

## News

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Contact: Dražen Nimčević  
Title: Partner  
Tel: +385 (1) 235 1 917  
Fax: +385 (0) 1 2351 999  
Email: [dnimcevic@deloittece.com](mailto:dnimcevic@deloittece.com)

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Contact: Petra Bulić  
Title: Senior Manager  
Tel: +385 (1) 2351 974  
Fax: +385 (0) 1 2351 999  
Email: [pbulic@deloittece.com](mailto:pbulic@deloittece.com)

## Transfer pricing Report on business transactions with related parties obligatory for all Croatian taxpayers having intercompany transactions

### Tax News, October 2016

Due to the changes to the Corporate Income Tax Regulations, all taxpayers regardless of their size are required to submit the **"Report on business transactions with related parties"** (the PD-IPO form) jointly with the corporate income tax return (the PD form), if they have recorded business transactions with related entities during the tax year. First PD-IPO form will be applicable for the 2016 PD form.

Entities are considered related according to section 13 of the Corporate Income Tax Act and section 41 of the General Tax Act.

### The Report on business transactions with related parties consists of:

- Liabilities resulting from loans received from related parties
- Receivables resulting from loans issued to related parties
- Liabilities resulting from procurement of goods and services from related parties
- Receivables resulting from supply of goods and services to related parties

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## **Financing activities**

In the Liabilities/receivables resulting from loans received/issued from/to related parties part, taxpayers are required to disclose basic information on the creditor/debtor, information on any special tax treatment, losses carried forward, share of capital/voting rights in the related party, or other source of connection between the parties.

Taxpayers also have to disclose:

- The fourfold amount of shares in capital/voting rights
- Information on amounts and status of liabilities/receivables on first and last day of tax year
- Interest rate applied
- Amount of interest liabilities/receivables resulting from the related party transactions
- Interest accounted over the amount allowed by the provisions of the Corporate Income Tax Act
- Receivables and liabilities resulting from granted/issued loans on the last day of the tax year

## **Transactions with goods and services**

In the part relating to Liabilities/receivables based on procurement/supply of goods and services from/to related parties, taxpayers are required to disclose basic information on the related parties, information on any special tax treatment, losses carried forward, share of capital/voting rights in the related party, or other source of connection between the parties.

Taxpayers also have to disclose:

- Amount of procured/supplied goods and services
- Amount of liabilities/receivables resulting from procurement/supply of goods and services on the first and last day of the tax year
- Total amount of liabilities/receivables incurred throughout the tax period from the procured/supplied goods and services

The purpose of the report is to assess the taxpayer's exposure to the risks resulting from the business activities with related entities, in relation with the Croatian transfer pricing regulations.