

January 2022

Tax news



Tax advisory TUK Ltd.

Due to negative influence of Covid-19 pandemic on the Croatian economy, there has been no room for sixth round of the tax reform i.e. for additional tax relief of entrepreneurs and citizens. For that reason there were no crucial changes to the tax or other legislation.

Also, due to the fact that Covid-19 pandemic influenced working conditions of the employees, especially due to regulation of home office, Croatian Government has announced the long-awaited amendments to the Labor Law. However, due to arising disagreements between the Government and employee unions regarding the extensive changes, a draft amendment to the Labor Law has not yet been prepared. Regardless, we have collected information available to the public and listed it among other news.

In addition to the announced changes to the Labor Law, in the following points we present an overview of the legislation amendments for year 2022, information important in the normal course of doing business by taxpayers such as news regarding the provision of the minimum salary, changes in the percentage of interest rates on loans between the related parties and other.

1. Changes in determining the minimum salary

Croatian Government adopted the Decree on the amount of the minimum salary for year 2022. Pursuant to the aforementioned Decree, **the minimum gross salary for 2022 amounts to HRK 4.687,50 which is HRK 3.750,00 net.**

A provision has also been introduced according to which the minimum salary must be agreed, determined or prescribed in the gross amount. The Labor Law already prescribes that the salary is considered a gross salary, but it did not prescribe penalties for employers who agreed the salary of their employees in net amount. Amendments to the Minimum Salary Act prescribe penalty fines for employers who do not determine the minimum salary in the gross amount, in the amount ranging from HRK 60 thousand to HRK 100 thousand.

Employers who have agreed minimum wages with employees are obliged to adjust their employment contracts with the above changes by February 1, 2022 at the latest, by concluding new contracts or by preparing additions to the contracts with their employees.



2. Change of the basis for calculation of contributions for directors and board members

For the board members and directors, who are also full-time employees employed by the same company, social contributions must be calculated on the basis **in the amount of HRK 6,199.05**, while their gross salary can be set in the lower amount.

If the directors or board members of are employed in another company (or insured on some other basis), they are not obliged to pay contributions on a base in the amount determined above.

On the contrary, board members and directors who are not compulsorily insured on any basis, are independently insured persons and are obliged to pay contributions for compulsory insurance in 2022 on **the basis of HRK 9,537.00**.



3. Change in interest rate between related parties

The interest rate on loans between related parties is prescribed at 2.68% for 2022.

Setting the interest rate of 2.68% is particularly important when a domestic taxpayer receives a loan from a non-resident related party. For corporate income tax purposes, only expenses calculated with an interest rate of up to 2.68% are deductible. If the company receives a loan with a higher interest rate than prescribed, the difference between the expenses calculated at a higher rate and the prescribed one represents non-deductible expenses.

Similarly, in a situation where a domestic taxpayer grants a loan to a non-resident related party, the agreed interest rate should not be lower than 2.68% for income tax purposes.

The above rules also apply on loans granted between domestic related parties if one of them has a preferential tax status (i.e. pays corporate income tax at rates lower than the prescribed rate or is exempt from corporate income tax), or has the right to carry forward the tax losses from previous tax periods.



4. Amendments to the Ordinance on the Implementation of the General Tax Act

Amendments to the Ordinance on the Implementation of the General Tax Act have been published. The amendments relate exclusively to the treatment of donations to persons affected by natural disasters, as follows:

- VAT payers are exempt from paying VAT on supplies of goods and services, made without compensation, to help areas which declared a natural disaster by the Decision on declaring a disaster in the area affected by the earthquake for supplies made by the end of 2022. This means that companies can make non-taxable donations to help people in the mentioned areas by the end of 2022, without the obligation to calculate and pay VAT;
- for corporate income taxpayers - when submitting corporate income tax returns for 2021 and 2022, donations provided to legal entities and individuals by the end of 2022 to eliminate the consequences of the disaster are considered tax-deductible expenses;
- for personal income taxpayers - when submitting personal income tax returns for 2021 and 2022, donations provided to legal and natural persons by the end of 2022 to eliminate the consequences of the disaster are considered as tax-deductible expenses (which do not increase personal allowance).



5. Changes in the payment of HGK contributions

The new Act on the Croatian Chamber of Commerce (HGK) abolished the obligation to pay membership fees for members of the HGK from the first group. The criteria for classifying members for the first group have remained the same as before, so there is no requirement to pay the **membership fee of HGK for companies that do not exceed two of the following three criteria:**

- total assets: HRK 7.5 million
- total revenues: HRK 15 million and
- number of employees: 50.

The criteria for classifying members of the Croatian Chamber of Commerce of the second group have been changed, so now the second group consists of members who do not exceed two of the three criteria prescribed for the first group, but do not exceed two of the three criteria below:

- total assets: HRK 30 million
- total revenues: HRK 60 million (so far HRK 59 million has been prescribed)
- number of employees: 250

The membership fee is determined by the Board of the Croatian Chamber of Commerce by a decision for each year separately.



6. Announced amendments to the Labor Law

According to the announcements, the new law should:

- Define in more detail the provisions of the employment contract that will need to be adjusted with regard to work from home, and which will also provide compensation of employees' costs for energy, water, utility fees and the like, which incur as a result of working from home. At the same time, employees working from home should retain all material rights equal to those of employees working at the employer's premises, especially the right to salary, annual leave, etc. Likewise, parents of children under 8 will be able to request work from home. The employer may reject them with a written explanation.
- Regulate work through digital platforms. According to the announcements, for employees who will perform work through digital platforms, based on contracts for activities, given the nature and type of work and the employer's authority, have the characteristics of the work for which employment agreement is concluded, will be considered as an employment contract, unless the employee proves otherwise. It is to be expected that this issue will be further clarified by the new law.
- Regulate the issues of termination of employment differently, limiting the conclusion of fixed-term contracts to a maximum of three consecutive contracts.

We will further inform about the provisions of the new Labor Law once the details of the draft law are published.



Contact



Tax advisory TUK Ltd.



Address: Radnička cesta 80,
Zagrebtower, Zagreb, Croatia

T: +385(0)1 7980 310

E-mail: office@tprime.hr

Edo Tuk
Managing Partner
edo.tuk@pst.hr

Nika Miloloža
Senior Manager
nika.miloloza@pst.hr

Thank you!