



## Croatian Investment Promotion Act Incentives overview

### Stimulating investments

Investment incentives apply in cases where one or more of the following objectives are fulfilled:

- Purchase of new equipment and modern technologies;
- Increased employment and level of training of employees;
- Development of products and services with higher added value;
- Increase in entrepreneurial competitiveness;
- Balanced regional development of the Republic of Croatia.

The subject application has to be submitted prior to the commencement of investment project.

### Incentives for micro - entrepreneurs

- 50% reduced profit tax for a period of 5 years, provided that the value of investments of micro-entrepreneur (company with up to 10 employees) is minimum EUR 50,000 and that at least 3 new jobs are created in connection with the investment, within a year from the beginning of the investment.

### Tax advantages for SMEs and large enterprises

Investment (EUR)	Reduced profit tax (%)	Duration – years	Category	Category	Number of newly created jobs
50,000 <	50% reduced profit tax			Micro (under	3

		10 employees)	
150,000 - 1,000,000	50% reduced profit tax	SME and large	5
1,000,000 – 3,000,000	75% reduced profit tax for a period of 10 years	SME and large	10
3,000,000 <	100% reduced taxable base for profit tax for a period of 10 years	SME and large	15

### Cash incentives for creating new jobs related to the investment project

Cash incentive is awarded as the percentage of total two-year gross wage as following:

- 10% of approved expenses intended to create new jobs, with support ranging up to EUR 3,000 for each new job created in counties with unemployment level up to 10%;
- 20% of approved expenses intended to create new jobs, with support ranging up to EUR 6,000 for each new job created in counties with unemployment level between 10–20%;
- 30% of approved expenses intended to create new jobs, with support ranging up to EUR 9,000 for each new job created in counties with unemployment level above 20%.

### Incentives for training costs linked to an investment project

Eligible training costs are :

- costs of lecturers
- costs of counseling services
- costs of training participants and other indirect costs related to training

The funding rate does not exceed 50% of eligible costs, and can be increased up to 70% of eligible costs in the following manner :

- 10% for the training of disabled workers
- 10% for medium-sized entities
- 20% of small and micro entities

### Incentives for development and innovation activities, business support activities and high value-added activities

Incentives for new jobs related to the investment project can be additionally increased or, a non-refundable financial support for the purchase of modern technology of 20% of eligible expenses (maximum EUR 0.5 million) can be approved in case of the following types of investments:

- Development and innovation activities;
- Business support activities (via customer/user centers, logistics and distribution centers, centers for ICT development, centers for outsourced business activities);
- Activities with higher value-added (creative services, services in tourism, consulting, industrial engineering services, educational services).

### Incentives for capital expenses related to the investment project

For investments exceeding EUR 5 million, generating 50 new jobs over 3-year period from the beginning of the investment, the following incentives can be approved:

- Non-refundable financial support in the amount of 10% of the eligible costs of investment for construction of the new factory, production facility, hospitality object or, for buying new machines (max. up to EUR 0.5 million) in counties where unemployment rate is between 10-20%;
- Non-refundable financial support in the amount of 20% of the eligible costs of investment in counties where unemployment rate is above 20%.

For investment projects above EUR 50 million, a special methodology for calculating incentives applies.

### Incentives for labor-intensive investment projects

Cash incentive for new job openings related to the investment project can be additionally increased in case of labor-

intensive investments as follows:

- By 25% for investment projects creating 100+ jobs;
- By 50% for investment projects creating 300+ jobs;
- By 100% for investment projects creating 500+ jobs

### Incentive for investment worth minimum EUR 13 million (approx. HRK 99 million)

The condition for mentioned incentive is the creation of at least 10 new jobs (university degree) related to the investment project. Possible incentives are :

1. Incentives for insurance of unchangeable terms and conditions ( financing difference in tax liabilities and liabilities arising from contributions)
2. Incentives for investment (financing partly tax liabilities related to state and partly related to contributions)
3. Incentives half and half (up to 50% of personal income tax and/or up to 50% of income tax and advance payment of income tax)
4. Grace period for tax liabilities

### Deloitte's assistance

We can help you to identify in your business the possibilities for realization of benefits from Investment Promotion Act including:

- Calculation of maximum incentive intensity, potential tax savings and potential cash incentive based on the structure of the investment;
- Recommend the strategy for incentives utilization;
- Provide professional advisory service in documentation preparation and filing of the application to the relevant authority with the goal of gaining the beneficiary status;
- Provide expert assistance to the Client in fulfilling its reporting obligations towards the authority in accordance with the provisions of the Act on Investment Incentives and Investment Environment Enhancement.

### Contact

If you are interested in obtaining more information regarding our services, please contact the representative of our Tax Services:

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