# NEWSLETTER – Deferral of payments and reduction of personal income tax and corporate profit tax advances

26/3/2020

If special circumstances (COVID-19) affect the business of an entrepreneur, then in order to maintain liquidity, economic activity and retention of employment, entrepreneurs may submit to Tax authorities **Request for deferral of payment due to special circumstances as well as Request for reduction of the determined advances for personal income or corporate profit tax**.

## 1. Request for reduction of advances on personal income / corporate profit tax

The tax administration may, based on legal provisions, **determine the prepayments of personal income tax or corporate profit tax in the smaller amount, or in the amount of HRK 0.00 in two ways, either ex-officio or upon request**, to certain groups of taxpayers who, due to the occurrence of special circumstances, have discontinued their business or continued to operate in a reduced scope.

Taxpayers who are payers of tax advances and who are entitled to a reduction obligation are as follows:

- natural persons engaged in self-employed activity who determine their income on the basis of keeping business books and
- corporate profit tax payers.

Taxpayers who, due to the occurrence of special circumstances, suspended operations based on decisions of the competent institutions (eg Decisions on measures to limit social gatherings, work in stores, services and organizing sports and cultural events) to which the Tax Administration is aware, the Tax Administration will "**ex officio**" determine the personal income tax advance and the corporate profit tax advance in the amount of HRK 0.00. This measure covers the tax liability due in March 2020, including the February 2020 prepayment.

The taxpayer may himself apply for a reduction of the advances **upon request** if:

- the taxpayer belongs to the group of taxpayers who were affected by special circumstances that have led to a decrease in their economic activity, or, if the above-mentioned decisions indirectly influenced the reduction of taxpayer's entrepreneurial activities.

The following must be attached to the request:

- Corporate profit tax payers in accordance with Article 48 (5) of the Corporate Profit Tax Bylaw must submit the basic financial statements for the past and current tax periods (Balance Sheet and Profit and Loss statement);
- Income tax payers in accordance with Article 50 of the Personal Income Tax Bylaw are obliged to compile and submit a statement containing all relevant information from the annual tax return relating to the past period of 2020.

The Tax Authorities will not issue any decisions to all taxpayers for whom the determined advances will amount to 0,00 kn in accordance with Decision on amount that represent higher cost of issuing decision than the tax liability itself. All taxpayers who are users of ePorezna platform have an insight into the tax advances on the bookkeeping card (PKK), and other taxpayers will be notified appropriately. All requests are to be submitted through ePorezna system.

For the self-employed taxpayers who determine income in a lump sum and corporate profit tax payers who determine the taxable base in a lump sum amount, it is not possible to reduce the monthly lump sum tax they pay quarterly. The above-mentioned taxpayers may request a deferral or installment payment for the payment of taxes in special circumstances in accordance with Article 107a of the General Tax Law. Pursuant to the Bylaw on lump-sum taxation of self-employed activities, in the case of temporary suspension of activity, the tax liability for that period is not being determined.

## 2. Request for deferral of payment of taxes, contributions and fees

The Request for deferral may be submitted by entrepreneurs (legal and natural persons) if:

- they have all their tax liabilities settled before the occurrence of special circumstances, or if they have a past debt of less than 200,00 HRK on the day of filing a payment postponement request.
- if due to the occurrence of special circumstances, revenues are reduced by at least 20% in the month preceding the month of application, compared to the same period of the previous year.
- if entrepreneurs expect their revenues to be reduced by at least 20% in the next three months as a result of special circumstances, compared to the same period of the previous year.

- Only entrepreneurs who have had revenue up to HRK 7.5 million in the previous year are eligible for VAT deferral, provided that they calculate taxes according to the issued invoices (cash principle). The right to defer tax liabilities cannot be achieved for VAT for the month of February, which was submitted by 20.03 and which due payment is by 31.03.

The Request must prove the inability of applicant to pay taxes by providing data on the previous month's decline in sales compared to the same month in the previous year or it must be explained why the sales are expected to decline in the next three months.

The above-mentioned request, available on the Tax Administration's website, can be submitted to the Tax Authorities in the following ways:

- Through the system of '**ePorezna'** – a mandatory way for all 'ePorezna' users
- Through the web form 'Pišite nam'– selecting 'ePorezna' – under the 'Zahtjev za odgodom plaćanja' whereby it is possible to complete and attach a form. In case the form cannot be signed and attached, forms without signature will be accepted but only if the contact information is provided in the form.
- Exceptionally, lump-sum taxpayers who for objective reasons, are unable to file a claim in the manners described in the preceding two options may submit Request for payment postponement trough an oral request by telephone contact with Tay Authorities.

If the request is justified, any liability due in the time of special circumstances until 20.06.2020 on the basis of the submission of returns by taxpayer or the Tax Administration determines, will be postponed by 3 months. A tax deferral without interest will be granted for tax liabilities. In the event of an extension of the special circumstances, an additional period of three months may be granted for already deferred tax liabilities and extended to tax liabilities that fall due for an additional three months, excluding interest, for which a new written and reasoned request is to be submitted.

One Request is submitted for the postponement of all tax liabilities, which include other public duties within the jurisdiction of the Tax Administration (contributions, membership fees, etc.)..

An applicant who is unable to pay a deferred tax liability on its deferred maturity may apply for an installment repayment without interest. The installment repayment can be approved in monthly installments, up to a maximum of 24 months. A written and reasoned request for installment repayment of a deferred tax liability may be filed within five days of the due date of the liability that the applicant is unable to pay.