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Details regarding the second package of support measures (COVID-19)



Tax advisory TUK d.o.o.

Second package of support measures (COVID-19)

On April 8, 2020, the Croatian Parliament has adopted the Act on Amendments to the General Tax Act as well as the Act on Amendments to the Accounting Act. Likewise, the Bylaw amending the Bylaw on the implementation of the General Tax Act and Bylaw on the deadlines for the submission of financial statements and accounting documents in special circumstances have been published.

The adopted bylaws are aimed to prescribe more detailed information on the conditions and ways of using the measures in practice.

Below we provide more detailed information regarding the implementation and use of the measures prescribed by the implementing acts, as well as their technical details.

The new support measures available to entrepreneurs relate to:

1. More favorable criteria for the use of job support in COVID-19 disease-affected industries
2. Exemption from the social contributions on CES co-financed net wages
3. Tax liabilities write-off
4. Tax liabilities deferral
5. Financial reporting



More favorable criteria for the use of job support measures in COVID-19 disease-affected industries

At the session held on 6 April 2020, the Governing Board of the Croatian Employment Service ("CES") has brought a decision amending the criteria for the use of job preservation support measures in coronavirus-affected industries.

The most important changes are as follows:

- CES support for preservation of jobs in coronavirus affected sectors has been increased to HRK 4,000.00 for April and May of 2020 for full-time employees and in proportional amount for part-time employees.
- It is possible to obtain support for workers which were employed by March 19, 2020, as well as for workers employed in branches of representative offices of foreign companies in the Republic of Croatia. Previously, the measure could have been realized for workers starting their employment by the 29 February 2020 the latest.



Exemption from the social contributions on CES co-financed net wages

Employers which were granted with the CES support for preserving jobs in coronavirus-affected sectors are exempted from paying social contributions for co-financed net wages. Employers are therefore exempted from the corresponding social contributions for the part of the salary which is subsidized.

For payroll providers, the process should be as follows:

- The CES provides the employer with the support measure (HRK 3,250 or HRK 4,000 respectively) for full-time employment.
- The employer is obliged, on the date of payment of salary, to submit a JOPPD form with a charge for contributions and income tax (in case the salary is higher than the personal allowance), using the same codes as when the salary is paid in normal circumstances.
- The Tax Administration and the CES will exchange information *ex-officio* and exempt the employer from paying the contributions on the employee's net income, provided that the employer has actually paid the total amount of support to the worker as his net salary.
- The Tax administration will process the exemption from the contribution payment through the employers account with the Tax Administration, reducing the obligation for contributions.

The CES will pay the contributions for the Pension insurance II pillar based on the information from the JOPPD form.



Tax liabilities write-offs

Measures determining which taxpayers are **entitled to write off their tax liabilities** were implemented.

- ❑ Taxpayers with revenues up to HRK 7.5 million:
 - If the revenue drop ranges **from 20% to 50%** - they are entitled to a deferral;
 - If the revenue drop is **more than 50%** - they are entitled to write-off (personal income tax, corporate income tax and social contributions)
- ❑ Taxpayers with revenues over HRK 7.5 million:
 - If the revenue drop ranges **from 20% to 50%** - they are entitled to **a deferral**;
 - If the revenue drop is **more than 50%** - they are entitled to **a proportional write-off** (personal income tax, corporate income tax and social contributions) E. g. a 60% drop in revenue means paying 40% of liabilities

The write-off is not applied to:

- VAT
- customs and excise duties
- contribution to II. Pillar of pension insurance
- tax and surtax determined on final income (income from capital gains, property and property rights, sole proprietorship paid in lump sum amounts
- fees in activities of games of chance
- obligations under previously concluded administrative contracts, i
- rescheduled liabilities from pre-bankruptcy and bankruptcy proceedings.

Taxpayers **who have previously been granted with tax deferrals** can exercise the right to full or partial exemption **without a specific new request**. Entrepreneurs who realise a drop in revenue of more than 50% and have not previously filed a tax deferral claim can exercise their right to exemption in a special procedure by **filing a claim prior to 20 June 2020**.



Payment of tax liabilities with deferral

□ Deferral of VAT payment during special circumstances.

Although taxpayers are not allowed to write off VAT liabilities during the special circumstances, the State has allowed taxpayers to defer payment of VAT until the moment of payment of the invoices.

▪ **Deferral of VAT payment on unpaid invoices**

- All taxpayers have the right to determine the VAT base in the amount of supplies from invoices which have been paid, regardless of the fact whether they usually pay VAT based on collected invoice payments.
 - Standard procedure used by the taxpayer to calculate VAT liability does not change, the taxpayer is not obliged to switch to model of paying VAT per collected invoice payments. The taxpayer will continue to calculate VAT liability using standard procedure, with the possibility to defer VAT payment for invoices that are not yet paid to the taxpayer.
 - The taxpayer will prepare internal VAT calculation for payments collected, and show the difference between the VAT liability in the standard procedure and the procedure of payments collected in the VAT return under point VIII.
 - Taxpayer must pay the amount of VAT liability that relates to payments collected within the prescribed period.
- For entrepreneurs who have experienced a decrease in revenue of more than 20%, and have been granted tax deferrals, an additional measure has been adopted - instalment payment of tax liabilities up to 24 instalments in case of an entrepreneur whose business has problems with liquidity.



Financial reporting

The deadlines for submission and publication of financial statements and accounting records during the special circumstances have been changed.

☐ Financial reporting for statistical and other purposes

- The deadline for submission of annual financial statements for statistical and other purposes has been postponed to **30 June 2020**.

☐ Financial reporting for public disclosure purposes

- Entrepreneurs must submit their annual financial statements, together with the accompanying audit report, for public disclosure no later than **8 months from the last day of the financial year**, or 9 months in the case of consolidated financial statements. Therefore, for entrepreneurs whose business year ended on December 31, 2019, the deadline for submission of annual financial statements for public disclosure is **August 30, 2020**.

☐ Deadlines for filing tax returns and reports

- The deadline for filing corporate income tax return is delayed to **30 June 2020**, together with all other accompanying forms and reports (PD-IPO, etc.).
- Public contributions determined on the basis of a CIT return are due on **July 31, 2020**.

☐ Obligation to pay public disclosure to FINA is now abolished

- The fee for public disclosure of the annual financial statements which has so far been paid to FINA between HRK 160 and 420 per publication has been abolished.



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