



NEWSLETTER – Second package of measures - addition

9/4/2020

On 7.4.2020 Parliament accepted all measures presented by the Government of the Republic of Croatia on 1.4.2020 as the second package of measures for the economy. Below, we provide details on the most important measures in terms of tax, accounting, and employment preservation regulations.

1. Accounting Act - Bylaw on the deadlines for submission of financial statements and accounting documents in special circumstances (OG 45/2020)

Public announcement

- Entrepreneurs are obliged to submit annual financial statements with the accompanying audit report to the Financial Agency for public announcement **within eight months** from the last day of the business year.
- Entrepreneurs are obliged to submit annual consolidated financial statements with the accompanying audit report to the Financial Agency for public announcement **within ten months** from the last day of the business year.

Inactivity statement

- An entrepreneur who did not have any business transactions during the business year, or does not have any assets and liabilities recorded in the books, is obliged to submit to the Financial Agency a Statement of Inactivity for the previous business year **by 30 June of the current year**.

Financial data for statistical and other purposes

- Entrepreneurs and legal and natural persons are obliged to submit to the Financial Agency **by 30 June of the current year** a balance sheet, profit and loss account and additional data of the previous calendar year for statistical and other purposes.

Consolidation obligation

- The parent company is required to report the consolidation obligation to the Register of annual financial statements **by June 30** of the current year for the previous year.

Branch office

- The submission of the branch office's accounting documents may not exceed eight months after the balance sheet date, but the time limits laid down by the law of the Member State by which the parent company of the branch office is governed will be taken into account, unless otherwise regulated in special circumstances - which the branch office must be able to prove in case of supervision.

2. Exemption, deferral or payment of tax liabilities

The proposed measures of the Government of the Republic of Croatia have been adopted by the Bylaw amending the Bylaw on the implementation of the General Tax Law (OG 43/2020) - hereinafter referred to as the Bylaw. Tax liabilities for the purposes of the Bylaw are considered to be tax and other public obligations, which are due for the applicant starting from 1 April 2020 until the expiry of a period of three months after the entry into state of "special circumstances".

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2.1. Exemption from payment of tax liability

Tax liabilities for the **purposes of payment exemption** are not considered to be the value added tax liabilities, customs and excise duties, compulsory pension contributions on the basis of individual capitalized savings, taxes and surtaxes determined on final income, charges and duties on games of chances, obligations under previously concluded administrative contracts and rescheduled liabilities from pre-bankruptcy and bankruptcy proceedings.

Who is entitled to exemption?

- If the applicant, due to special circumstances, is prohibited from work by the competent authority's decisions that is, if his/her work is put on hold or significantly impeded, he/she will be fully exempted from paying his/her tax liabilities if he/her has a decrease in income / receipts of at least 50% in the period of three months after the declaration of "special circumstances status", as compared to the same period of the previous year.
- An applicant who has in the previous year realized the value of supplies of goods and services in the amount of more than HRK 7,500,000.00 without value added tax will be partially exempted from paying his/her tax liabilities in proportion to the percentage decrease in income / receipts compared to the same period of the previous year.
- A taxpayer who earns income by renting flats, rooms and beds to tourists and organizing camps, regardless of the fact that he/she applies for tax payment measures, and who pays tax in a lump sum, will be exempt from tax in the amount of 1/4 annual lump sum income tax and surtax on income tax payable by the end of the second quarter of 2020.

2.2. Tax payment measures

On the basis of reasonable claims for due tax liabilities, a deferral of payment without interest will be granted for a period of three months, counting from the statutory date of maturity of each individual tax liability.

On the other hand, a taxpayer may delay the value added tax liability due for the amount that is greater than the amount that would have been due if the taxpayer had calculated value added tax in accordance with the procedure for taxation in a way to express the difference in the amount in Part VIII. Of the VAT return.

- In the case of an extension of the initial three-month deadline, an additional three-month deadline may be granted for already deferred tax liabilities and to extend the scope of deferred tax liabilities to tax liabilities which due falls into that additional three months, without interest, for which a new written and reasoned request is to be submitted.

2.3. Repayment of deferred tax liabilities

- An applicant who is unable to pay a deferred tax liability on its deferred maturity can apply for a repayment without interest, and that repayment can be granted 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.
- In the application for installment repayment, the applicant states to which of the deferred tax liabilities the claim relates.

2.4. Indicators of inability to pay due tax liabilities

- If due to the occurrence of special circumstances, **income / receipts** are reduced by at least **20%** in the month preceding the month of application, compared to the same period of the previous year or
- If entrepreneurs expect their income / receipts 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.

In addition to meeting these indicators, for the value added tax liability due, the taxpayer must demonstrate that the value added tax liability arises from invoices that yet have not been charged and incoming invoices that have not been paid.

2.5. Submission of request

- An applicant for the use of a tax payment measures is considered to be an entrepreneur who makes it probable that he/she is unable to pay arrears of tax liabilities and who has no tax liabilities at the date of application.
- If the amount of tax debt is less than HRK 200, it will be considered that there is no outstanding tax liability.
- A written and reasoned request will be considered only if request is submitted electronically to the tax authority through the e-Porezna system and exceptionally taxpayers who are not users of the ePorezna system may file a claim provided and posted by the Tax administration on its website.

2.6. Exemption from payment of contributions for subsidized net wages

The taxpayer will be exempted from the obligation to pay a contribution for the amount of the co-financed net salary paid on the basis of the employment preservation subsidy paid by the Croatian Employment Service.

The exemption from payment of contributions will be implemented ex officio by the Tax Administration on the basis of data exchanged with the Croatian Employment Service from the evidence on the payment of the subsidy recipient and data reported in the JOPPD form filed with the Tax administration. The exemption from payment of the contribution will be expressed by reducing the liability on the taxpayer's tax-accounting card.

3. Subsequent treatment of the applicant who has been granted tax payment measures by the tax authority

If the tax authority subsequently determines that it is not probable that the conditions for the tax payment measure have been fulfilled, it will determine the termination of the tax payment measure whereby the tax liabilities are due in accordance with special regulations. If the tax authority subsequently determines that the applicant in the course of special circumstances:

- a. falsely portrayed the facts explaining the claims and/or
- b. acted contrary to tax regulations and/or
- c. misused tax payment measures to obtain unlawful material gain

it will notify the applicant of failure to meet indicators of inability to pay due tax liabilities and it will **charge statutory default interest** for tax liabilities for which a measure of payment of taxes has been approved.

4. Deadlines for filing tax returns and reports

According to the Bylaw, the corporate profit tax return (including other forms and reports submitted with the CPT form) shall be submitted to the Tax administration by 30 June. In addition, the public obligations determined on the basis of the CPT return, forms and reports are due on July 31, 2020.

5. Increase in the amount of government subsidies

The increase in the state "minimum" payment as a subsidy for employers, whose incomes will fall by more than 20 percent, is raised from HRK 3,250 to HRK 4,000 net in April and May. In addition, the state will take over the payments of contribution in the amount of HRK 1,460, so the total subsidy to companies per worker will be at the level of HRK 5,460.

This measure can be used provided employers retain workers.

6. Other

The website of the Croatian Pension Insurance Institute is working on upgrading an application that will make it easier to submit requests and additions to previous submitted requests. Starting from 17.04.2020 the entrepreneurs will be able to:

- submit the JOPPD number and list of workers who received support in March
- review previous submitted requests
- supplement requests with employees returned to workplace by employers
- supplement data requirements for March, April and May 2020



Please note that legislation is prone to frequent change. This newsletter is therefore necessarily based on our understanding and correct interpretation of the law and practice at the time of issuing this newsletter. This newsletter will not be updated according to changes in legislation that occur after the release of this letter.