



Tax&Legal Highlights

Croatia

Imports VAT as reporting category

New Regulations governing payment of VAT on import of machines and equipment through VAT return from 1 January 2018.

On 1 January 2018, a new Regulations on payment of VAT on import of machines and equipment through VAT return (Regulations) entered into force. The Regulations implements VAT Act provisions which allow payment of imports VAT relating to certain categories of machines and equipment through VAT return by reporting relevant VAT liability.

According to the VAT Act, the reporting of VAT liability is allowed to the taxpayers which are entitled to fully deduct input VAT who import machinery and equipment of the value above HRK 1.000.000 (approximately EUR 134.000; per one customs declaration or approval) falling under one of the following Combined Nomenclature (CN) tariff numbers:

CN	Description
Section 84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
Section 85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles
8608	Railway or tramway track fixtures and fittings; mechanical (including electromechanical) signalling, safety or traffic control equipment for railways, tramways, roads, inland waterways, parking facilities, port installations or airfields; parts of the foregoing
8802	Other aircraft (for example, helicopters, aeroplanes); spacecraft (including satellites) and suborbital and spacecraft launch vehicles
8805	Aircraft launching gear; deck-arrestor or similar gear; ground flying trainers; parts of the foregoing articles
8905	Light-vessels, fire-floats, dredgers, floating cranes, and other vessels the navigability of which is subsidiary to their main function; floating docks; floating or submersible drilling or production platforms
8907	Other floating structures (for example, rafts, tanks, coffer-dams, landing stages, buoys and beacons)

The Regulations, which amongst other, govern specifics of issuing a resolution allowing the taxpayer to pay imports VAT through VAT return, were published in the Official Gazette no. 132/2017 of 29 December 2017. They prescribe that the application should be filed to the Customs Authorities Central Office on the prescribed form (Annex 1 of the Regulations), containing in particular information on the taxpayer (name, address, personal identification number (OIB) or the Croatian VAT identification number, EORI number and contact information) and specification and value of the machines (equipment) for which the resolution is issued. The Customs may also request other information deemed as necessary.

The Customs will keep records of the resolutions issued and each assign with a unique record number the taxpayer is required to enter in the customs declaration upon import of the machinery (equipment).

Since there is no obligation to pay VAT on the prescribed account, the Customs will no longer record VAT charged on the customs declaration in its bookkeeping records. However, the Tax Authorities will be informed on the amount of VAT and any subsequent amendments through the electronic data exchange system.

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The Regulations also define the taxpayer who has the right to fully deduct input VAT as legal person or private individual enrolled in the taxpayer's registry who is not obliged to apply the proportional input VAT deduction (so called pro-rata). By strict interpretation of this provision, taxpayers who import these goods and are able to directly allocate this cost to their outgoing taxable supplier, which are obliged to use pro-rata mechanism in relation to their other supplies, would not be eligible for this import simplification.

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