



## NEWSLETTER – Tax Changes 2020

The fourth round of tax relief is a part of the tax reform started in the 2016. In Official Gazette no. 121/19. from 11.12.2019. amendments to tax laws have been announced under the fourth round of tax reform. The fourth round of tax relief begins through a tax package of 9 laws and the most important changes are given below:

### Value Added Tax

- **25% standard rate retained.**
- **Applying a 13% rate:**
  - for preparing and serving meals and desserts in and out of restaurants and
  - services and related copyrights of writers, composers and artist performers and holders of phonogram rights.
- Possibility of **determining VAT on remuneration collected** to a value of HRK **7,500,000.00**
- Alignment with Directive (EU) - Inclusion of the Italian municipality of Campione d'Italia and the Italian waters of Lake Lugano in the customs territory of the Union and the territorial scope of Directive 2008/118 / EC.
- Alignment with Directive (EU) 2018/1910 - Simplification of certain rules for the taxation of trade between Member States:
  - simplifying the movement of goods
  - defining transportation services in the supply in a chain
  - determining the VAT ID number as a material condition for applying the exemption.
- Correction of VAT liability when changing tax base.
- Registration of international road passenger transport services is required before entering the Republic of Croatia.
- Removing conditions for applying the VAT exemption for deliveries in certain activities of public interest when performed by other persons to whom the public authorities have not been delegated.

### Personal income tax

- Increase of basic personal allowance from HRK 3,800 to HRK 4,000 (basic personal allowance of HRK 2,500 remains unchanged).
- Reduction of personal income tax liability, up to an annual tax base of HRK 360,000 on the basis of self-employment, for which annual tax is paid at the rate of 24%, for:
  - 100% for young people up to 25 years of age,
  - 50% for young people aged between 26 and 30 years.
- Extension to include non-income tax receipts:

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- Receipts received by natural persons on the basis of donations raised in humanitarian actions and publicly advertised actions that have a general purpose (refinement of the norm);
- awards to students for practical work and apprenticeships up to the prescribed amount;
- compensation for students during dual education up to the prescribed amount;
- payment of premiums of social security contributions paid by the employer for the benefit of his worker up to the prescribed amount - the prescribed amount is determined by the rulebook.
- Equalization of tax treatment of write-offs of individual claims of the taxpayer of income tax who is self-employer (craft) with write-offs of claims with the taxpayer of income tax.
- For payments of non-taxable receipts - the obligation to submit statements is abolished and payers have an insight in realized non-taxable receipts of workers and insight into the unused amount of personal allowance.
- To calculate the salary of a former employee – possibility of insight into the tax card.
- Prescribing the characteristics of self-employment for tax purposes by defining the relevant criteria: behavioural control, financial control and client relationships.

### **Fiscalisation**

- From January 1, 2021 - Fiscalisation of vending machines and introduction of QR code
- Prescribing the obligation to fiscalize supporting documents - effective from April 1, 2020.

### **Special tax on motor vehicles and special tax on coffee and soft drinks**

- Amendment of the provision stipulating exemptions from the payment of an administrative fee for the acquisition of used motor vehicles by transfer between related persons.
- Changing The taxation model of soft drinks: calculated on volume and content of sugar, taurine and methyl xanthine.

### **Excise duties**

- Prescribing the right to a refund of excise duty on diesel fuel in commercial transport by rail.
- Exemptions from excise duty on electricity used for the purpose of commercial transport.
- Removal of the obligation to disclose data in the monthly report of taxpayers on tobacco products.

### **Administrative cooperation**

- Extending the scope of mandatory automatic exchange of information to potentially aggressive cross-border tax arrangements.



## General Tax Act

- Extension of provisions preventing the use of tax benefits contrary to the purpose of the law (on illicit legal transactions).
- Modification of misdemeanor provisions due to perceived deficiencies.
- With the exception of special tax regulations, a taxpayer who voluntarily declares a foreign receipt for payment of due taxes and contributions, a tax liability arises on the day the foreign receipt is declared independently when the receipts have actually been received.

## Corporate Profit Tax

- New threshold is being introduced - annual revenue of HRK 7.5m for:
  - 1. tax relief - application of the 12% rate from 2020;
  - 2. administrative relief - natural persons engaged in self-employment activity (craftsmen) decide whether they will pay personal income tax or income tax; entrepreneurs can choose how to determine the tax base on a monetary basis; for non-profit organizations' economic activity is provided flat-rate taxation.
- Alignment with changes in other regulations
- Shortening the deadline for submitting a PD application for bankruptcy and status changes to 30 days, for termination of business to **8 days**.
- Proscribing the obligation to announce certain actions leading to the termination of business, transfer abroad or in case of status changes - **30 days before starting**.

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