



NEWSLETTER - SALARIES IN 2023

10/01/2023

Pursuant to the amendments to the Personal Income Tax Act from January 1, 2023, **salaries will no longer have to be paid out to the current account exclusively**. In this way, citizens and entrepreneurs who until now had to have two or more accounts will be relieved. Given that approval has been issued to extend the provision of Revolut Bank UAB services in the Republic of Croatia, it will be possible to pay out salaries to accounts that citizens have in that bank.

The amount of the minimum salary for 2023 is EUR 700 gross, or EUR 560 net. This is an increase of 12% compared to 2022, when the minimum salary was EUR 622.

The amendments also refer to the increase in the basis for calculating contributions.

Bases for calculating contributions for management board members

Compulsory insurance of board members and executive directors refers to both the compulsory insurance of persons outside the compulsory insurance system and to persons within the compulsory insurance system. Employed members of the board and executive directors, as well as those in the compulsory insurance system (insured on a different basis), should pay contributions on a prescribed monthly basis.

When it comes to board members and executive directors, according to the provisions of the Contributions Act, the monthly basis for calculating contributions for full-time work cannot be lower than the product of the average salary of EUR 1,367.18 and the coefficient of 0.65, i.e. from January 1, 2023 **it cannot be lower than EUR 888.67**.

The basis for calculating contributions is the prescribed gross salary of the board member or executive director and does not have to be equal to the prescribed basis for calculating contributions. **The gross salary can be higher, lower or equal** to the prescribed basis for calculating contributions.

Please note that the stated basis is calculated for the first month of work in 2023, more precisely for January, with salary usually calculated and paid out in February 2023.

Bases for calculating contributions for (regular) salaries

The lowest monthly basis for calculating contributions is the product of the average salary and the coefficient 0.38. For the year 2023 (January - August), the average monthly gross salary per employee in the Republic of Croatia is HRK 10,301.00 and the minimum basis for calculating contributions from January 1, 2023 is HRK 3,914.38, i.e. applying the fixed conversion rate of EUR 1 = 7 HRK 53450 **it amounts to EUR 519.53**.

The highest annual basis is calculated as the product of the average salary, the coefficient 6 and number 12, which for the year 2023 amounts to **EUR 98,436.96**. The highest monthly basis for contributions for pension insurance for 2023 is **EUR 8,203.08**. There is no maximum annual and monthly basis for calculating and paying contributions for compulsory health insurance.

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A contribution payer who paid the contributions himself, or other contribution payers paid the contributions for pension insurance on his behalf and for his benefit based on generational solidarity for a specific calendar year, and the amount of those contributions is calculated according to the basis whose total amount is higher than the maximum annual basis prescribed for that year, has the right to reimbursement of those contributions.



Please keep in mind the fact that legislation is subject to frequent change. This newsletter is therefore necessarily based on our understanding and correct interpretation of the law and practice at the time of publication of this newsletter. This newsletter will not be updated due to changes in legislation that occur after the issuance of this letter.