



## Tax&Legal Highlights

### Croatia

#### Amendments to the Personal Income Tax Regulations

The amended Personal Income Tax Regulations are in place from 1 January 2018 and provide certain tax relief measures. Significant measures are outlined below.

#### Daily allowance and other non-taxable receipts, benefit in kind

- New provisions on daily allowances and field work daily allowances
  - The new provisions state that breakfast included in the accommodation cost is considered part of the accommodation cost, and not a meal that decreases the amount of the non-taxable per diem for business trips. However, meals included in the price of the following events or items will decrease the amount of the non-taxable business trip daily allowance
    - seminars, professional consultations and similar events
    - boat trips
    - airline tickets provided due to a trip interruption
    - entertainment expenses of the employer

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- The prescribed decrease of a daily allowance now extends to the field work daily allowance, which was previously not the case.
  - If an airline is used for business trips abroad, the timing of the business trip for daily allowance assessment purposes is no longer calculated from the time of the airplane departure but from 2 hours before the anticipated airplane departure until the time of airplane arrival to the first airport within Croatia. This means business trips including flights will now last longer for daily allowance assessment purposes.
  - Water and other non-alcoholic drinks provided by an employer to its employees during the working hours free of charge are not considered a taxable benefit in kind. Previously, only water was a non-taxable benefit in kind.
  - The annual non-taxable benefit in kind amount is increased from HRK 400 to HRK 600.
  - Transportation costs relating to education of an employee relevant for the employer's business are not considered a taxable benefit in kind up to a certain level.
- Certain exemptions now apply to the minimum 3% interest rate on loans to employees.
  - Accommodation and food employers provide to employees that have a fixed term seasonal employment agreement and perform their work in a location which is not their location of residence or habitual abode is no longer considered employment income. The costs of accommodation and food must be invoiced to the employer and cannot be settled in cash for this exemption to apply.

## Business with non-residents and assigned workers/expatriates

- The RPO form applicable to taxpayers receiving income from abroad can now be filed by the employer and not only by the taxpayer.
- When the statement on suspension of personal income tax payments in Croatia is filed with the Tax Authorities due to the advance payments being paid abroad, it will be deemed that the income received from abroad is registered with the Tax Authorities. In other words, in these cases no obligation to file the RPO form exists. This provision is aimed at decreasing the administrative burden of taxpayers.
- Provisions relating to the form "Application of tax relief, tax exemption of tax refund" and the tax residence certificate have been amended. The Application form/tax residence certificate are now valid for 12 months from the date of issue, whereas according to the superseded provisions these documents should not have been more than 30 days old.
- A refund of overpaid tax to non-resident individuals employed by a Croatian employer is no longer performed according to the tax assessment issued by the Tax Authorities but by amending the monthly reporting forms (JOPPD) by the Croatian employer.
- The amended Regulations prescribe additional provisions, which regulate how the INO-DOH form is amended.

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