

LEGISLATIVE CHANGES IN THE AREAS OF VAT, CIT AND GENERAL TAX ACT

In accordance with legislative amendments, the following changes came into force as of 1st January 2020:

Value added tax area

- Extension of the application of a reduced rate of 13% to the preparation and serving of meals and desserts in accordance with a special regulation on the catering industry, and to the services of holders of phonogram rights
- Tax exemption as defined in Article 39., paragraph 1., item b), g), h), i), l), m) and n) of the Value Added Tax Act, is extended to all persons engaged in activities of public interest, regardless of the organizational form of the service provider.

These are the following services:

- Health and dental care services
 - Welfare services
 - Educational services
 - Cultural services
 - Services related to child and youth protection
- The threshold for applying the special taxation procedure as per collected fees has been increased from HRK 3,000,000 to HRK 7,500,000
 - Modification of the Summary Application Form - form is subjoined with information on the arrangement for moving goods
 - Supplies of goods within the EU - obligation to provide proof of shipment and proof of customer taxpayer status (VIES database) introduced. Without this, it is not possible to apply exemption under Article 41., paragraph 1., item a) of VAT act. It is recommended that both evidences are attached to the outbound invoice for the delivery of goods to another Member State.

Income tax area

- The threshold for applying the 12% corporate tax rate has been increased from HRK 3,000,000 to HRK 7,500,000. The income tax liability for 2019 is determined at the old threshold, but the advance payments for 2020 are determined at the new threshold of HRK 7,500,000.

General tax act area

- Entrepreneurs shall submit the OPZ-STAT-1 form to the Tax Administration within the deadlines for filing income tax returns, i.e. by 30th April if the business year is the same as the calendar year.
- Use of tax benefits contrary to legal purpose

Those taxpayers who obtain tax benefits by using the tax system through organizational forms taxed at lower tax rates will be considered to use tax benefits contrary to their legal purpose.