Estate Transactions (OG nos. 107 / 07,144 / 12, 14/14) and the Ordinance on the Training Program for Real Estate Brokers (OG nos. 56/08, 99/13, 115/13) the Chamber conducts a licensing examination. After passing the licensing examination, the candidates are issued a Certificate of Passed Licensing Examination, after which they submit a request to the Ministry of Economy, Entrepreneurship and Crafts to make a decision on enrolment in the Directory of Agents or Register of Real Estate Brokers.

Distribution of permits for international freight transport by road

According to the provisions of the Act on Transport in Road Traffic (Official Gazette, no. 41/18) the Chamber distributes permits for conducting international freight transport by road. Measures, procedures and the method of allocating foreign permits are prescribed by the Ordinance on the allocation of permits for international freight transport (OG no. 122/13). According to Article 4 of the Ordinance on the allocation of foreign permits to domestic transporters is performed by HGK and the Croatian Chamber of Trades and Crafts (HOK) through county chambers, with the exception of critical permits distributed by the Ministry of the Sea, Transport and Infrastructure.

Harmonization of the time schedules of regular service for passenger transport in road traffic

The Chamber shall coordinate the time schedules for the performance of regular services for the county, inter-county and international services on the basis of the Act on Transport in Road Traffic (Official Gazette, nos. 82/13 41/18).

Professional qualification for the performance of the activity of public road transport

The Croatian Chamber of Economy and the Croatian Chamber of Trades and Crafts conduct an examination of professional qualifications under Article 22 of the Act on Transport in Road Traffic (Official Gazette, no. 41/18) and according to the Professional Qualifications Examination Program consisting of a general and special part, in accordance with Regulation (EC) No 1071/2009.

The professional qualification examination is taken in front of a Committee, which is set up by the Minister of Sea, Transport and Infrastructure at the proposal of the chambers. After completing the professional qualification examination, a certificate is issued, on which the chambers keep record.

ACTIVITIES OF THE HGK - INTERNATIONAL ORGANIZATIONS AND INITIATIVES

The Croatian Chamber of Economy is a member of numerous international economic organizations. We would highlight memberships in:

- **International Chamber of Commerce** / International Chamber of Commerce - ICC (www.iccwbo.org) through the Croatian National Committee - ICC Croatia (www2.hgk.hr/icc) which operates at the HGK.

The ICC's mission is to promote international trade and investment. Three of ICC's core activities are laying down rules, dispute resolution, and advocacy of international business policies.

Membership enables:

- participation in numerous ICC commissions from different areas of international business that are adopting global standards, codes, guides and guidelines for international trade. The International Court of Arbitration is the world's leading arbitration institution for dealing with trade disputes,
- within the ICC also operating is the ICC World Chambers Federation (WCF) - www.iccwbo.org/wcf - ICC's global chambers network through which co-operation and exchange of best practice among chambers is promoted.

- **association of European chambers of commerce and industry** / Eurochambres – www.eurochambres.eu

- **ASCAME - Association of the Mediterranean Chambers of Commerce and Industry** / Association Des Chambres de Commerce et D'Industrie de la Méditerranée – ASCAME (www.ascame.org)...

The Croatian Chamber of Economy also conducts numerous activities within international initiatives, among which we would like to highlight:

- European Union Strategy for the Adriatic-Ionian Region (www.adriatic-ionian.eu) / Forum of the Adriatic and Ionian Chambers of Commerce (www.forumaic.org)
- European Union Strategy for the Danube Region (www.danube-region.eu)
- Southeast European Cooperative Initiative

Since 2002, vocational associations and communities of the Croatian Chamber of Economy have been actively involved in appropriate associations at a European level and in this way realise their interests (over 35 international umbrella associations and European associations). The HGK has signed more than 340 cooperation agreements with chambers from more than 70 countries, on the basis of which it intends to strengthen the bilateral as well as multilateral economic cooperation.

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