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MANDATORY INSURANCE FOR BOARD MEMBERS AND EXECUTIVE DIRECTORS

Board members and executive directors, manager of cooperative and *liquidators* who are not compulsorily insured on some other basis, in Croatian pension and health insurance fund, should be independently insured. The obligation also applies to board members - foreigners (non-residents). Contributions are settled according to the decision of the Tax Administration and those contributions do not represent company's costs, but board member/director pays it by himself.

The obligation for registration on compulsory insurance arises with the date of entry into the court register, i.e. within 8 days from the date of that entry. After registration on Compulsory Insurance, Tax Administration issues a decision/resolution based on which contributions are paid.

The monthly base for calculating contributions, the average monthly gross earning per person employed in legal entities and for the year 2019 amounts **HRK 8,448.00.**

The monthly base is changing every year and noted base in this newsletter is calculated based on Statistical report for average salaries for period from 01-08/2018. since in this moment Ordinance on the bases for calculating contributions for compulsory insurance for 2019. Is not published still in Official Gazette.

The calculation is shown in the table below:

CALCULATION BASE		8.448,00
DESCRIPTION	PERCENTAGE	AMOUNT
Pension insurance - I. pillar	15,00%	1.267,20
Pension insurance - II. pillar	5,00%	422,40
Health insurance	16,50%	1.393,92
TOTAL COST (PER MONTH) OF PERSON BASED ON RESOLUTION OF TAX AUTHORITY		3.083,52 HRK

If Croatia has concluded an agreement on social insurance with the state of non-resident, then based on that agreement the compulsory insurance is excluded. If the non-resident obtains a certificate of foreign holder of compulsory insurance that insurance is applicable in member state, he/she is exempt from all compulsory contributions in Croatia and this stands regardless of whether the board member or his paid receipts arose from the performance of other independent activities or occasional employment.

There is an option were company can have procurator. Procurator may enter into all contracts and take legal action on behalf of a company and represent company in proceedings before state authorities. Procurator is not compulsory insured under any regulation prescribing obligations of compulsory insurance.

We would like to point out that for now we have information that Tax administration is controlling mentioned payments but as there is prescribed obligation, penalty interests are high, please consider possible risk in case of non-payment.

Obligation for liquidators are introduced in accordance with the amendments and changes on Contribution Act, which enter into force on January 1, 2019.

BENKO KOTRULJIĆ Ltd.

December 7, 2018.