



## NEWSLETTER – CHANGES TO TAX REGULATIONS IN 2023

01/06/2023

The following will be amended:

1. Income Tax Act
2. Local Taxes Act
3. Act on Financing of Local and Regional Self-Government Units
4. Contributions Act
5. Act on Fiscalization in Cash Transactions
6. Corporate Income Tax Act
7. VAT Act
8. Tax Advisory Act
9. Act on Administrative Cooperation in the Field of Taxation

Objectives of tax changes:

- 1. Raise the citizens' standard of living** (increase wages, especially the lowest ones, increase the real purchasing power of households with the lowest incomes, reduce inequalities)
- 2. Preserve economic growth**
- 3. Strengthen the fiscal autonomy of municipalities and cities** (make municipalities and cities more attractive)

How to reduce the salary burden:

A) through **the reduction of income tax**

- **the concept of base of personal allowance is abolished**
- **the amounts of personal allowance for dependent members are increased** by applying a coefficient to the basic personal allowance
- **the threshold** for applying a higher income tax rate **is increased from €47,780 to €50,400**
- **the fiscal autonomy of local self-government units is increased** (municipalities and cities are allowed to independently prescribe the level of the tax rate of annual taxes for income from employment, self-employment and other income)
- **the law prescribes other elements of taxation** (personal allowance, non-taxable receipts, threshold for applying tax rates and other parameters)
- **the income tax surcharge is abolished** (the tax system is simplified)

B) through **the reduction of the base for pension insurance** (pillar I)

- the monthly base for calculation of contributions up to €700 - fixed relief of € 30
- the monthly base for calculation of contributions from €700.01 to €1,300 - amount of relief per calculation  $0.5 \times (1,300 - \text{base})$
- This relief does not reduce the future pension amount

C) **salary increase achieved by a combination of these two measures**

TPA doo

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Other tax changes:

**1. Income tax**

- **Tax treatment of tips** is determined (**the amount of non-taxable tip is €3,360; above the non-taxable amount, the tip is taxed as other income at the rate of 20%**)
- **Donations** (the existing possibilities of donating for general useful purposes in an amount 2% higher than the previous year's income are specified)
- **Depreciation** (the value of assets to which the depreciation calculation is applied is increased to **€ 650**)
- **Optional allotment of shares in ownership** becomes equal with optional allotment of shares; in order to stimulate employees, allotment of shares in the company will be made possible through **the tax treatment of income from capital** (without calculation of contributions)
- **The deadline for payment of income tax based on the annual calculation (fixed date is February 28)**

**2. Corporate income tax**

- **Rounding** (the amount in euros is rounded in favour of taxpayers)
- **Depreciation** (the value of assets to which the depreciation calculation is applied is increased to € 650)
- **Donations** (the existing possibilities of donating for general useful purposes in an amount 2% higher than the previous year's income are specified)
- **The deadline** for the payment of corporate income tax based on the annual calculation (fixed date is April 30)
- **Withholding tax** (abolished for market research and business consulting, abolished for dividends for the European Economic Area, increased for non-cooperative jurisdictions from 20% to 25%)

**3. Value added tax**

- **The procedure for correcting the tax base is simplified**
  - The possibility of reducing the supplier's tax base within 6 months if they are unable to collect the entire amount, and actions have been taken to collect the overdue claim (enforcement proceedings, court charge etc.)
  - The obligation to provide data to all payment service providers at the EU level is introduced, in order to avoid VAT payment by non-residents)
  - The threshold for registration in the register of VAT payers is increased from **€ 39,816.84 to € 40,000**

**4. Tax Advisory Act**

- It simplifies the acquisition of the tax advisor status and abolishes the majority ownership requirements for the establishment of a tax advisory company
- It enables the free cross-border provision of services for tax advisors from all OECD member countries
- It enables representation before administrative courts in disputes related to tax procedures
- It is aligned with the Act on the Introduction of the Euro

## 5. Act on Administrative Cooperation in the Field of Taxation

- Enables the implementation of Multilateral Agreements of competent authorities on automatic exchange
- The Council Regulation regarding measures to strengthen administrative cooperation in the field of VAT is introduced

## 6. Local taxes

- The tax range for holiday homes is increased from **€0.60 to €5.00/m<sup>2</sup>**



Please keep in mind the fact that legislation tends to change frequently. 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 due to changes in legislation that occur after this letter is issued.