

Income Tax Act

(Consolidated text, "Official Gazette" no. 115/16, 106/18, 121/19, 32/20)

Came into force and applies as of 20 March 2020.

PART ONE - FUNDAMENTAL PROVISIONS

CHAPTER I - GENERAL PROVISIONS

Article 1

- (1) Income tax shall be assessed and paid according to the provisions of this Act.

- (2) Income tax from paragraph 1 of this Article shall be increased by income tax surtax introduced by the local self-government units according to separate acts.

- (3) The belonging of income tax shall be determined according to permanent/ habitual residence of the taxpayer. When the taxpayer has no permanent nor habitual residence in the Republic of Croatia, it shall be determined according to the headquarters or permanent/habitual residence of the payer.

- (4) By way of derogation from paragraph 3 of this article, the belonging of income tax and income tax surtax, on the basis of acquired income from Article 57, paragraph 2 of this Act, shall be determined according to the location of the real-estate or accommodation unit.«.

- (5) The allocation of the income tax revenue shall be determined by a separate act.

CHAPTER II – THE TAXPAYER

The notion of the taxpayer

Article 2

(1) The taxpayer shall be a natural person who generates an income.

(2) If several natural persons together generate an income, the taxpayer shall be each natural person separately, for his or her own share in the jointly generated income.

(3) The taxpayer shall also be an heir of all tax liabilities arising from income which the deceased generated before his or her death. The heir shall at the same time be the payer of income tax for the income from inherited income sources. Advance on income tax, i.e. income tax, shall be established for the heir according to the same source of income that was established for the deceased.

The resident

Article 3

(1) The resident shall be a natural person with permanent residence or habitual residence in the Republic of Croatia.

(2) The resident shall also be a natural person without permanent residence or habitual residence in the Republic of Croatia, employed in the civil service of the Republic of Croatia and receiving salary on these grounds.

The non-resident

Article 4

The non-resident shall be a natural person who has neither permanent residence nor habitual residence in the Republic of Croatia but has generated income in the Republic of Croatia which is taxed according to the provisions of this Act.

CHAPTER III – SOURCES OF INCOME

Article 5

(1) Sources of income shall be receipts acquired from employment, a self-employment activity, property and property rights, capital and other receipts.

(2) Income taxed pursuant to the provisions of this Act shall be, according to the source of income from paragraph 1 of this Article:

1. income from employment
2. income from self-employment
3. income from property and property rights
4. income from capital and/or
5. other income.

CHAPTER IV - SCOPE OF TAX LIABILITY

Article 6

(1) Taxable income of a resident comprises income from employment, income from self-employment, income from property and property rights, income from capital and other income from Article 5 of this Act which the resident has acquired in the country or abroad (world income principle).

(2) Taxable income of a non-resident comprises income from paragraph 1 of this Article which the non-resident has generated in the country (principle of domestic income).

(3) There shall be no obligation to calculate, withhold and pay tax advance on income based on receipts acquired by natural persons – non-residents who are performers (artists, entertainers and athletes), i.e. income tax when remuneration is paid to a foreign person for performances pursuant to a contract with that foreign person who is not a natural person, and withholding tax shall be paid for those remunerations (payments), in accordance with regulations on taxation of profit.

CHAPTER V - TAXATION PERIOD

Article 7

(1) Income tax shall be determined and paid for the calendar year (hereinafter: taxation period), unless this Act regulates otherwise.

(2) By way of derogation from paragraph 1 of this Article, the taxation period may be shorter than a calendar year in the following cases:

1. if a resident becomes a non-resident or vice versa during the same calendar year, in which case the taxation period shall include a period in which the natural person was a resident or non-resident and/or

2. birth or death of a taxpayer.

(3) In the cases from paragraph 2 of this Article, the rights of this Act shall be calculated in favour of the taxpayer, in full months.

CHAPTER VI - RECEIPTS NOT DEEMED INCOME

Article 8

(1) The following shall not be deemed income:

1. direct payments of insurance premiums for the purchase of a part of a life-long pension defined according to the act regulating pension insurance which the insured person would acquire had he or she reached a specific age and/or a specific pensionable service, and which are defined and paid in monthly instalments, as a purchased supplementary pension

2. family pensions and disability pensions realised by children after the death of a parent according to the act regulating pension insurance and the act regulating the rights of Croatian Homeland War veterans and their family members

3. state awards established by the regulations adopted by the Croatian Parliament and the Government of the Republic of Croatia, awards of local and regional self-government units prescribed by the statute of those units and monetary awards for a medal won at the Olympic Games, Paralympics and Deaflympics and in world and European championships planned for that purpose in the state budget of the Republic of Croatia and in the budgets of local and regional self-government units

4. receipts which natural persons have acquired in terms of donations of legal and natural persons, for health purposes (surgery, treatment, procurement of medicines and orthopaedic aids and costs of travel and accommodation in health institutions) the payment of which is not covered by the compulsory, supplementary, additional or private health insurance or at the burden of the funds of the natural person, under the condition that the donation, i.e. payment of the created expenses was made for that purpose to the transfer account of the recipient of the donation or a health institution based on authentic documents and/or

5. receipts which natural persons have acquired in terms of donations from legal and natural persons (material and financial goods), for covering necessities, collected within humanitarian actions and publicly announced actions with charitable purpose for the benefit of vulnerable groups.

(2) The following shall also not be deemed income:

1. receipts according to special regulations:

a) supports for care of disabled war veterans and members of the families of the deceased, imprisoned or missing Croatian Homeland War veterans

b) welfare payments

c) child benefits and monetary receipts for equipment for a new-born. Income shall not include receipts on the basis of new-born supports, i.e. supports for equipment for a new-born paid or given by local and regional self-government units, based on their general acts and for which funds were planned in the budgets of those units

d) receipts for disabled persons, with the exception of salaries and pensions

e) aid granted due to destruction of or damage to property as a result of natural disasters

2. aid granted due to destruction of or damage to property as a result of war

3. inheritance and gifts, unless this Act regulates otherwise

4. receipts from the alienation of personal assets, except for assets from Article 59 of this Act

5. indemnities unrelated to economic activity. Indemnities also include payments based on insurance of things, liabilities and assets

6. receipts acquired in prize contests or competitions, announced under equal conditions and with the possibility of participation of all persons, and permitted games of chance according to a separate act

7. cash allowances with pension paid to pensioners by local and regional self-government units, based on their general acts and for which the funds were planned in the budgets of those units, and one-time cash allowances paid with pension under the Decision of the Government of the Republic of Croatia or under a special regulation

8. ad hoc aid paid or given to children in case of death of a parent by the local and regional self-government units based on their general documents and legal and natural persons and/or

9. assistance and support which non-profit organizations pay to their members under the same conditions from the funds collected from membership fees which are not generated by performing activities subject to the obligation of paying profit tax and to members of the immediate family of the deceased member of non-profit organization, based on the statute and decisions of relevant bodies of non-profit organisations, under the condition that no consideration is required or provided for the paid receipts, i.e. that these are not receipts referred to in Article 5 of this Act.

10. handbooks, notebooks and writing books which are given to regular pupils of primary and secondary schools by the local and regional self-government units, i.e. financial remuneration paid by the local and regional self-government units pursuant to their general acts and for which the funds were planned in the budgets of those units and/or

11. formal and informal education of unemployed persons and other socially disadvantaged groups organized charge-free by legal and/or natural persons, which are financed from the state budget and/or budgets of local and regional self-government units and/or funds and programmes of European Union and other international funds.

(3) Receipts acquired on the basis of life insurance contracts and voluntary pension insurance shall also not be deemed income.

(4) If the receipts from paragraphs 2 and 3 of this Article are connected with acquiring income from Article 5 paragraph 2 of this Act, they are deemed taxable income.

(5) Within the meaning of this Act, receipts acquired within the framework of an activity that is taxed according to the act regulating profit tax shall not be deemed income.

(6) The Minister of Finance shall prescribe by virtue of an ordinance the implementation of this Article in relation to receipts not deemed income.

CHAPTER VII - RECEIPTS ON WHICH TAX SHALL NOT BE PAID

Article 9

(1) Income tax shall not be paid on:

1. compensation for the difference in salaries during military service in the Republic of Croatia Armed Forces

2. salary compensation for members of civil defence or other persons within the framework of civil defence and protection against natural disasters

3. compensation for wages due to temporary incapacity for work, paid at the expense of the Croatian Health Insurance Fund, state budget and social care centres

4. awards to pupils during work practice and apprenticeships and remunerations for pupils during dual education up to the prescribed amount

5. awards to pupils and students won in competitions within the framework of the educational system and in organized school and university competitions

6. receipts of pupils and students in full-time study for work via pupil and student associations, according to special regulations and up to the prescribed amount

7. indemnities for consequences of accidents at the workplace according to a decision of a court or a settlement in the course of a court procedure, if the compensation is defined as a single amount

8. remunerations and awards granted to convicted persons for work in correctional facilities and reform schools

9. receipts of workers and natural persons from Article 21 of this Act on the basis of remunerations, grants and awards paid to them by employers and payers of income, i.e. salary, up to the prescribed amount, and receipts of former workers and heirs of former workers on the basis of remunerations, grants and awards paid by employers or payers of receipts, i.e. salary, due for payment during employment, or the right to payment was created during the time of employment up to the prescribed amounts

10. receipts on the basis of remunerations, grants and awards of persons performing self-employment activities from Article 29 of this Act and other activities which are taxed in the manner prescribed for a self-employment activity, up to the prescribed amounts

11. receipts based on official travel by natural persons who, up to the moment of the payment of the said income in the same taxation period, have not generated income based on employment from Article 21 of this Act or receipts in which other income from Article 39 of this Act is determined, in non-profit organisations for remuneration, up to the prescribed amount

12. receipts based on official travels based on transport and overnights which the payers - non-profit organisations pay to natural persons who perform tasks for those organisations from their scope of work, i.e. for their purposes and for remuneration, under the condition that invoices for performed transportation and accommodation services are issued in the name of the payer - non-profit organisation

13. aid to a child for education up to the 15th year of age, i.e. until the completion of the primary education, which an employer pays to the child of a deceased worker or the child of a former worker for whom a total loss of work capacity has occurred, under the condition that the former worker does not acquire receipts from Article 21 of this Act, in total up to the prescribed amount

14. scholarships of pupils and students for regular education at secondary schools, undergraduate, graduate or integrated undergraduate and graduate university studies, i.e. undergraduate or specialist graduate professional studies, up to the total prescribed amount

15. student scholarships for regular education at undergraduate, graduate or integrated undergraduate and graduate university studies, i.e. undergraduate or specialist graduate professional studies or post-graduate and post-doctoral studies for which the funds have been planned in the state budget of the Republic of Croatia as well as scholarships which are paid, i.e. awarded from the EU budget, regulated by special international agreements, to students for regular education at high education institutions

16. sports scholarships paid according to special regulations to athletes for their training in sports, up to the prescribed amount

17. awards for sports achievements and remuneration to amateur athletes according to special programmes, up to the prescribed amounts

18. voluntary pension insurance premiums which the employer pays in favour of its employee, upon the employee's approval, into a Croatian voluntary pension fund, registered in accordance with the regulations regulating voluntary pension insurance, up to the amount of HRK 500.00 for each month of the taxation period, i.e. up to a total of HRK 6,000.00 a year

19. scholarships to students selected at public tenders available to all students under the same conditions, for regular education at higher education institutions, which are paid i.e. awarded by funds, foundations, institutions and other establishments registered in the Republic of Croatia for educational or scientific research purposes, acting in accordance with special regulations, established with intention to provide scholarships

20. compensation in money during the time of unemployment, financial assistance and compensation of travel costs paid by the Croatian Employment Service according to employment regulations

21. receipts paid as donation from funds and programmes of the EU by means of bodies accredited in accordance with the EU rules in the Republic of Croatia for the implementation of activities of mobility within programmes and funds of the EU, for the purpose of education and professional training, in accordance with the financial regulation of the EC, up to the prescribed amounts

22. receipts in the amount of the difference between the received grants paid from EU funds and the state budget of the Republic of Croatia for the implementation of the measure of permanent cessation of fishing activity along with the destruction of the vessel and the book value of the vessel

23. scholarships of students at postgraduate studies in accordance with items 14, 15 and 19 of this paragraph and receipts, except for the receipts from Article 5 of this Act, paid to postgraduates, postdoctoral students, researchers and scientists in accordance with items 15 and 19 of this paragraph, i.e. from funds and programmes of the European Union and other international funds and programmes regulated by special regulations and international agreements, to cover costs of education, training and scientific research, approved based on a public tender, authentic instruments and up to the prescribed amounts and/or

24. insurance premiums for supplementary and additional health insurance which the employer pays in favour of its employee to the insurer i.e. Croatian Health Insurance Institute under the regulation governing voluntary health insurance, up to the prescribed amount.

(2) The Minister of Finance shall prescribe, in an ordinance, non-taxable amounts and types of tax deductible expenses, authentic documents based on which costs are approved and the form and content of the records and reports on acquired receipts intended to cover the costs from paragraph 1 items 4, 6, 9, 10, 11, 13, 14, 16, 17, 21 and 23 of this Article.

CHAPTER VIII - PERSONAL EXEMPTIONS

Article 10

Natural persons who carry out diplomatic and consular duties in the Republic of Croatia shall not pay income tax on income so earned, as follows:

1. chiefs of foreign diplomatic missions accredited in the Republic of Croatia and diplomatic personnel of foreign diplomatic missions in the Republic of Croatia and members of their immediate families if these members are not Croatian citizens or if they do not have a permanent residence in the Republic of Croatia

2. chiefs of foreign consulates in the Republic of Croatia and consular officials and members of their immediate families if these members are not Croatian citizens and or if they do not have a permanent residence in the Republic of Croatia

3. officials of the United Nations and their special agencies, experts of UN technical assistance and their special agencies

4. natural persons employed in foreign diplomatic missions, consulates and international organisations, natural persons employed with the chiefs of diplomatic staffs of foreign diplomatic missions and international organisations in the Republic of Croatia, if they are not Croatian citizens or if they do not have a permanent residence in the Republic of Croatia and/or

5. honorary consular officials of foreign consulates in the Republic of Croatia in respect of receipts that they acquire from the states that appointed them to carry out consular duties.

CHAPTER IX - GENERAL PROVISIONS ABOUT DETERMINING INCOME

Receipts and expenses

Article 11

(1) Receipts shall be all goods (money, things, substantive rights, services and other) which a taxpayer has acquired within a taxation period.

(2) Expenses shall be all the outflows of goods with a monetary value made for the purpose of realising or ensuring the receipts from paragraph 1 of this Article.

(3) Receipts and expenses shall be determined with the application of the cash-basis accounting.

(4) Receipts shall be ascribed to the person who has realised them. In the event of the cessation of a tax liability the receipts are ascribed to the person whose economic power is increased on the basis of their inflowing (the legal successor).

(5) Expenses shall be ascribed to the natural person to whom the receipts of the economic activity are ascribed according to paragraph 4 of this Article, irrespective of who incurred them.

(6) Receipts and expenses occurring on behalf and on the account of another personal (transient items) shall not be deemed income according to Paragraph 1 of this Article.

(7) Expenses which cannot be clearly separated from the personal expenses or expenses which occurred as a result of personal needs of the taxpayer or were not created with the intention of generating taxable receipts shall also not be deemed expenses, and these include:

1. income tax, tax on inheritance and gifts and other personal taxes and/or

2. expenses for pecuniary fines and misdemeanours, expenses for the costs of a court or administrative procedure in personal cases and interest on delayed payments of personal expenses.

(8) If a taxpayer, for personal reasons, waives a claim based on sold goods or performed services which would, in the taxation period in which he gave up the claim or in later taxation periods, result in receipts, then the amount of the claim shall be identified as a receipt in the year in which the decision on waiving the claim was made.

(9) Receipt shall not be identified on the basis of claims from non-associated parties that have turned out to be non-collectable after a carried-out court procedure or another procedure pursuant to special regulations.

(10) Receipt shall not be identified on the basis of written-off claims confirmed pursuant to special regulation on consumer's insolvency and regulation on extraordinary administration procedure in the companies of systemic importance.

(11) Receipt shall not be identified on the basis of written-off claims from non-associated parties if the taxpayer proves that the costs of initiating certain proceedings (action is taken against the claim or the claim is the subject of enforcement procedure, if the claim is declared under bankruptcy procedure over a debtor or another procedure under special regulation) are exceeding the amount of claim, or proves that he initiated specific actions for collecting the claim whereby final inability to collect the written-off amount of claim was established.

(12) Write-off of claims from non-associated parties, whose limitation period became effective and which do not exceed HRK 5000.00 in each individual taxation period per individual debtor who is profit tax taxpayer or income tax taxpayer on the basis of performing a self-employment activity shall not be deemed receipts. Write-off of claims up to HRK 200.00 from non-associated natural persons whose debt was not generated on the basis of

performing a self-employment activity where total claim per individual person on the last day of the taxation period does not exceed that amount shall be not be deemed receipts.«.

(13) If a taxpayer waives a claim for compensation from which tax advance is paid upon deduction (fees based on work, activities, services and other), in favour of another person (natural or legal), it shall be deemed that the receipt was generated in the moment when he or she made the decision on the waiver, so the payers of receipts have the obligation, depending on the sources of that receipt, to calculate, withhold and pay advance on income tax in the manner prescribed by this Act.

Income

Article 12

(1) Income shall be the difference between receipts inflowing in the taxation period and expenses arising in the same period, unless this Act regulates otherwise.

(2) Income pursuant to Article 5 of this Act shall be determined as:

1. annual income or

2. final income.

(3) Annual income from paragraph 2 item 1 of this Article shall be deemed income that has its source in the receipts from employment, self-employment activity and other receipts which are not deemed final.

(4) Final income from paragraph 2 item 2 of this Article shall be deemed income that has its source in the receipts from property and property rights and capital and other receipts which are deemed final.

(5) Income can also be established as a flat-rate amount; the thusly determined income shall be deemed final.

(6) Income can be established based on joint performance of a self-employment activity or joint use of property and property rights.

(7) Foreign income shall be income from Article 5 of this Act which the resident generates abroad or from abroad.

(8) Income generated in foreign currency is calculated in the kuna equivalent according to the middle exchange rate of the Croatian National Bank on the day of payment.

PART TWO - ESTABLISHING ANNUAL INCOME

CHAPTER I - GENERAL PROVISION

Article 13

Income shall be the total income from employment, income from a self-employment activity and other income which is not deemed final and which the taxpayer acquires in the taxation period and which is calculated based on the annual tax return or in a special procedure for the establishment of the annual income tax.

CHAPTER II - PERSONAL ALLOWANCE OR NON-TAXABLE PART OF INCOME

Determining personal allowance

Article 14

(1) The personal allowance base shall be HRK 2,500.00.

(2) The basic personal allowance and parts of personal allowance for supported members of immediate family and children and for disability/physical handicap shall be calculated based on the prescribed coefficients and the base from paragraph 1 of this Article.

(3) The generated income of the taxpayer from Article 13 of this Act shall be reduced by the basic personal allowance in the amount of HRK 4000.00, calculated as a coefficient of 1.6 of the base of the personal allowance from paragraph 1 of this Article, for each month of the taxation period for which the income tax is being determined.

(4) A resident may increase the basic personal allowance from paragraph 2 of this Article in the following amount:

No.	Basis for the increase of the basic personal allowance	Coefficient	Monthly amount (in kuna and lipa)
1	2	3	4
1.	Supported members of the immediate family	0.7	1,750.00
2.	First supported child	0.7	1,750.00
3.	Second supported child	1.0	2,500.00
4.	Third supported child	1.4	3,500.00
5.	Fourth supported child	1.9	4,750.00
6.	Fifth supported child	2.5	6,250.00
7.	Sixth supported child	3.2	8,000.00
8.	Seventh supported child	4.0	10,000.00
9.	Eighth supported child	4.9	12,250.00
10.	Ninth supported child	5.9	14,750.00
11.	For every further supported child, the basic personal allowance coefficient is progressively increased by 1.1 ... more with regard to the coefficient for the previous child		

12.	Disability of a taxpayer, each supported member of the immediate family and each supported child	0.4	1,000.00
13.	Disability established on one basis of 100% and/or the use, based on special regulations, of the right to allowance for assistance and care of the taxpayer, i.e. of the right to personal disability pension, of each supported member of the immediate family and every supported child. The use of an increased personal allowance on this basis excludes the use of an increase in the basic personal allowance from no. 12.	1.5	3,750.00

(5) Children within the meaning of paragraph 4 of this Article shall be children supported by parents, stepmothers, i.e. stepfathers, adoptive parents, foster parents and guardians. Children shall also include children after the completion of regular education until their first employment.

(6) Supported members of the immediate family within the meaning of paragraph 4 of this Article shall be a spouse, parents of the taxpayer, stepmothers, i.e. stepfathers supported by an adult stepchild, children after first employment and adult persons for whom the taxpayer has been appointed guardian according to a separate act.

(7) Persons with disability within the meaning of paragraph 4 of this Article shall be natural persons - taxpayer and/or supported members of his or her immediate family and supported children for whom disability or physical handicap has been established, based on a decision made according to the regulations on pension insurance, protection of military and civilian war invalids, social care and education, and according to other special regulations.

(8) Taxpayer's personal allowance shall comprise the basic personal allowance increased by parts and amounts of the personal allowance to which the taxpayer is entitled under the conditions prescribed by this Act.

A part of the personal allowance for given donations and contributions for health insurance

Article 15

(1) Taxpayer's personal allowance shall also be increased by the amounts paid for obligatory health insurance if the taxpayer is not ensured otherwise, up to the amount of the prescribed obligatory health insurance contribution.

(2) A taxpayer may increase its personal allowance for donations given in the country in kind or in money paid to the transfer account for cultural, educational, scientific, health, humanitarian, sports and religious purposes, to associations and other persons performing these activities in accordance with special regulations, up to the amount of 2% of the receipts for which, in the current year, the annual tax return has been made and annual

income tax has been determined or a special procedure took place establishing the annual income tax and income tax surtax.

(3) By way of derogation from paragraph 2 of this Article, personal allowance shall be increased by donations given above the prescribed amount, under the conditions that they were given according to decisions of the relevant ministries on the implementation and financing of special programmes and actions, but not for the regular activity of the recipient of the donation.

Personal allowance of a non-resident

Article 16

(1) The generated income of a non-resident from Article 13 of this Act shall be decreased by the basic personal allowance from Article 14 paragraph 3 of this Act for the months in which income in the country has been generated.

(2) The personal allowance of a non-resident can also be increased by the part of the personal allowance for given donations and health insurance contributions in the manner and under the conditions prescribed by Article 15 of this Act.

(3) By way of derogation from paragraph 1 of this Article, the resident of a member country of the EU or EEA, except for the Republic of Croatia, who has generated income in the Republic of Croatia according to Article 5 of this Act, may, in the annual income tax assessment on the basis of the filed annual tax return, or in a separate procedure for determining the annual income tax, also use the personal allowance from Article 14 paragraph 4 of this Act for the entire taxation period, under the condition that he or she proves, based on authentic documents, that the said income generated in the Republic of Croatia amounts to at least 90% of his or her total (global) income generated in the taxation period and that the same is exempt or free from taxation in the member state of which the person is resident.

Conditions for the acknowledgement of personal allowance

Article 17

(1) In terms of this Act, supported members of immediate family and supported children (hereinafter: supported members) shall be natural persons whose taxable receipts, receipts to which no tax is paid and other receipts which, within the meaning of this Act, are not deemed income, do not exceed the amount of HRK 15,000.00 on an annual level, calculated as a six-fold amount of the personal allowance base.

(2) By way of derogation from paragraph 1 of this Article, when establishing the right to personal allowance for supported members, the following is not taken into account:

1. receipts according to special regulations based on social supports
2. child allowance
3. cash supports established in the amount prescribed by the act regulating maternity and parental supports prescribed as an amount below which a cash support cannot be paid.
4. supports for new-born babies, i.e. receipt for the equipment of a newly born child
5. family pensions of children after their parents' death
6. receipts which, according to their nature, represent only support by parents or members of the immediate family
7. donations from legal and natural persons for health purposes up to the amount of actually incurred expenses for that purpose, according to Article 8 paragraph 1 item 4 of this Act
8. compensation for the costs of travel to and from work by local and regional means of public transport, and compensation of official travel costs up to the prescribed amounts on which, pursuant to the provisions of this Act, no income tax is paid

9. insurance indemnities paid for serious injuries and recognized disability.

10. scholarships, excellence awards to pupils and students paid from budget and grants paid from budget, funds and programmes of European Union and other international funds and programmes regulated by special regulations and international agreements, for the purpose of education and professional training.

11. aids to a child for education up to the 15th year of age, i.e. until the completion of the primary education, which an employer pays to the child of a deceased worker or the child of a former worker for whom a total loss of work capacity has occurred, under the condition that the former worker does not acquire receipts from Article 21 of this Act and/or

12. awards to pupils during work practice and apprenticeships and remunerations for pupils during dual education.

(3) Personal allowance according to Article 15 of this Act shall be recognised after the personal allowance from Article 14 paragraphs 3 and 4 of this Act, and in the annual income tax calculation based on the submitted annual tax return or based on the submitted request for the acknowledgement of rights in a special procedure for determining income tax and income tax surtax.

(4) In case of changes during the month in which the personal allowance is used, the same shall be rounded up in favour of the taxpayer to full months.

(5) If several persons support a member or members, the personal allowance for those persons shall be equally distributed to all those supporting the members, unless they agree otherwise.

(6) If during the taxation period the supported member for whom the taxpayer in the same taxation period uses a part of the personal allowance according to Article 14 paragraph 4 of this Act acquires receipts from paragraph 1 of this Article in the amount higher than HRK 15,000.00 per year, the taxpayer who used the personal allowance based on that shall

submit an annual tax return, otherwise a special procedure will take place in order to determine the annual income tax.

(7) In the case from paragraph 6 of this Article, the taxpayer shall not be entitled to use personal allowance for that supported member in the annual tax return or in the special procedure for determining annual tax, whereas the supported member who realised taxable receipts from which, according to Article 5 of this Act, the income is determined, may in accordance with this Act, in the above procedures of the annual calculation use the personal allowance from Article 14 of this Act.

(8) If, during the taxation period, the supported member for whom the taxpayer in the same taxation period uses a part of the personal allowance, according to Article 14 paragraph 4 of this Act, realises receipts from paragraph 1 of this Article in the amount of HRK 15,000.00 or less, the annual tax return for that taxation period may be submitted by, i.e. it will be encompassed in a special procedure for determining annual tax, in accordance with this Act, as follows:

1. taxpayer – guardian based on the realised income from Article 5 of this Act and use the personal allowance for that supported member and

2. taxpayer – supported member based on the realised income from Article 5 of this Act and use the right to personal allowance from Articles 14 – 16 of this Act.

(9) The Minister of Finance shall prescribe in an ordinance the manner of the use and the authentic documents for the use of personal allowance for the taxpayer and supported members.

CHAPTER III - ANNUAL TAX BASE

Article 18

(1) The annual income tax base shall be the total amount of income from employment, a self-employment activity according to paragraph 2 of this Article and other income which is not deemed final, reduced by personal allowance from Articles 14 – 16 of this Act, unless this Act stipulates otherwise.

(2) Income from a self-employment activity from Article 28 of this Act, which the resident realises in the country and abroad, while non-resident in the country, shall be reduced by:

1. the amount of wages for newly employed persons from Article 44 paragraph 1 of this Act

2. the amount of the state support for education and training and the amount of the de minimis aid for the performance of practical education and apprenticeship exercises in the system of related crafts according to special regulations

3. the amount of expenses for research and development from Article 45 paragraph 1 of this Act and/or

4. the loss carried forward from Article 38 of this Act, after deductions from items 1 – 3 of this paragraph, which the resident, on the basis of performing a self-employment activity from Article 29 of this Act, realised in the country and abroad while a non-resident in the country.

CHAPTER IV - ANNUAL TAX RATES

Article 19

(1) Annual income tax shall be paid according to a rate of 24% on a tax base of up to HRK 360,000.00 and at the rate of 36% on a part of the tax base exceeding the amount of HRK 360,000.00.

(2) Annual tax base for the application of the rate of 24% from paragraph 1 of this Article shall be increased by the realised amount of the other income from Article 39 of this Act

under the condition that the amount of the thusly realised income annually does not exceed the fivefold amount of the personal allowance base.

CHAPTER V - ESTABLISHING INCOME FROM EMPLOYMENT

Income from employment

Article 20

Income from employment shall be the difference between the receipts realised in the taxation period in accordance with the provisions of Article 21 of this Act and the expenses incurred in the same period in accordance with the provisions of Article 23 of this Act.

Receipts arising from employment

Article 21

(1) The following shall be deemed receipts arising from employment (salaries):

1. all receipts which the employer pays out in cash or in kind or gives to the worker based on employment and according to regulations regulating employment, and these are:

a) a salary which the employer pays out to the employees in connection with current work, with previous work based on previous employment regardless of the current status of that person - pensioner or some other status, and if this is salary for work performed during employment, and possible other payments to which the employee was entitled at the time of employment regardless of when in that year the employment ceased, i.e. when the work contract was terminated, or with future work based on the current employment status

b) receipts based on fees, aids, awards and other, which the employer pays out or provides to employees above the prescribed amounts

c) a salary paid to the worker not by the employer but by another person

d) remuneration to the member of the management board and/or director who as an employee in an employment relationship performs certain tasks for the employer pursuant to the act regulating work relations

e) insurance premiums which employers pay for their workers based on life insurance, insurance of their assets, private health insurance, supplementary and additional health insurance above the prescribed amount and voluntary pension insurance above the prescribed amount

f) any other receipts which the employer pays out or provides to the employee related to employment and the relationship between the employer and the employee regardless of the form and the manner of payment or the basis for payment, unless this Act regulates otherwise

2. entrepreneurial salary included in the expenses when determining profit tax

3. receipts (salary) of natural persons posted to work in the Republic of Croatia upon the order of a foreign employer to domestic companies in order to work in those companies

4. receipts (salary) of the members of representative and executive bodies of the government and local and regional self-government units which are paid out for work in those bodies and units and/or

5. salary compensations to persons providing care and assistance to Croatian military invalids of the Homeland War of Group I, according to a special provision.

(2) Receipts based on employment shall also be:

1. pensions realised on the basis of previous payments of contributions for compulsory pension insurance scheme

2. pensions paid by insurers on the basis of earlier payments by employers for the purchase of a part of the pension for its workers at the time of their retiring, if these payments were tax-exempt

3. pensions paid to entrepreneurs who performed a self-employment activity, entrepreneurs who paid profit tax and other persons based on earlier contribution payments in the prescribed compulsory insurance and which were a tax permissible expense or expenditure and/or

4. pensions of residents realised abroad.

(3) Receipts in kind shall include the use of buildings, means of transport, favourable interest when approving loans and other benefits which employers and payers of the receipt, i.e. salary, referred to in paragraphs 1 and 2 of this Article give to their workers and natural persons who realise the receipts from paragraphs 1 and 2 of this Article. A receipt based on more favourable interest shall include a difference between the lower contracted rate and the interest rate of 2% per year, except for interest on loans which are provided or subsidised from the budget, but not to the management employees.

(4) By way of derogation from paragraph 1 of this Article, receipts from employment (salary) shall not include receipts which employers or payers of those receipts pay out to their workers and other natural persons who receive receipts (salary), as follows:

1. receipts based on royalties under the condition that the royalties are paid based on a contract on copyright and related rights concluded between the employer/payer of receipts from employment (salary) and those persons for a copyright work, and other conditions in accordance with the regulations regulating copyright and related rights and under the condition that the copyright work was not created during work in employment by performing obligations under the work contract, labour regulations, collective agreement or a special provision.

2. receipts based on the work of members of assemblies and supervisory boards of companies, management boards, governing councils and other similar and appropriate bodies of other legal persons, under the condition that the worker is not simultaneously a member of the management board or an executive director at the employer or payer, and that the receipt is realised based on the work of representatives of workers in the employer's body pursuant to the provisions of the act regulating labour relations and other special rights and/or

3. receipts in kind based on award of or optional purchase of own shares at favourable terms which employers and payers of the receipt, i.e. salary, referred to in paragraphs 1 and 2 of this Article give to their workers and natural persons who realise receipts from paragraphs 1 and 2 of this Article.

(5) Receipts from paragraph 4 of this Article shall be deemed other income according to Article 39 of this Act, except for the receipts from paragraph 4, item 3 of this Act which shall be deemed income from capital from Article 68, paragraph 2 of this Act.

(6) Within the meaning of paragraph 1 of this Article, officials, employees and other persons employed according to the regulations regulating the employment relationship shall also be deemed workers.

Receipts which are not deemed receipts from employment

Article 22

(1) Receipts from employment shall not include the receipts which the employer and payer of receipts, i.e. salary, provides to workers and natural persons realising receipts from Article 21 paragraph 1 of this Act, and to natural persons who are undergoing vocational training for work without employment in the interest of performing activities of the employer and payer of receipts, i.e. salary, as follows:

1. organisation and equipping of work premises and premises for resting and dining

2. special work clothes marked with the name or sign of the employer or payer of receipts, i.e. salary, in accordance with the special regulations on HSE, and clothes determined according to special regulations of the employer

3. obligatory medical examinations according to special regulations

4. systematic medical check-ups if they are provided for all employees and natural persons realising receipts from Article 21 paragraph 1 of this Act

5. education and training in connection with the activity of the employer and payer of receipts, i.e. salary and/or

6. membership fees based on membership in professional chambers which is, according to special regulations, obligatory for workers in performing certain jobs for the employer and payer of receipts, i.e. salary.

(2) Receipts based on employment shall not include amounts paid out by the Croatian Pension Insurance Institute, as follows:

1. payment of the salary of Croatian Homeland War veterans according to a separate act from the day of gaining the right for vocational rehabilitation, during vocational rehabilitation and from the completed vocational rehabilitation until employment, and no longer than 12 months from the day of completion of vocational rehabilitation.

2. income support with the pension planned in the state budget or the budget of the local and regional self-government units

3. financial compensation due to physical impairment

4. allowance for assistance and care of another person

5. payment of the salary to a work-disabled person with the right to vocational rehabilitation, from the day of the occurrence of the disability until 24 months from the day of completion of vocational rehabilitation at the latest and/or

6. pension supplement paid in accordance with the Act on Supplement to Pension Realised According to Pension Insurance Act ("Official Gazette" no. 79/07 and 114/11) to which the pension user is entitled for the period until 31 December 2011.

(3) If the employer and payer of receipts, i.e. salary and pension from Article 21 of this Act pays to the employee and natural persons and pensioners a salary or pension according to a court verdict, court settlement or out-of-court settlement, the prescribed default interest paid on those grounds shall not be deemed a receipt from employment and shall not be liable to tax. Moreover, receipts based on employment shall not include default interest paid on the basis of arbitration decisions in accordance with a special regulation, default interest paid according to a decision of civil service tribunals and default interest paid on the basis of settlements concluded in the procedures for peaceful settlement of disputes up to the amount of the legal default interest rate.

Expenses arising from employment

Article 23

Expenses which are deducted from the receipts from Article 21 of this Act in establishing income from employment shall be deemed paid contributions for compulsory insurances from receipts or contributions for pension insurances if, pursuant to the provisions of the act which regulates the contributions for compulsory insurance, they are prescribed as contributions which are determined on the base, while the taxpayer himself is a payer of thusly calculated contributions.

Determining tax advance on income from employment

Article 24

(1) In income from employment, the tax advance shall be calculated, withheld and paid by the employer and payer of receipts or salary, i.e. pension or the taxpayer himself, at each payment according to the regulations valid on the day of payment.

(2) Tax advance on income from employment shall be calculated from the tax base comprised of the amount of all receipts from employment realised in a month, reduced by expenditures according to Article 23 of this Act which were paid, and reduced by the amount of the monthly personal allowance: for a resident in accordance with Article 14 paragraphs 3 and 4 of this Act, i.e. for a non-resident in accordance with Article 16 paragraph 1 of this Act, on the basis of the Withholding Allowance Certificate from Article 26 of this Act.

(3) Tax advance on income from employment shall be calculated at the rate of 24% of the monthly tax base up to the amount of HRK 30,000.00, and at the rate of 36% on the tax base exceeding the amount of HRK 30,000.00.

(4) A foreign organization which does not have diplomatic immunity in the Republic of Croatia and officials of that organisation with a seat i.e. residence in the Republic of Croatia, when paying out receipts from employment to employees and natural persons receiving those receipts, shall act in the manner prescribed by paragraphs 1 – 3 of this Article.

(5) The calculated tax advance on income from employment from paragraphs 2 and 3 of this Article shall be reduced by 50% for pensioners based on income realised from pension or for taxpayers who have residence and reside on the territory of local self-government units classified in group I according to their development level under the special regulation on the regional development of the Republic of Croatia and on the territory of the City of Vukovar established according to a special regulation on the renovation and development of the City of Vukovar.

Special cases of determining tax advance on income from employment

Article 25

(1) The Croatian Pension Insurance Institute shall pay the calculated and withheld tax advance on income from pensions until the last day in a month for every month at the latest.

(2) Tax advance on income from realised pension or difference in pensions from Article 21 paragraph 2 of this Act which the Croatian Pension Insurance Institute or a payer of foreign pensions from the social insurance system pays in the course of a calendar month for several previous months i.e. taxation periods shall be carried out in the following manner:

1. in case of payments for several past months of the same taxation period, the regulations valid on the day of payment and personal allowance for each month in which payment is made, established according to the regulations valid in the month when the pension or difference in pension should have been paid out, shall be applied and/or

2. in case of payment of pensions or difference in pensions referring to previous taxation periods (of the calendar year), regulations valid on the day when the payment should have been made, i.e. when the pension was due for payment according to a decision, shall be applied in calculation.

(3) From the receipts from employment realised in kind from Article 21 paragraph 3 of this Act, the advance on income tax shall be paid no later than the 15th day in the month following the month in which the receipt is realised.

(4) A taxpayer employed in a diplomatic or consular representation of a foreign country, in an international organisation or in a representation or organisation which has diplomatic immunity on the territory of the Republic of Croatia, when he is a taxpayer according to this Act as well, he himself shall calculate the tax advance from employment in the manner from Article 24 of this Act and pay it within 30 days from the payment date. The specified payers of receipts shall act in the same manner if, upon their own request, they take over the obligation of calculating, withholding and paying advance on income tax for their employees.

(5) According to the receipt from which, based on the provisions of this Act, income from employment shall be determined, and where the employer or payer of receipts or salary from Article 21 paragraph 1 of this Act has not paid out the receipt on the day it was due, while at the same time, pursuant to the provisions of the act establishing labour relations, they are obliged to submit to the worker a calculation of the amount they were obliged to pay out, tax advance on income from employment shall be calculated and become due simultaneously with the occurrence of the obligation to deliver the calculation on overdue receipts to the worker.

(6) Tax advance on income from employment based on the receipt (salary) from Article 21 paragraph 1 of this Act, realised in the past taxation periods, and which is paid according to a court verdict under Article 433a of the Civil Procedure Act ("Official Gazette" no. 53/91, 91/92, 58/93, 112/99, 88/01, 117/03, 88/05, 02/07, 84/08, 123/08, 57/11, 148/11, 25/13 and 89/14), settlement in the course of a court procedure, settlement concluded with the

competent state attorney's office in the procedures for a peaceful settlement of disputes or settlements concluded in the mediation process in individual labour disputes according to the act regulating the process of mediation, as well as procedures before relevant official courts, shall be calculated, withheld and paid by the payer of receipts according to the regulations valid on the day when the payment should have been made, with the application of annual calculation of tax on income from employment and income tax surtax with the use of information submitted by the Tax Administration on the used amount of personal allowance and applied tax rates on an annual level, under the condition that the claimed amount of receipts (salary), i.e. the amount of income determined by a settlement, contains the amount of contributions for the compulsory insurances from receipts according to special regulations, income tax and income tax surtax. If the payment is made in an enforcement procedure in such a way that the taxpayer was paid a total receipt, the taxpayer shall pay income tax and income tax surtax.

(7) The Minister of Finance shall prescribe, in an ordinance, the manner of implementing this Article.

Withholding Allowance Certificate

Article 26

(1) Personal allowance from Article 14 of this Act, belonging to a municipality/town and other information important for the establishment of advance on income tax, i.e. tax on income from employment, shall be acknowledged and determined solely based on the Withholding Allowance Certificate which is kept by employers and payers of receipts, i.e. salary and pension, for an employee, a pensioner or a natural person realising receipts from Article 21 of this Act, or by the taxpayer himself.

(2) The Withholding Allowance Certificate from paragraph 1 of this Article shall be submitted to the employer and payer of the salary or pension or to the taxpayer himself by the Tax Administration electronically upon their request and with the approval of the worker, i.e. the natural person who receives receipts from employment, while for a pensioner - user of the pension paid out by the Croatian Pension Insurance Institute, the information important for determining advance on income tax shall be submitted electronically by the Tax Administration ex officio.

(3) By way of derogation from paragraph 2 of this Article, if the employer and payer of salary or pension or the taxpayer himself is not a user of the ePorezna system or does not obtain the approval of the worker or pensioner, the Withholding Allowance Certificate can be issued by the Tax Administration free of charge in paper form, while the employers and the payer of salary or pension shall keep it until the worker, pensioner or natural person realising receipts from employment works there, i.e. as long as the pension or receipts based on employment are paid.

(4) A worker, pensioner and natural person realising receipts from Article 21 of this Act shall report to the Tax Administration any change regarding the supported members, change in permanent residence or habitual residence and other, affecting the personal allowance, i.e. the non-taxable part of the income, within 30 days from the day the change occurred, via his employer or directly via the e-Citizens (e-Građani) system or exceptionally via the relevant Tax Administration office, and submit authentic documents.

(5) The accepted and recorded changes from paragraph 4 of this Article shall be applied by the employer and payer of salary, pension or the taxpayer himself during next payments of salaries and pensions.

(6) Employer and payer of salary are provided with insight into the Withholding Allowance Certificate of former employee when paying the salary to former employees for the last month of employment with the said employer, not later than the due date of salary for the last month of employment and he can use the data referred to in paragraph 1 of this Article from the Withholding Allowance Certificate of the former employee.

(7) The Minister of Finance shall prescribe the form and the content of the Withholding Allowance Certificate from paragraph 1 of this Article in an ordinance.

Records and reports

Article 27

(1) Employers, payers or taxpayers themselves shall keep prescribed records on paid receipts based on employment (salary and pension) from Article 21 of this Act and on the withheld and paid advance on income tax, and submit the reports to the Tax Administration within the prescribed deadline and in a prescribed form.

(2) The Minister of Finance shall prescribe, in an ordinance, the form, content, deadlines and the manner of submitting information on the paid receipts and paid tax for the purposes of Tax Administration and the Central Register of Insured Persons.

Characteristics of employment

Article 27a

(1) In view of taxation, receipts arising from the use of tax advantage contrary to the purpose of the act that are prescribed under regulation governing the general tax procedure, bearing the characteristics of employment, shall be deemed receipts from employment.

(2) Characteristics of employment for cases of using the tax advantages contrary to purpose of the act referred to in paragraph 1 of this Article shall be established based on three criteria: control of behaviour, financial control and relationship between the parties.

(3) Criteria characteristics:

- control of behaviour covers facts that show whether the employer has the right to direct and control what and how the employee does, through instructions, training or other means
- financial control covers the facts that show whether the employer has the right to direct or control the financial and business aspects of the employee's work and
- relationship between the parties covers the facts that show the type of relationship between the parties.

(4) The Minister of Finance shall prescribe by virtue of an ordinance the elements that describe more closer the criteria and the implementation of this Article in relation to the characteristics of employment.

CHAPTER VI - DETERMINING INCOME FROM SELF-EMPLOYMENT ACTIVITY

Income from self-employment activity

Article 28

Income from a self-employment activity shall be income from trade crafts and activities equal to trade crafts, income from professions and income from agriculture and forestry.

Self-employment activities

Article 29

(1) A self-employment activity of a trade craft and activities equal to trade crafts (craft activities), within the meaning of this Act, shall include:

1. activities within the meaning of the act regulating the performance of crafts and any other specifically stated economic activities and/or
2. cession with a compensation or a final sale of property rights within the craft activity or the activities of the profession from paragraph 2 of this Article

(2) Activities of professions shall include professional activities of natural persons who are compulsorily insured on these grounds according to the regulations regulating compulsory insurances, i.e. activities of natural persons for whom these activities are their principal activities and which are entered in the register of payers of income tax on these grounds. Activities of the professions include in particular:

1. activities of self-employed health workers, veterinarians, attorneys, notary publics, auditors, engineers, architects, tax advisors, insolvency administrator, interpreters, translators, tourist workers and other similar activities
2. activities of self-employed scientists, writers, inventors and similar activities.
3. self-employment lecturing activity, educational activity and other similar activities and/or
4. activities of self-employed journalists, artists and sportspeople.

(3) The activity of agriculture or forestry shall encompass the use of natural resources of the land and sale i.e. replacement of unprocessed products obtained from these activities. Natural persons shall be payers of income tax based on agricultural activities and forestry if they are payers of value added tax on these grounds according to a separate act or if on these grounds they realise a total receipt of more than HRK 80,500.00 in a taxation period.

Establishing income from self-employment activity

Article 30

(1) Income from a self-employment activity shall be the difference between business receipts and business expenses that occurred in a taxation period.

(2) By way of derogation from paragraph 1 of this Article and Article 34 paragraph 1 of this Act, taxpayers performing a self-employment activity of journalists, artists and athletes from Article 29 paragraph 2 item 4 of this Act may determine income and pay advance on income tax on the basis of those activities in accordance with Articles 39 and 40 of this Act.

Receipts based on self-employment activities

Article 31

(1) Receipts on the basis of self-employment activities (hereinafter: business receipts) shall be all goods (money, things, substantive rights, services and other) which a taxpayer has acquired within a taxation period within his self-employment activity.

(2) Business receipts from paragraph 1 of this Article shall be determined according to their market value.

(3) Business receipts shall include the receipts generated from sale and withdrawal of things and rights which serve for performing a self-employment activity and which are kept or should have been kept in the list of fixed assets, as well as the receipts realised from disposal or liquidation of the activity. If the acquirer of the entire activity continues the

entrepreneurial activity, the receipts from alienation are not taxed if later taxation of hidden reserves is ensured.

(4) Business receipts shall also include withdrawals except for withdrawals of financial assets.

(5) Business receipts shall include shortages of goods in terms of value added tax regulations above the amount established with a decision of the Croatian Chamber of Trades and Crafts, and the corresponding taxes charged when procuring goods for which a shortage was established.

(6) Business receipts shall also include receipts based on interest from Article 65 of this Act if they were acquired in financial transactions which comprise the principal activity of the taxpayer.

(7) By way of derogation from paragraph 1 of this Article, business receipts of a taxation period based on state assistance, incentives and aids intended for the procurement of fixed assets subject to depreciation shall be included in the tax base in the amounts of recorded expenses created based on depreciation and fixed assets in the same taxation period.

(8) In case of application of paragraph 7 of this Article, the taxpayer shall keep records on the received state assistance and incentives for the procurement of fixed assets and the amounts of calculated depreciation.

(9) By way of derogation from paragraph 1 of this Article, business receipts of a taxation period shall not be the receipts on the basis of aids received for the purpose of mitigating exceptional circumstances stipulated by regulation governing the general taxation procedure.

Expenses arising from self-employment activities

Article 32

(1) Expenses arising from self-employment activities (hereinafter: business expenses) shall be the outflow of goods of the taxpayer during a taxation period in order to acquire, ensure

and preserve business receipts. Business expenses of taxpayers performing self-employment activities shall also include expenses directly connected with the performance of activities.

(2) Business expenses shall also include carrying amounts of individually or the totally sold or withdrawn goods of fixed assets that were kept or should have been kept in the list of fixed assets. The costs of alienation or liquidation shall also be deemed business expenses.

(3) Business expenses also include investments except for investments of financial assets and investments in fixed assets.

(4) The received loans and credits do not constitute a business receipt, while loan and credit repayments do not constitute a business expense.

(5) Paid interest for loans and credits for the performance of activities shall be deemed business expenses, while collected interest for funds and invested funds serving for performing activities shall be deemed business receipts, if they are not taxable due to withholding tax in accordance with Article 65 and Article 70 paragraph 1 of this Act.

(6) Business expenses which are deductible in determining income from a self-employment activity shall also include contributions for compulsory insurances according to special regulations.

(7) Business expenses for material, goods, products, energy and services, serving to generate income, shall be deductible in the amount of the price of procurement or production cost.

(8) Business expenses shall also include expenditures for salaries and compulsory contributions on the salary of workers and natural persons realising receipts from Article 21 paragraph 1 of this Act (salaries with taxes and contributions) in the amount of actual payments.

(9) Business expenses shall also include write-offs according to Article 35 paragraph 4 of this Act in the manner and according to the rates prescribed by the act regulating profit tax.

(10) Business expenses based on write-off do not include write-offs of increased value of fixed assets due to revaluation.

(11) Business expenses shall also include voluntary pension insurance premiums paid in favour of the worker and/or personally by the taxpayer performing a self-employment activity, in the local voluntary pension fund, registered in accordance with the regulations regulating voluntary pension insurance, on which no income tax is paid pursuant to Article 9 item 18 of this Act.

(12) Business expenses shall include products and goods from the taxpayer's range adjusted for that purpose with the designation "not for sale" and other advertising items with the name of the company, product or other form of advertisement (glasses, ashtrays, tablecloths, coasters, pencils, planners, pendants etc.) provided for the use in the sales premises of the buyer, and if they are given to consumers, they shall be deemed an expense if their individual value without value added tax amounts to no more than HRK 160.00.

Expenditures which are not tax deductible

Article 33

(1) Expenditures which are not tax deductible when establishing income from a self-employment activity shall be:

1. 50% of representation expenditures (entertainment, gifts with or without an imprinted company or product logo, vacation expenses, sports, recreation, expenditures for the use of personal motor vehicles, vessels, airplanes, vacation houses), in the amount of costs incurred from business relations with a business partner

2. value added tax on own consumption, and free deliveries and other expenditures

3. receipts of entrepreneurs performing a self-employment activity based on fees, aids and awards, above the prescribed amounts

4. daily allowances and business travel costs of entrepreneurs performing a self-employment activity, above the prescribed amount and/or

5. 50% of expenses in connection with own or rented personal motor vehicles and other means of personal transportation of entrepreneurs, managers and other employed persons, if no salary or other income is established based on the use of such funds for personal transportation.

(2) By way of derogation from paragraph 1 item 5 of this Article, business expenses shall also include the total created insurance expenses for personal motor vehicles and other means of transport.

(3) Other costs which are not directly connected with the performance of a self-employment activity also cannot be deducted as business expenses.

Financial records and registries

Article 34

(1) Taxpayers performing a self-employment activity from Article 29 of this Act shall register in the register of payers of income tax and determine income based on the information from financial records and registries.

(2) The financial records and registries from paragraph 1 of this Article shall be a book of receipts and expenses, a fixed assets list, a book of turnover and the records of claims and obligations.

(3) By way of derogation from paragraph 2 of this Article, taxpayers are not obliged to keep a book of turnover if the data on the daily cash turnover is provided in the book of receipts and expenses or in the records prescribed by other acts and if these records are kept at a place where cash receipts are realised.

(4) The taxpayer must issue an invoice for each sale, i.e. performed service, unless the act regulating the general taxation procedure and the act regulating the fiscalisation prescribe otherwise.

(5) Taxpayers who perform self-employment activities shall keep single financial records.

(6) The Minister of Finance shall prescribe, in an ordinance, the form and content of financial records and invoices and the manner of keeping financial records of natural persons performing a self-employment activity.

The fixed assets list

Article 35

(1) The fixed assets list shall be used to determine the expenses of the write-off (depreciation) of fixed assets. Fixed assets, even after they were entirely written off, are kept in the fixed assets list until the moment of sale, donation or another manner of alienation or destruction.

(2) Other things and rights shall be entered in the fixed assets list if their procurement prices, i.e. production costs (procurement value) are higher than HRK 3,500.00 and if their useful life is longer than one year. The rights enter the list of fixed assets only if a fee was paid when they were procured.

(3) The individual procurement value of goods of the long-life assets, the length of their duration (use), the accounting value and write-offs shall be entered in the fixed assets list.

(4) The procurement value of goods of fixed assets which were entered in the fixed assets list shall be written off in accordance with the regulations regulating profit tax. If a good of the fixed assets cannot be used any longer because of destruction or because it is sold, withheld or alienated in some other way, then its accounting value is written off in its entirety.

Changing the manner of taxation

Article 36

(1) The taxpayer who performs a self-employment activity from Article 29 of this Act may upon his or her own request pay profit tax instead of income tax or he or she is obliged to pay profit tax instead of income tax if he or she fulfils the legal requirements for the taxation of profit, in the manner and under the conditions prescribed by the act regulating profit tax. In case of co-entrepreneurship or another form of joint income, a written statement shall be submitted and signed by all co-entrepreneurs.

(2) The written statement from paragraph 1 of this Article whereby a change in the manner of taxation is sought upon shall be submitted to the competent Tax Administration branch office by the end of the current year for the next calendar year.

(3) A change in the manner of taxation on the basis of the submitted written statement from paragraph 1 of this Article shall be binding for the taxpayer for the period of the following three years.

(4) In duly justified cases and on the basis of a written statement of the taxpayer, the Tax Administration may also approve a shorter term for the transition from the payment of income tax to the payment of profit tax and vice versa, on which it shall issue a decision.

(5) Duly justified cases from paragraph 4 of this Article shall include, in particular, an overall change of the activity carried out by the taxpayer and significantly altered conditions (more than 50%), due to which the taxpayer changed his or her manner of taxation.

Determining tax advance on income from a self-employment activity

Article 37

(1) For income from a self-employment activity from Article 29 of this Act and income taxed in the manner prescribed for self-employment activities according to Articles 30 – 35 of this Act, the monthly advance shall be determined and paid based on information submitted in the annual tax return.

(2) The monthly tax advance on income from a self-employment activity determined in the manner from paragraph 1 of this Article shall be paid by the taxpayers for the months following the month in which the deadline for submitting an annual tax return expired until the expiration of the deadline for the submission of the next annual tax return.

(3) The Tax Administration may, upon the taxpayer's request, change the amount of the advance. The request shall be based on the submission containing all important components of the tax return.

(4) The taxpayer who is starting to perform a self-employment activity shall not pay advances on income tax until he or she submits the first annual tax return.

(5) The advances on income tax from paragraph 1 of this Article shall be paid monthly until the last day in the month for the previous month, based on information stated in the annual tax return for the previous taxation period so that the tax liability for which the advance is being determined is divided with the number of months of the same period in which the self-employment activity was performed. If the taxpayer, in the annual tax return, beside the income from a self-employment activity also reports income from other sources, the tax advance for the following period shall be established only on the basis of the tax liability arising from the performance of the self-employment activity.

(6) The Tax Administration may, based on the performed investigation and inspection of data from the processed annual tax returns or other information on the business operations of the taxpayer at its disposal, amend the decision on the payment of advances if such a

decision has been issued, i.e. it shall issue a decision and determine new amounts of monthly advances.

(7) The Minister of Finance shall prescribe, in an ordinance, the manner of calculating the tax advance on income from a self-employment activity from paragraph 5 of this Article.

The tax loss

Article 38

(1) The tax loss can be determined on the basis of the performance of self-employment activities from Article 29 of this Act and other activities from which income is determined in the manner prescribed for self-employment activities, i.e. based on financial records according to Articles 30 – 35 of this Act.

(2) The tax loss from paragraph 1 of this Article can be compensated (deducted) only from the income based on which it was determined.

(3) The tax loss which cannot be compensated (deducted) in the taxation period in which it was created, is transferred and compensated by reducing the income based on which it was determined, in the next five taxation periods.

(4) The taxpayer shall lose the right to deduction of the tax loss from paragraph 1 of this Article upon the expiration of the fifth taxation period.

(5) The deduction of loss shall be permitted in the current taxation period if it could not have been deducted (compensated) in the previous taxation periods. The transferred losses shall be compensated according to the order of their occurrence.

CHAPTER VII - DETERMINING OTHER INCOME WHICH IS NOT DEEMED FINAL

The other income

Article 39

(1) The other income shall be the difference between every individual receipt according to paragraph 2, i.e. paragraph 3 of this Article, reduced by the prescribed expenses from items 4 and 5 of this Article.

(2) The other income shall be generated based on the receipts which are not deemed receipts determined on the basis of:

1. employment from Article 21 of this Act
2. a self-employment activity from Article 29 of this Act
3. property and property rights from Articles 56 – 59 of this Act
4. capital from Articles 64 – 69 of this Act.

(3) Receipts according to paragraphs 1 and 2 of this Article shall be in particular:

1. receipts arising from activities of the members of assemblies and supervisory committees of companies, management boards, management councils and other relevant bodies of other legal persons, members of committees and boards of these bodies and lay judges who do not have the capacity of a court official

2. royalties paid according to a separate act regulating copyright and related rights

3. receipts based on the activities of athletes

4. receipts based on activities of travelling salespersons, agents, canvassers, sports referees and delegates, interpreters, translators, tourist workers, consultants, court experts and other similar activities

5. receipts in kind – use of buildings, means of transport, favourable interest when approving loans and other benefits according to Article 21 paragraph 3 of this Act, which the providers of such receipts provide to natural persons who are not their employees and persons realising receipts from Article 21 of this Act

6. awards to pupils during work practice and apprenticeships and remunerations for pupils during dual education from Article 9 item 4 of this Act, above the prescribed amount

7. receipts of pupils and students in full-time study for work via pupil and student associations, according to special regulations and up to the prescribed amount, according to special regulations from Article 9 item 6 of this Act above the prescribed amount

8. scholarships to pupils and students for regular education at secondary schools, undergraduate, graduate or integrated undergraduate and graduate university studies, i.e. undergraduate or specialist graduate professional studies from Article 9 item 14 of this Act, above the prescribed amount

9. sports scholarships paid according to special regulations to amateur athletes for their training in sports from Article 9 item 16 of this Act above the prescribed amount

10. awards for sports achievements and remuneration to amateur athletes according to special regulations from Article 9 item 17 of this Act, above the prescribed amounts and/or

11. other receipts not specifically stated which are paid or given to natural persons by legal and natural persons (payers of profit tax and payers of income tax performing self-employment activities) and other payers and donors.

(4) The expenses deductible in determining other income from paragraph 1 of this Article shall be contributions paid for compulsory insurance from receipts, according to special regulations.

(5) Exceptionally, in determining other income from paragraph 1 of this Article, the expenses shall, before expenses from paragraph 4 of this Article if they are calculated and paid according to special regulations be deductible in the amount of 30% of realised receipts to natural persons based on:

1. royalties paid according to a separate act regulating copyright and related rights, including fees for the delivered work of art to persons performing artistic and cultural activity

2. professional activities of journalists, artists and athletes who are insured on these grounds and pay compulsory insurance contributions according to a decision and/or

3. receipts of non-residents for the performance of art, artistic, entertainment, sports, literary or visual arts activities and activities in connection with the press, radio and television and entertainment shows.

(6) The taxpayer who generates other income from paragraph 1 of this Article based on his activity, upon his or her own request, by entering in the register of taxpayers, may determine income in accordance with Articles 30 – 35 of this Act, i.e. in the manner prescribed for self-employment activities. The taxpayer shall submit the request for the change of the manner of determining and taxation of income at the beginning of realising income, at the beginning of performing the activity or by the end of the current year for the following year.

(7) The taxpayer who determines income according to paragraph 6 of this Article in accordance with Articles 30 – 35 of this Act cannot use the expenses from paragraph 5 of this Article.

(8) Expenses from paragraph 5 of this Article shall be acknowledged in determining tax advance on income from other income.

(9) The Minister of Finance shall prescribe, in an ordinance, the types of receipts in kind from paragraph 3 item 5 of this Article and the manner in which they shall be determined.

Determining tax advance on other income

Article 40

(1) Tax advance on other income according to Article 39 paragraph 1 of this Act shall be paid upon deduction, at the rate of 24% without acknowledging personal allowance from Article 14 of this Act.

(2) Tax advance on other income from paragraph 1 of this Article shall be calculated, withheld and paid by payers at every payment and simultaneously with the payment. In the same manner, the payers calculate and withhold tax advance generated by non-residents performing activities from Article 29 of paragraph 2 of this Act.

(3) By way of derogation from paragraph 1 of this Article, tax advance on income from other income according to Article 39 paragraph 1 of this Act in respect of receipts of pupils and students in full-time study for work via pupil and student associations is paid at source, at the rate of 24% from the basis made by receipts exceeding the prescribed non-taxable amount of receipts for pupils and students in full-time study for work via pupil and student associations and the amount of annual basic personal allowance from Article 14, paragraph 3 of this Act.

(4) The Minister of Finance shall prescribe, in an ordinance, the manner of implementing this Article.

Reporting

Article 41

(1) The payers or taxpayers themselves shall submit reports to the Tax Administration, in the prescribed term and prescribed form, on paid receipts based on which other income shall be determined and on the withheld and paid advance on income tax.

(2) The Minister of Finance shall prescribe, in an ordinance, the form, content, deadlines and the manner of submitting information on paid receipts and paid tax for the purposes of the Tax Administration and the Central Register of Insured Persons.

CHAPTER VIII - SPECIAL RELIEFS, EXEMPTIONS AND INCENTIVES

Exemptions for Croatian Homeland War invalids and family members of a deceased, imprisoned or missing Croatian Homeland War veteran

Article 42

(1) For the natural person for whom, based on a special regulation, the status of a Croatian Homeland war invalid was determined with a decision, the tax on income from employment (salary and pension) shall be reduced by the determined disability percentage.

(2) For the natural person from paragraph 1 of this Article, the calculated tax on income from employment (salary and pension) shall be reduced by the determined disability percentage before reduction from Article 24 paragraph 5 of this Act.

(3) Natural person – a family member of a deceased, imprisoned or missing Croatian Homeland war veteran shall not pay tax on income from family pension, i.e. financial remuneration in the amount of the family pension realised according to the act regulating the rights of Croatian Homeland war veterans and members of their families.

Tax reliefs for assisted areas and the City of Vukovar

Article 43

(1) The payers of income tax performing a self-employment activity from Article 29 of this Act on the territory of the City of Vukovar determined according to a special regulation on the renovation and development of the City of Vukovar, and who employ more than two workers for an indefinite period of time, whereby more than 50% of the workers have permanent and temporary residence in the assisted area of the local self-government units classified in Group I according to the level of development according to a special regulation on the regional development of the Republic of Croatia, i.e. on the territory of the City of Vukovar, shall be exempt from paying tax on income from those activities.

(2) For the payers of income tax performing a self-employment activity from Article 29 of this Act on the territory of local self-government units classified in Group I according to the level of development according to the special regulation on the regional development of the Republic of Croatia, who employ more than two employees for an indefinite period of time, whereby more than 50% of employees have permanent and temporary residence in the assisted areas of the local self-government units classified in Group I according to the level of development according to a special regulation on the regional development of the Republic of Croatia, i.e. on the territory of the City of Vukovar, the determined tax on income from those activities shall be reduced by 50%.

(3) The amount of exemptions for income tax from paragraphs 1 and 2 of this Article shall be determined according to the appropriate rules on the de minimis aid.

(4) It shall be deemed that the taxpayer from paragraphs 1 and 2 of this Article employs an employee for an indefinite period of time if the employee has been employed for an indefinite period of time with the taxpayer and has had permanent and temporary residence in the assisted areas of the local self-government units, i.e. area of the City of Vukovar, for no less than nine months in a taxation period.

(5) The manner of realising tax reliefs from paragraphs 1 and 2 of this Article shall be determined in accordance with the regulation prescribing the manner of realising tax reliefs in performing activities in assisted areas adopted based on the act regulating profit tax.

Employment incentives

Article 44

(1) For payers of income tax performing self-employment activities from Article 29 of this Act, the income from a self-employment activity in a taxation period can be additionally reduced by the amount of paid salaries and paid contributions on the salary for new employees.

(2) New employees within the meaning of paragraph 1 of this Article shall be employees with whom a work contract was concluded for an indefinite period of time, and their employment with the taxpayer occurred after at least a month-long registration at the Croatian Employment Service and after a probationary period, if they were contracted. New employees shall also be persons employed after having waived the use of pension rights or persons who are employed for the first time, as well as persons employed for a limited period of time as apprentices, trainees, interns, etc.

(3) If the taxpayer, during a taxation period, concludes a work contract with new employees from paragraph 2 of this Article, and in the same taxation period he or she terminates work contracts with a certain number of employees, the income shall be reduced by the difference between the calculated and paid salaries to new employees and calculated salaries which, in the same taxation period, would have been received by employees with whom the work contract was terminated.

(4) The taxpayer may use the right to income reduction for paid salaries and contributions on salaries of new employees for one year from the day of their employment.

(5) By way of derogation from paragraph 4 of this Article, the taxpayer may use the right to income reduction for paid salaries and contributions on salaries of new employees - persons with a disability for three years counting from the day of their employment.

(6) For payers of tax on income performing a self-employment activity from Article 29 of this Act, income from a self-employment activity may also be additionally reduced by the amount of the state aid for education and training and the amount of the de minimis aid for the

performance of practical education and exercises within the system of related crafts according to special regulations.

(7) The amount of reduction of income from a self-employment activity from paragraph 1 of this Article shall be established according to the appropriate rules on the de minimis aid.

(8) Tax reliefs from this Article shall be deducted in the annual calculation of income tax based on the submitted annual tax return from Article 48 of this Act.

Research and development incentives

Article 45

For taxpayers liable to pay income tax who perform self-employment activities from Article 29 of this Act, income from a self-employment activity in a taxation period can be additionally reduced based on the expenditures for research and development in accordance with special regulation governing state aid for research and development projects.

CHAPTER IX - PROCEDURE FOR ASSESSMENT AND COLLECTION OF ANNUAL TAX

Section 1 - ASSESSMENT OF ANNUAL TAX

Annual income tax

Article 46

(1) Annual income tax shall be assessed according to the tax base from Article 18 of this Act, and the annual tax assessed in this manner shall be reduced by 50% of the

proportionate share of the tax liability referring to pension or by 50% of the proportionate share of the tax liability referring to other income from employment if the taxpayer has residence and resides on the territory of local self-government units classified in group I according to the development level according to the special regulation on the regional development of the Republic of Croatia and on the territory of the City of Vukovar established according to a special regulation on the renovation and development of the City of Vukovar.

(2) Annual income tax determined according to the tax base referred to in Article 18 of this Act shall be reduced:

- for natural persons up to the 25th year of age gaining income from employment (salary referred to in Article 21, paragraph 1 item 1 of this Act) by 100% of the proportionate share of the tax liability calculated on the share of tax base on which annual tax is paid at the rate of 24% in accordance with Article 19 of this Act, relative to income from employment (salary referred to in Article 21, paragraph 1, item 1 of this Act)
- for natural persons aged 26–30 gaining income from employment (salary referred to in Article 21, paragraph 1 item 1 of this Act) by 50% of the proportionate share of the tax liability calculated on the share of tax base on which annual tax is paid at the rate of 24% in accordance with Article 19 of this Act, relative to income from employment (salary referred to in Article 21, paragraph 1, item 1 of this Act)

(3) Reduction referred to in paragraph 2 of this Article shall be determined prior to the reduction referred to in paragraph 1 of this Article.

(4) Reduction of annual income tax referred to in paragraph 2 of this Article is used for the entire tax period in which the taxpayer reached the specified year of age.

(5) In accordance with paragraph 1 of this Act, amounts of paid tax advances on all stated income according to Article 13 of this Act shall be deducted from the assessed and reduced annual income tax, and the difference for payment or tax refund shall be determined.

(6) The tax for payer of income tax shall be determined with a tax decision, unless this Act regulates otherwise.

(7) Income tax according to an annual tax return shall be paid within 15 days from the day of the delivery of the decision to the taxpayer. Taxpayers performing a self-employment activity shall pay income tax according to an annual tax return on the day of submitting the annual tax return.

(8) If the taxpayer, during the taxation period, has paid a higher advance on income tax established in a decision, the overpaid tax shall be returned to the taxpayer. Exceptionally, the overpaid tax shall be returned to taxpayers realising income from a self-employment activity from Article 29 of this Act and to taxpayers who determine their income in the manner prescribed for self-employment activities according to Articles 30 – 35 of this Act upon their request, or it shall be calculated as an advance for the following period.

Determining annual tax on income from employment

Article 47

(1) The employer and payer of receipts and pensions from Article 21 of this Act shall, for workers and other natural persons who acquire income from employment from Article 20 of this Act, make an annual income tax and surtax calculation in the month of December of the current year and no later than by 31 December if, during the year, the income from employment was not regularly, i.e. monthly paid so that personal allowances from Article 14 paragraphs 3 and 4 of this Act were not used, or the tax burden in individual months on these grounds was different so a higher amount of tax was paid.

(2) The employer and payer of receipts and pensions shall make an annual calculation from paragraph 1 of this Article for employees and natural persons who received from them a salary or pension or receipts from Article 21 of this Act in the entire taxation period, and did not change permanent residence or habitual residence between the towns and municipalities which prescribed the payment of income tax surtax.

(3) The employer and payer of receipts shall act in the manner from paragraphs 1 and 2 of this Article if the employee and the other natural person realising receipts from Article 21 paragraphs 1 and 3 of this Act in the course of the taxation period used the right to maternity, parental or adoption leave, sick-leave longer than 42 days and another leave for which, according to special regulations, remuneration for the salary is paid at the expense of the compulsory insurance funds, unless he or she used this right in all the 12 months of the taxation period, i.e. in all other cases where the taxation burden in a taxation period was different so that, based on the annual calculation, the employee and the other natural person would have realised a difference for the offsetting excess tax payments or for the payment of underpaid tax due to balanced annual taxation, i.e. annual levelling of the tax base.

(4) The employer and payer of receipts and pensions from Article 21 of this Act, in the annual calculation from paragraph 1 of this Article, shall use the data solely as presented in

the Withholding Allowance Certificate taking into account the moment from which the stated data apply.

Section 2 – THE ANNUAL TAX RETURN

Taxpayers who are obliged to submit the annual tax return

Article 48

(1) An annual tax return shall be submitted by:

1. A taxpayer if, in a taxation period, he or she acquires income from a self-employment activity from Article 29 of this Act and activities based on which income is determined and taxed as income from a self-employment activity according to Articles 30 – 35 of this Act and/or

2. A taxpayer – resident for income from employment which, according to a separate act, he or she acquires as a member of a ship crew in international voyage.

(2) An annual tax return shall also be submitted by a taxpayer if the Tax Administration requested that he or she subsequently pay income tax.

(3) The taxpayer from paragraphs 1 and 2 of this Article shall report in the annual tax return all the realised taxable incomes, except for income generated on a ship in international voyage if the same, pursuant to a special regulation, is not liable to tax, and income which the Republic of Croatia, pursuant to international agreements, exempts from taxation, and income which is considered final.

(4) For payers of income tax who are obliged to submit an annual tax return and do not do so or if the data from the annual tax return are inaccurate or incomplete, income tax shall be determined by assessment.

Taxpayers who do not submit the annual tax return

Article 49

(1) An annual tax return shall not be submitted, in accordance with this Act, by a taxpayer for:

1. income from property and property rights from Articles 56 – 59 of this Act
2. income from capital from Articles 64 – 69 of this Act
3. other income based on reimbursement of contributions according to Article 75 of this Act
4. other income based on the difference in the value of assets and the amount of funds with which they were acquired according to Article 76 of this Act and other income based on temporary or occasional jobs in agriculture according to Article 76a of this Act and
5. income which is taxed in a taxation period in a flat-rate amount according to Article 82 of this Act.

(2) The annual tax return shall not be submitted by taxpayers to whom a special procedure for determining annual tax is applied.

Deadline for the submission of the annual tax return

Article 50

(1) Income taxpayers from Article 48 of this Act shall, after the expiration of the taxation period (calendar year), submit the annual tax return in the prescribed form and content.

(2) The annual tax return shall be submitted by the end of February of the current year for the previous year.

(3) The Minister of Finance shall prescribe, in an ordinance, the form and content of the annual tax return.

Section 3 - SPECIAL PROCEDURE FOR THE ASSESSMENT OF ANNUAL INCOME TAX

General provisions

Article 51

(1) The special procedure for the assessment of annual income tax and income tax surtax shall be the procedure determining the total annual income and the total annual income tax and income tax surtax performed by the Tax Administration of its own motion, except in cases from Article 52 of this Act.

(2) The annual income, to which the special procedure of paragraph 1 of this Article is applied, shall be the total income from employment and the other income not considered final realised in a taxation period.

(3) The special procedure from paragraph 1 of this Article shall be applied to taxpayers who realise income from paragraph 2 of this Article in a taxation period.

Taxpayers to whom the special procedure shall not apply

Article 52

(1) The special procedure from Article 51 of this Act shall not apply to:

1. taxpayers who, pursuant to provisions of Article 48 of this Act shall submit an annual tax return

2. taxpayers who, in a taxation period, acquire only income from Article 49 of this Act and/or

3. taxpayers for whom the Tax Administration does not have the information on their generated income in a taxation period, i.e. taxpayers who, in a taxation period, generated a taxable income of which the employer, payer of receipts or the taxpayer himself, if this Act prescribes the reporting obligation, did not inform the Tax Administration within the prescribed deadline in the prescribed report.

(2) In the case from paragraph 1 item 3 of this Article, the provision of Article 48 paragraph 4 of this Act shall apply.

The manner of exercising taxpayers' rights in a special procedure

Article 53

(1) If they wish to use the rights prescribed by the Act, taxpayers to whom a special procedure applies, and for whom the Tax Administration does not have information important for the determination of rights on the reduction of income and information on the increase of personal allowance for paid contributions for local health insurance or given donations, may submit a form for recognition of rights in a special procedure by the end of February of the current year for the previous year to the competent Tax Administration branch office and enclose authentic documents.

(2) Taxpayers who wish to redistribute a part of the personal allowance for the supported members of the immediate family and/or children in accordance with Article 17 paragraph 5

of this Act and taxpayers - inheritors who submit an annual tax return on behalf of a deceased person may also act in the manner from paragraph 1 of this Article.

(3) In the case from items 1 and 2 of this Article, the special procedure taking into account the information provided in the form shall be applied.

(4) For taxpayers who gained income abroad or from abroad, in a special procedure from Article 51 of this Act, the data from the report prescribed in Article 81 paragraph 4 of this Act shall be taken into consideration. If taxpayers fail to deliver the report from Article 81 paragraph 4 of this Act by the deadline prescribed for the delivery of reports and wish that the tax they paid abroad be calculated in the domestic income tax liability, they shall inform the Tax Administration of it in a submitted form for recognition of rights in a special procedure within the deadline from paragraph 1 of this Article.

(5) In the case from paragraph 4 of this Article, the taxpayer shall submit a certificate of the tax paid abroad, issued by a foreign tax authority or a person authorised for that purpose, no later than by 30 November of the current year for the previous year.

(6) The provisions from paragraphs 4 and 5 of this Article shall also apply to taxpayers who, pursuant to the provisions of this Act, were not obliged to pay advance on income tax in Croatia during a taxation period since, based on the receipts realised abroad or from abroad in the course of a taxation period, the tax advance on income from those receipts was paid abroad.

(7) The Minister of Finance shall prescribe, in an ordinance, the form and the content of the form and the authentic documents for the recognition of rights in a special procedure for determining annual income tax from paragraph 1 of this Article.

The Tax Administration acting in a special procedure, issuing an interim tax decision and submitting a complaint

Article 54

(1) The Tax Administration, applying a special procedure from Article 51 of this Act shall, based on the records and data of which it disposes, i.e. data submitted by the taxpayer, determine the annual income for the taxpayer generated in a taxation period and the difference of the income tax and income tax surtax for payment or return, on which it shall issue an interim tax decision.

(2) The interim tax decision on the determined annual income generated in the taxation period and on the difference of the income tax and income tax surtax for payment or return shall be submitted to the taxpayer by the Tax Administration according to the address of his or her permanent residence or habitual residence in official records of which it disposes no later than by 30 June of the current year for the previous year. It shall be deemed that, in terms of this Act, the personal delivery has been made upon the delivery of the interim tax decision to the stated address. The Tax Administration shall, based on submitted interim tax decisions, charge the taxpayers for the determined income tax and income tax surtax difference for payment, or it shall reimburse the taxpayers if a taxpayer fulfils the conditions for the refund of excess income tax payments and income tax surtax pursuant to this Act and the regulation governing the general taxation procedure.

(3) The taxpayer may submit a complaint against an interim tax decision from paragraph 2 of this Article, adopted based on the calculation of the annual income tax and income tax surtax by the Tax Administration, no later than by 31 July of the current year for the previous year if he or she deems that the data from the interim tax decision are incomplete or inaccurate. Exceptionally, taxpayers who receive the interim tax decision after the deadline prescribed by paragraph 2 of this Article may submit a complaint within 30 days from the day of receiving the interim tax decision.

(4) The first instance tax authority shall decide on the complaint from paragraph 3 of this Article in a decision within 30 days from the day of receiving the complaint.

(5) If the first instance tax authority, upon a submitted complaint, and after the performed review of data stated in the interim tax decision, determines that there are grounds for altering the interim tax decision in accordance with the statements from the complaint, it shall issue a tax decision against which no appeal shall be permitted, and the tax liability determined in the tax decision shall be deemed the finally determined tax liability.

(6) The grounds for altering an interim tax decision may not include the failure to observe the deadline for the submission of the form for the recognition of rights in a special procedure or the form for initiating a special procedure, except in case of justified reasons pursuant to provisions of the act that regulates the general tax procedure.

(7) If the first instance tax authority, upon a submitted complaint and after the performed review of data stated in the interim tax decision, determines that the statements in the complaint are unfounded, it shall issue a tax decision dismissing the complaint and an appeal against such a decision may be submitted within 30 days from the day of the delivery of the tax decision.

(8) For taxpayers who do not act in the manner and within the deadline prescribed by paragraph 3 of this Article, the liability determined in the interim tax decision from paragraph 2 of this Article shall be deemed the finally determined tax liability.

(9) The taxpayer who has, in the manner prescribed by paragraph 2 of this Article, been charged with income tax and income tax surtax, shall pay the difference within 15 days from the day of the expiration of the deadline for complaints from paragraph 3 of this Article.

(10) The taxpayer who has, in the manner prescribed by paragraph 7 of this Article, been charged with income tax and income tax surtax, shall pay the difference within 15 days from the day of the personal delivery within the meaning of this Act.

(11) In case of implementation of a special procedure from Article 51 of this Act determining that there is no difference of annual income tax and income tax surtax for payment or return, or that the costs for determining and collecting tax or tax refund would be disproportionate to the paid income tax or income tax surtax, the Tax Administration shall not submit an interim tax decision to the taxpayers.

(12) The Minister of Finance shall prescribe, in an ordinance, the form and the content of the interim tax decision from paragraph 1 of this Article.

PART THREE - DETERMINING THE FINAL INCOME AND FINAL INCOME TAX

CHAPTER I - GENERAL PROVISIONS

Article 55

(1) The final income shall be any individual amount of income from property and property rights, capital and other income which is deemed final.

(2) Taxpayers cannot submit an annual tax return for the final income realised in a taxation period nor can a special procedure for determining the annual income tax be implemented for this income.

(3) When determining the final income and final income tax, personal allowances from Articles 14 – 16 of this Act shall not be recognised.

(4) If a taxpayer realises income from paragraph 1 of this Article, except for income from Articles 75 and 76 of this Act, he or she may upon his or her own request determine thusly realised income in accordance with Articles 30 – 35 of this Act, i.e. in the manner prescribed for self-employment activities.

(5) In cases from paragraph 4 of this Article, the taxpayer may pay profit tax instead of income tax according to the provisions of Article 36 of this Act.

CHAPTER II - DETERMINING INCOME FROM PROPERTY AND PROPERTY RIGHTS

Income from property and property rights

Article 56

The difference between receipts accruing from leases, rentals, renting of flats, rooms and beds to travellers and tourists and organising camps, receipts from temporally limited cession of copyright, industrial property rights and other property rights in accordance with special regulations, receipts from alienating real estate and property rights and the expenses that the taxpayer has incurred in a taxation period in connection with these receipts shall be deemed income from property and property rights.

Income from rentals, leases, renting of flats, rooms and beds to travellers and tourists and property rights

Article 57

(1) In the case of income from property on the basis of the rental or lease of movable and immovable property, expenses in the amount of 30% of the realised rental or lease shall be allowed.

(2) By way of derogation from Article 56 of this Act and paragraph 1 of this Article, the taxpayer who realises income from renting of flats, rooms and beds to travellers and tourists and organising camps, tax on income based on the performance of this activity shall be determined in a flat-rate amount under the conditions and in the manner prescribed in Articles 61 and 82 of this Act.

(3) In the case from paragraph 2 of this Article, the representative body of the local self-government unit shall be obliged to adopt a decision establishing the amount of the flat-rate tax per bed, i.e. camp accommodation unit, not less than HRK 150.00 and more than HRK 1500.00.

(4) The decision of the representative body of the local self-government unit referred to in paragraph 3 of this Article may be amended until 15 December of the current year at the latest, and shall be applied as of 1 January the following year until a new decision is adopted establishing the amount of the flat-rate tax per bed, i.e. camp accommodation unit.

(5) Local self-government unit shall be obliged to submit the decision of their representative body referred to in paragraph 3 of this Article and submit to the Ministry of Finance, Tax Administration within eight days from the date of its adoption for the purpose of publishing on the web page of the Tax Administration.

(6) In realising income from property rights, expenses shall be established in the amount of the expenditure actually incurred, for which the taxpayer owns orderly and authentic documents. The expenditure may be recognised in the report which the taxpayer submits to the Tax Administration no later than within 15 days from the day of the expiration of the year for which the report is submitted.

(7) In the case from paragraph 6 of this Article, the determined tax liability shall be paid within 15 days from the day of delivering the decision.

(8) The Minister of Finance shall prescribe, in an ordinance, the form and content of the report on the expenditure actually incurred from paragraph 6 of this Article.

Income from the alienation of real estate and property rights

Article 58

(1) The income that a taxpayer realises from the alienation of real estate and property rights shall also be deemed income from Article 56 of this Act. Sale, exchange or other transfer with remuneration shall be deemed alienation. Income shall be the difference between the receipt determined according to the market value of the real estate or property right that is alienated and the purchase price increased by the rise of the producer prices of industrial products. The costs of the alienation can be deducted as expenses.

(2) Income from the alienation of real estate from paragraph 1 of this Article shall not be taxed if the real estate was used as the residence of the taxpayer or dependent members of the taxpayer's immediate family from Article 14 paragraphs 5 and 6 of this Act, or if the real estate or property right is alienated after two years from the day of purchase.

(3) By way of derogation from paragraph 2 of this Article, income from the alienation of real estate and property rights shall be taxed if more than three pieces of real estate of the same type or more than three property rights of the same type have been alienated in the period of five years from the day of acquiring the real estate or the property right, unless the real estate is expropriated based on a separate act and if pieces of land alienated have individual surface area of up to 250 m², and in total up to 1000 m². If a building with several apartments or business premises or a building site or several land plots are alienated, every apartment, business premises, construction site or land plot shall be deemed one piece of real estate. Income shall be comprised of the difference between the total receipts determined according to the market value of the real estate or the property rights alienated in the period of five years and their purchase price increased by the rise of the producer prices of industrial products and by investment costs for which the taxpayer has authentic documents.

(4) Income from the alienation of real estate and property rights from paragraphs 1 and 3 of this Article shall not be taxed if the alienation is executed between spouses or kin of the first degree of kinship and other members of the immediate family from Article 14 of paragraphs 5 and 6 of this Act or between divorced spouses if the alienation is directly connected with a divorce or inheritance of real estate and property rights.

(5) If the real estate from paragraphs 1, 2 and 4 of this Article has been acquired by donation and was alienated within two years from the day of its procurement by the donor, income from property and property rights shall be determined for the alienator in the manner from paragraph 1 of this Article. In case of acquiring real estate by donation, the day of the procurement from the donor shall be deemed the day of the procurement of the real estate, while the purchase price shall be the market value at the moment of procurement.

(6) If the real estate and the property rights from paragraph 3 of this Article have been acquired by donation and were alienated within five years from the day of procurement by the donor, income from property and property rights shall be determined for the donor in the manner from paragraph 3 of this Article.

(7) Losses from the alienation of real estate and property rights can be deducted only from the income from the alienation of real estate and property rights realised in the same calendar year. Losses from the alienation of real estate and property rights shall be stated maximally up to the amount of the tax base.

(8) The taxpayers who realise losses from the alienation of real estate and property rights may, in order for the them to be recognised, submit to the Tax Administration an annual report in which they state the total realised amount of income and the total realised amount of losses on the last day of the year for which the report is submitted, within 15 days from the day of the expiration of the year for which the report is submitted.

(9) In the case from paragraph 8 of this Article, the determined tax liability shall be paid within 15 days from the day of delivering the decision.

(10) The Minister of Finance shall prescribe, in an ordinance, the form and content of the report on the incurred losses from the alienation of real estate and property rights from paragraph 8 of this Article.

Income based on the alienation of special types of property

Article 59

(1) Income from property shall also be determined based on receipts from the alienation of special types of property.

(2) Waste in accordance with special regulations shall be deemed a special type of property from paragraph 1 of this Article. Within the meaning of this Act, the return packaging or waste collected within organised actions and activities for the purpose of environmental protection shall not be deemed waste.

(3) In determining income from property from paragraph 1 of this Article, expenses shall not be recognised.

(4) The provisions on the change in the manner of determining income from property from Article 61 of this Act shall also apply on income based on the alienation of special types of property from this Article.

Assessment of income from property

Article 60

(1) If, during the assessment of income from Article 56 of this Act the rental, lease fee, receipt from property rights and receipt from the alienation of real estate and property rights is not reported or is not reported at the market value, the income shall be determined by the Tax Administration according to the market prices in the place where the real estate lies, the place where the property rights are given out for use or in the place in which the property right is being alienated.

(2) The taxpayer shall report income from property from paragraph 1 of this Article in the manner and within deadlines prescribed by Article 87 of this Act.

Change in the manner of determining income from property

Article 61

A taxpayer who realises income from property by renting or leasing out real estate and movables, renting out flats, rooms and beds to travellers and tourists and organising camps, and is a payer of value added tax on this basis according to the act regulating value added tax or on the basis of performed services from this property which are exempt from value added tax according to the act regulating value added tax, in the taxation period he or she realises total receipts higher than the amount prescribed for the obligatory entry in the register of payers of value added tax, he or she shall determine income from property in accordance with Articles 30 – 35 of this Act, i.e. in the manner prescribed for self-employment activities.

Determining tax on income from property and property rights

Article 62

(1) In case of income from property realised from rentals and leases, except for income realised by renting flats, rooms and beds to travellers and tourists and organising camps from Article 82 of this Act, the income tax shall be paid according to the decision of the Tax Administration, until the last day in a month for the current month. Income tax shall be paid by the taxpayer according to the procedure and in the manner from Article 37 of this Act at a rate of 12%.

(2) Tax on income from property rights shall be calculated, withheld and paid by payers of receipts as withholding tax simultaneously when paying the receipt, from the total remuneration by applying a rate of 24%.

(3) Tax on income from the alienation of real estate and property rights shall be paid by taxpayers according to the decision of the Tax Administration on a one-time basis on the individually realised receipts, within 15 days from the day of receiving the decision of the Tax Administration on the determined income tax. Income tax shall be determined from the tax base from Article 58 paragraph 1 of this Act by applying the rate of 24%.

(4) Tax on income from the alienation of more than three pieces of real estate of the same type or more than three property rights of the same type in a period of five years from the day of acquiring them shall be paid by taxpayers according to the decision of the Tax Administration on a one-time basis within 15 days from the day of the delivery of the decision of the Tax Administration on the determined income tax, on the totally realised receipts from the alienation of real estate of the same type or property rights of the same type in that period, and which shall be issued after the alienation of the fourth piece of real estate of the same type or the fourth property right of the same type. For every further alienation of the real estate of the same type or property right of the same type in the period of five years in which income from the alienation of real estate of the same type or property right of the same type has already been determined, a new decision shall be issued for that piece of real estate or property right which is alienated. Income tax shall be determined from the tax base from Article 58 paragraph 3 of this Act by applying the rate of 24%.

(5) Tax on income from paragraph 3 of this Article on the basis of the alienation of real estate or property rights of the same type paid previously shall be included in the tax liability determined according to paragraph 4 of this Article.

(6) Tax on income from special types of property from Article 59 of this Act shall be calculated, withheld and paid by the payer of receipts as withholding tax no later than by the end of the current month for the current month. Income tax shall be paid at the rate of 12%.

(7) The Minister of Finance shall prescribe, in an ordinance, the manner of implementing this Article.

Reporting

Article 63

(1) Payers or taxpayers themselves, if this Act prescribes reporting obligation for them, shall submit reports to the Tax Administration on paid receipts based on which income from property rights and income from special types of property is determined and on the withheld and paid income tax within the prescribed deadline and in the prescribed form.

(2) The Minister of Finance shall prescribe, in an ordinance, the form, content, deadlines and the manner of submitting data on the paid receipts and paid tax for the purposes of the Tax Administration and the Central Register of Insured Persons.

CHAPTER III - DETERMINING INCOME FROM CAPITAL

Income from capital

Article 64

(1) Receipts based on interest, withdrawals of assets and the utilisation of services at the expense of current-period profits, capital gains, shares in profits realised by award of or optional purchase of own shares, dividends and shares in profit according to share in capital, which were realised in a taxation period shall be deemed income from capital.

(2) When determining income from capital, no expenses shall be recognised unless this Act regulates otherwise.

Income from capital based on interest

Article 65

(1) Interest from Article 64 paragraph 1 of this Act shall be receipts from claims of any type, in particular:

1. receipts from interest on kuna and foreign currency savings (a vista, term deposits or rent savings, including yield, award, premium and any other remuneration realised above the amount of the invested funds)

2. receipts from interest based on securities

3. receipts from interest based on given loans and

4. receipts realised based on division of income of the investment fund in the form of interest if it is not taxed as profit shares on the basis of the division of profit or yield of an investment fund.

(2) Interest from paragraph 1 of this Article shall not include:

1. default interest

2. collected interest according to court decisions and decisions of the bodies of local and regional self-government

3. interest on the positive balance on the transfer account, current and foreign account, interest realised based on deposits and a vista savings, realised from banks, savings institutions and other financial institutions, and interest realised on the basis of term deposits serving to insure bank's claims under the condition that this interest is lower than the lowest interest for a term deposit, i.e. if they amount to a maximum of 0.5% per year. The lowest interest for a term deposit does not refer to term deposits serving to insure bank's claims

4. receipts from interest realised from investment in bonds, regardless of the issuer and type of bond and

5. receipts based on yield on life insurance with the savings character (paid fee above the paid insurance premiums) and yield based on voluntary pension insurance.

Income from capital on the basis of withdrawal of assets and utilisation of services

Article 66

(1) Withdrawals of assets and utilisation of services by members of companies for their private purposes (hidden profit payments) performed during a taxation period at the expense of the current-period profit and exemptions of natural persons performing a self-employment activity from Article 29 of this Act on which profit tax is paid shall be deemed withdrawals of assets and utilisation of services from Article 64 paragraph 1 of this Act.

(2) Difference in receipts which occurs when, during a taxation period, the taxpayer is paid an advance in profit share while, with the expiration of that taxation period, the realised profit is not sufficient to cover this advance shall also be deemed income from capital based on withdrawal from paragraph 1 of this Article.

Income from capital based on capital gains

Article 67

(1) Income from capital based on capital gains from Article 64 paragraph 1 of this Act shall be comprised of the difference between the contracted sales price, i.e. receipts determined according to the market value of the financial assets which is being alienated, and the purchase price.

(2) Receipts from paragraph 1 of this Article shall include receipts from the alienation of financial instruments and structured products (hereinafter: financial assets), i.e. receipts from:

1. transferable securities and structured products, including the share in capital of companies and other types of associations whose mode of disposal of shares is comparable with such companies

2. money market instruments

3. units in joint investment entities

4. derivatives and/or

5. proportional share in the liquidation mass in case of liquidation of an investment fund and other receipts realised from equity in case of liquidation, cessation or withdrawal.

(3) Sale, exchange, donation and other type of transfer shall be deemed alienation of financial assets from paragraph 2 of this Article.

(4) Alienation from paragraph 3 of this Article shall not include:

1. transfer of shares from one voluntary pension fund into another

2. replacement of securities with equivalent papers of the same issuer whereby the relations among the members and the capital of the issuer do not change, as well as replacement of securities or shares in the capital of companies, i.e. financial instruments with another or other securities, i.e. with financial instruments, and acquisition of securities, i.e. financial instruments in case of status changes whereby in all cases there is no cash flow and under the conditions that the order of the acquisition of financial assets has been ensured

3. division of shares of the same issuer whereby there is no change of the share capital of cash flow

4. exchange of shares between investment sub-funds within the same umbrella fund, i.e. exchange of shares between investment funds managed by the same managing company,

under the conditions that the order of the acquisition of the financial assets has been ensured and/or

5. purchase of shares in the Fund for Croatian Homeland War Veterans and Members of their Families.

(5) In case of alienation of financial assets from paragraph 4 items 2 and 4 of this Article, the value determined on the day of the first acquisition of the financial assets shall be taken as the purchase price.

(6) Income from capital based on receipts realised from units in joint investment entities shall be determined in the amount of achieved, i.e. realised yield reduced by investment management costs, i.e. costs of managing investment fund assets (net yield), i.e. in case of discount securities, in the amount of the difference between the purchase value at emission and realised value at maturity if the purchaser holds the security until its maturity. Income from capital based on capital gains realised from investment of financial assets into portfolios, pursuant to the regulation regulating the capital market, shall be determined at the moment of realising the yield from the portfolio reduced by costs of managing the portfolio (net yield).

(7) In establishing net yield from paragraph 6 of this Article, receipts from dividends or share in profit, i.e. receipts from interest, based on which the income tax has already been paid pursuant to Article 70 paragraphs 1 and 9 of this Act, and receipts from interest on bonds, except for interest on bonds realised based on the investment by investment companies on behalf of the portfolio collectively for on behalf of all clients (natural and legal persons) shall be exempted.

(8) Income from capital based on capital gains shall not be taxed if the alienation is executed between spouses or kin of the first degree of kinship and other members of the immediate family from Article 14 paragraphs 5 and 6 of this Act, between divorced spouses if the alienation is directly connected with a divorce, inheritance of financial assets, and in the case that the financial assets are alienated two years from the day of procurement, i.e. acquisition of those assets.

(9) If the financial assets acquired by donation are alienated within two years from the day of procurement by the donor, income from capital shall be determined for the alienator

(recipient of the donation) in the manner from paragraph 1 of this Act, and in this case the day of procurement of the legal predecessor (donor) shall be deemed the day of procurement of the financial assets for the alienator (recipient of the donation)

(10) If the financial assets acquired through alienation between spouses or kin of the first degree of kinship and other members of the immediate family from Article 14 paragraph 5 and 6 of this Act and/or through alienation between divorced spouses which is directly connected with a divorce and/or alienation which is directly connected with inheritance are subsequently alienated, income from capital shall be determined on the basis of capital gains thusly realised, whereby the day of the original acquisition when the tax exemption was applied shall be deemed the day of acquiring financial assets.

(11) Capital losses may only be deducted from income from capital gains realised in the same calendar year. Capital gains shall also include all the related costs which were collected at the expense of the taxpayer. Capital loss shall be stated maximally up to the tax base amount.

(12) If income from capital based on capital gains has not been determined or reported at market prices, income shall be determined by the Tax Administration according to market prices.

Income from capital based on award of or optional purchase of own shares

Article 68

(1) Income from capital from Article 64 paragraph 1 of this Act shall also include receipts in kind based on the share in the profit of the members of the company management board, which is realised by awarding or optionally purchasing own shares.

(2) Income from capital from Article 64 paragraph 1 of this Act shall also include receipts in kind based on the share in the profit which is realised by awarding or optionally purchasing own shares, which employers and payers of the receipt give to their workers.

(3) Income from capital from Article 64 paragraph 1 of this Act shall also include receipts of workers and members of the management board of a domestic company or natural persons not employed by the payer based on the share in the profit by awarding own shares of associated company in the country or abroad or by realising the rights from an options contract concluded with associated company in the country or abroad.

(4) Income from capital based on optional purchase of own shares referred to in paragraphs 1, 2 and 3 of this Article shall be determined as the difference between the market value of the share and the share price determined by an options contract, if the market value was higher at the moment of the realisation of rights from the option.

(5) The moment of the purchase of company shares by options owners (members of the company management board), workers and other natural persons or the moment of the transfer of the company share purchase rights to a third person shall be deemed the realisation of rights from options within the meaning of paragraph 1, 2 and 3 of this Article.

(6) Income from capital based on optional purchase of own shares shall be determined for a taxpayer who is the owner of the option at the moment of the realisation of the rights from the option according to paragraph 5 of this Article.

(7) Receipts based on shares in the profit which the members of the company management board realise by awarding own shares of those companies, as well as by awarding shares which employers and/or payers of the receipt give to their workers and/or natural persons not employed by the payer of receipt shall be determined in the amount of the market value or the difference between the market value of awarded shares and the paid fee if the shares are acquired with a partial remuneration.

Income from capital based on dividends and shares in profit

Article 69

(1) Income from capital shall also include receipts from dividends and shares in profit based on shares in capital and other equivalent receipts deemed as allocation of profit.

(2) Income from capital shall not be determined based on dividends and shares in profit if the dividends and the shares are used to increase the company share capital or if they are realised from the investment of the Fund for Croatian Homeland War Veterans and Members of their Families and are intended for and given to the members of that fund.

Determining tax on income from capital

Article 70

(1) Tax on income from capital based on interest from Article 65 of this Act shall be calculated, withheld and paid by the payers simultaneously with the payment and addition of receipts as withholding tax, at the rate of 12%.

(2) Tax on income from capital based on withdrawal of assets and utilisation of services from Article 66 of this Act shall be calculated, withheld and paid by the payers simultaneously with the payment of receipts, as withholding tax, at the rate of 36%.

(3) Tax on income from capital based on withdrawals from Article 66 of this Act shall be paid upon deduction in the manner prescribed by paragraph 2 of this Article, until the moment of submitting the profit tax return.

(4) The taxpayer – holder of financial assets shall calculate, withhold and pay tax on income from capital based on capital gains from Article 67 paragraphs 1 and 2 of this Act, except for capital gains based on the alienation of capital shares of the company which are not transferable on the capital market in accordance with a special regulation, until the last day in February of the current year for all capital gains realised in the previous year reduced by realised capital losses from Article 67 paragraph 11 of this Act at the rate of 12%.

(5) The taxpayer from paragraph 4 of this Article shall keep records of equivalent financial assets according to the method of consecutive prices (FIFO).

(6) Records from paragraph 5 of this Article for financial assets realised on a foreign market may be kept in the currency in which the financial assets were acquired.

(7) By way of derogation from paragraphs 4 and 5 of this Article, keeping records from paragraph 5 of this Article, determining income from capital, and the calculation of tax on income from capital and reporting on the same may, in the name and for the account of the taxpayer - holder of financial assets, be taken over by an investment company and a credit institution performing investment services, activities and auxiliary services as defined by the act regulating business on the capital market, by a joint investment entity, a management company, persons managing the financial assets of the taxpayer based on the contractual relationship, a financial organisation or an institutional investor (hereinafter: financial intermediary).

(8) By way of derogation from paragraphs 4, 5 and 7 of this Article, the taxpayer - holder of financial assets may decide that Središnje klirinško depozitarno društvo d. d. (Central Depository & Clearing Company) (hereinafter: SKDD) in his or her name and for his or her account shall keep the records from paragraph 5 of this Article, determine income from capital and calculate tax on income from capital and report on the same to the Tax Administration for the overall financial assets.

(9) In the case from paragraph 8 of this Article, the financial intermediary, i.e. the taxpayer himself or herself for assets or the taxpayer himself or herself for capital gains realised abroad without a domestic intermediary, except for capital gains based on the alienation of shares in the capital of a company which are not transferable on the capital market in accordance with a special regulation, shall submit to SKDD all information important for determining income tax from capital based on capital gains from paragraphs 1 and 2 of this Act, in particular the data on the balance of the equivalent financial assets at the beginning and at the end of the calculation period, as well as the information on the realised capital gains which, pursuant to Article 67 paragraph 8 of this Act, are not liable to tax.

(10) By way of derogation from paragraph 9 of this Article, joint investment entities and portfolio managers may only submit information on the realised taxable capital gains and tax deductible capital gains in a taxation period to SKDD.

(11) Information from paragraphs 9 and 10 of this Article shall be submitted to SKDD during a taxation period, no later than by 15th January of the current year for the previous year. If

persons mentioned in paragraphs 9 and 10 of this Article do not have the information on the realised capital gains which, pursuant to Article 67 paragraph 8 of this Act, are not liable to tax, they shall specify this.

(12) SKDD shall, based on the information from paragraphs 9 and 10 of this Article, in the name and for the account of the taxpayer - holder of financial assets, determine income from capital and calculate tax on income from capital based on capital gains at the rate from paragraph 4 of this Article.

(13) SKDD shall inform the taxpayer - holder of financial assets on the calculation from paragraph 12 of this Article by 31 January of the current year for the previous year of all the data based on which the calculation was made, as well as on the data on the manner and the deadline for the payment of the calculated tax on income from capital based on capital gains.

(14) The taxpayer - holder of financial assets shall pay tax on income from capital based on capital gains according to the calculation from paragraph 12 of this Article until the last day of February of the current year. In the same period, SKDD shall submit the prescribed report to the Tax Administration.

(15) If the taxpayer - holder of financial assets disputes the calculation from paragraph 12 of this Article, he or she may himself or herself submit to the Tax Administration the prescribed report within the prescribed deadline and attach records of equivalent financial assets according to the method of consecutive prices (FIFO), as well as other documentation with which he or she may prove a balance which is different than the one determined by SKDD.

(16) The Tax Administration shall, after establishing the state of facts, with regard to the report of the taxpayer from paragraph 15 of this Article, either accept the report and inform SKDD of this or dismiss the received report in a decision.

(17) Tax on income from capital based on capital gains from the alienation of shares in the company capital which are not transferrable on the capital market in accordance with the special regulation from Article 67 paragraph 1 of this Act, shall be paid by the taxpayer according to the decision of the Tax Administration within 15 days from the day of the delivery of the decision, at the rate of 12%. The taxpayer shall report the alienation of

financial assets based on shares in the capital to the relevant Tax Administration branch no later than within eight days from the alienation.

(18) Tax on income from capital based on awarding or optionally purchasing own shares from Article 68 of this Act shall be paid at source, at the rate of 24%.

(19) Tax on income from capital based on receipts from dividends or shares in profit based on shares in the capital from Article 69 of this Act shall be paid at source, at the rate of 12%.

(20) Tax on income from capital based on receipts from dividends or shares in profit based on shares in the capital from Article 69 of this Act shall be taxed at the payment in the manner prescribed by paragraph 9 of this Article.

(21) The Minister of Finance shall prescribe, in an ordinance, the form and content of the records from paragraph 5 of this Article and the manner of the implementation of this Article.

Reporting

Article 71

(1) Payers or taxpayers themselves, if this Act prescribes a reporting obligation for them, shall submit to the Tax Administration, within the prescribed deadline and in a prescribed form, reports on paid receipts based on which income from capital is determined and on withheld and paid income tax, unless this Act provides otherwise.

(2) The Minister of Finance shall prescribe, in an ordinance, the form, content, deadlines and the manner of submitting information on the paid receipts and paid tax for the purposes of the Tax Administration and the Central Register of Insured Persons.

CHAPTER IV - DETERMINING INCOME FROM INSURANCE

Income from insurance

Article 72

Deleted

Determining tax on income from insurance

Article 73

Deleted

Records and reports

Article 74

Deleted

CHAPTER V – DETERMINING FINAL OTHER INCOME

Other income based on the reimbursement of contributions

Article 75

(1) Receipts based on the reimbursement of contributions from paragraph 2 of this Article shall be deemed other income.

(2) The amount of the reimbursed contributions from the base for the compulsory pension insurance on the basis of generational solidarity, and which has, for a specified period of contribution calculation, been calculated and paid from the amount exceeding the amount of the highest annual base according to the act that regulates contributions for compulsory insurances, shall be deemed a receipt based on the reimbursement of contributions.

(3) When determining other income based on the reimbursement of contributions, no expenditure shall be recognised.

Other income based on the difference in the value of assets and the amount of funds with which they were acquired

Article 76

(1) Receipts measured as the difference between the value of the acquired assets and substantial expenditure incurred, in particular, for luxury, entertainment and amusement for one part (hereinafter: acquired assets), and the proven amount of funds for their acquisition and the acquisition of those expenditures for the other part shall be deemed other income.

(2) Other income from paragraph 1 of this article shall be established in the manner proscribed in articles 88 and 89 of this Act.

Other income based on temporary or occasional jobs in agriculture

Article 76a

(1) Other income shall be deemed income based on temporary or occasional jobs in agriculture in accordance with special regulation governing the labour market.

(2) When determining second income referred to in paragraph 1 of this Article, no expenses shall be recognised.

Determining tax on income from other income based on the reimbursement of contributions

Article 77

Income tax based on the reimbursement of contributions according to Article 75 of this Act shall be calculated, withheld and paid by the competent Tax Administration according to the place of permanent residence or habitual residence of the taxpayer, as withholding tax, from the amount of the reimbursed contributions for compulsory pension insurance on the basis of generational solidarity according to the act regulating the contributions for compulsory insurances at the rate of 36%.

Determining income tax on other income based on the difference in the value of assets and the amount of funds with which they were acquired

Article 78

(1) Income tax from other income from Article 76 of this Act shall be calculated by the Tax Administration at the rate of 36%.

(2) The calculated income tax from paragraph 1 shall be increased by 50%.

(3) The Tax Administration shall issue a tax decision on the determined and calculated income tax from paragraph 2 of this Article.

(4) The taxpayer, for whom other income from paragraph 1 of this Article was determined and calculated, shall pay the same within 15 days from the day of the delivery of the tax decision from paragraph 3 of this Article.

Determining tax on income from other income based on temporary or occasional jobs in agriculture

Article 78a

(1) Income tax from other income referred to in Article 76a of this Act shall be paid as withholding tax at the rate of 12%.

(2) Income tax referred to in paragraph 1 of this Article shall be calculated, withheld and paid by payers of receipt until the last day in a month of the executed payment or charge.

(3) The payers shall submit reports to the Tax Administration, in the prescribed term and prescribed form, on paid receipts based on which other income shall be determined and on the withheld and paid advance on income tax.

PART FOUR - DETERMINING JOINT INCOME

Article 79

(1) Income realised by performing a joint self-employment activity from Article 29 of this Act shall be determined as single income in accordance with the provisions of Articles 30 – 35 of this Act. The jointly realised income or loss shall be divided among individual co-entrepreneurs according to the contract. If no contract has been concluded, income or loss shall be divided in equal shares.

(2) Receipts which an individual co-entrepreneur acquires for his or her work or other remuneration, and which, as business expenses, reduced the income from the joint activity, shall be added to the part of income or loss of each co-entrepreneur determined according to paragraph 2 of this Article. Expenditures which were incurred by an individual co-entrepreneur, and as joint expenditures did not reduce the income from the joint activity, shall be deducted from the part of income or loss of each co-entrepreneur determined according to paragraph 2 of this Article.

(3) Provisions of paragraphs 1 and 2 of this Article shall also refer to cases where several natural persons jointly generate income from property and property rights (co-owners and co-entrepreneurs).

(4) Joint income from property and property rights shall be determined according to the provisions of Articles 56 and 60 of this Act

(5) Co-entrepreneurs who realise joint income from paragraphs 1 and 4 of this Article shall appoint a person in charge of the joint activity who shall be primarily responsible for keeping the financial records, paying taxes and other obligations, submitting reports and executing other prescribed obligations arising from the joint activity and the joint property and property rights. A non-resident cannot be appointed the person in charge of the joint activity, except when all the co-entrepreneurs are non-residents. If co-entrepreneurs do not appoint the person in charge of the joint activity, the Tax Administration shall appoint one.

(6) The person in charge of the joint activity from paragraph 5 of this Article shall, upon expiration of a taxation period (calendar year), submit a report on the determined income from the joint activity to the Tax Administration branch office competent to his or her permanent residence or habitual residence.

(7) The report on the determined income from the joint activity shall be submitted by the end of January of the current year for the previous year.

(8) The Minister of Finance shall prescribe, in an ordinance, the form and content of the report on the determined joint income from paragraph 6 of this Article.

PART FIVE - DETERMINING FOREIGN INCOME

CHAPTER I - GENERAL PROVISIONS

Article 80

(1) When determining taxable income from Article 12 paragraph 7 of this Act, the provisions of international contracts concluded and confirmed in accordance with the Constitution of the Republic of Croatia, and which are in effect, shall prevail over the provisions of the local Act.

(2) Tax which a resident has paid abroad on the basis of foreign income shall be included in the domestic income tax for each individual foreign income separately, unless this Act prescribes otherwise.

(3) Tax paid abroad may be included only on the basis of a certificate of the tax paid abroad issued by a foreign tax authority or a person authorised for that purpose.

(4) By way of derogation from paragraph 2 of this Article, tax which a resident paid abroad on the basis of foreign income shall not be included in the domestic income tax if the same has not been paid abroad according to the provisions of the international contract, if an international contract applies.

(5) The inclusion of foreign tax in domestic income tax shall be performed in the annual tax calculation by means of the submitted annual tax return, i.e. in a special procedure for determining annual income tax and in the case of final taxation by means of the submitted report from Article 81 paragraph 4 of this Act.

Article 80a

(1) Taxable income referred to in Article 12, paragraph 7 of this Act shall be taken over in the manner established by the state in which the income has its source.

(2) Taxable income from paragraph 1 of this Article shall be reduced by compulsory contributions if not recognized as expenditure by the state in which the income has its source.

(3) Taxpayers who realise income referred to in paragraph 1 of this Article which in accordance with the provisions of this Act shall be deemed income from a self-employment activity shall register in the register of payers of income tax, however, they shall not determine such income based on the information from financial records and registries referred to in Article 34, paragraph 1 of this Act.

(4) The provisions of paragraphs 1 and 3 of this Article shall not apply if the state in which the income has its source, in accordance with the provisions of international agreement, had no taxing or income rights or if the state in which the income has its source does not tax the relevant income according to the source of income from Article 5 of this Act, i.e. individual income base according to sources of income from Article 5 of this Act, or if taxpayer chooses to determine and pay advances on tax on income or final income tax, pursuant to the provisions of this Act.

CHAPTER II - OBLIGATION OF CALCULATING AND PAYING INCOME TAX AND REPORTING ON FOREIGN INCOME

Article 81

(1) A domestic employer for a posted employee, i.e. a resident taxpayer himself or herself who realises income from Article 6 of this Act directly from abroad or abroad, shall, regardless of other provisions of this Act, calculate advance on income tax, i.e. final tax, and pay it within 30 days from the day of receipt, i.e. from the day of income payment, unless this Act prescribes that the tax shall be paid according to the decision of the Tax Administration or annually. Within the same deadline, the domestic employer shall, for the posted employee, i.e. the taxpayer himself or herself, submit to the Tax Administration the prescribed report, unless this Act regulates otherwise.

(2) Resident taxpayer receiving pension earned from abroad or abroad shall pay tax advance on income from employment on the basis of this pension according to a decision of the Tax Administration, until the last day in a month for the current month, i.e. quarterly until the last day of each quarter, if the determined monthly advance on income tax and income tax surtax is less than HRK 100.00.

(3) By way of derogation from paragraphs 1 and 2 of this Article, the resident taxpayer who, in the course of the taxation period, realises receipts from abroad or abroad in relation to which exists an obligation to pay an advance on income tax abroad, i.e. final income tax, shall not be obliged to pay advance on income tax, i.e. final income tax, in the country during a taxation period, of which he or she shall inform the Tax Administration within eight days from the day of the first receipt realised in the current year. The same shall also apply in the case of receipts of residents posted to work abroad by the order of a domestic employer, as well as for receipts of residents realised by working in the capacity of representatives in the European Parliament.

(4) A domestic employer for a posted worker, i.e. the taxpayer from paragraph 3 of this Article himself or herself, shall submit to the Tax Administration information on the realised income and tax paid abroad, which corresponds domestic income tax, in the prescribed report until 31 January of the current year for the previous year. The same shall also apply in cases where the Republic of Croatia, in accordance with an international contract, exempts this income from taxation. If until the mentioned deadline, the domestic employer, i.e. the taxpayer himself or herself, for justified reasons does not have the information on the paid foreign tax, yet he or she wishes to include the same in the local tax liability, he or she shall inform of this the Tax Administration and subsequently submit the information on the paid foreign tax no later than until 30 November of the current year for the previous year.

(5) On the basis of the submitted report from paragraph 4 of this Article, the Tax Administration shall calculate income tax pursuant to the provisions of this Act, with the inclusion of the tax which the resident paid abroad and which corresponds to domestic income tax, under the condition prescribed by Article 80 paragraph 3 of this Act.

(6) The final foreign income tax determined on the basis of realised final income from Article 12 paragraph 4 of this Act, with the previous inclusion of paid foreign tax in the manner prescribed by paragraph 5 of this Article shall be paid by the taxpayer according to a decision of the Tax Administration within 15 days from the day of the delivery of the decision.

(7) The Minister of Finance shall prescribe, in an ordinance, the manner of calculating income tax paid abroad and the form and content of the report on realised foreign income and tax paid abroad.

PART VI – DETERMINING FLAT-RATE INCOME AND FLAT-RATE INCOME TAX

Article 82

(1) Income and income tax may be determined in a flat-rate amount for a taxpayer performing activity from Article 29 paragraph 1 item 1 and paragraph 3 of this Act, who is not a payer of value added tax on that basis according to the act regulating value added tax and who, on the basis of that activity, does not realise total annual receipts in a taxation period in

the amount higher than the amount prescribed for the obligatory entry in the value added tax system according to the act regulating value added tax.

(2) Income and income tax shall be determined in a flat-rate amount for a taxpayer who realises income from Article 57 paragraph 2 of this Act (renting of apartments, rooms and beds to travellers and tourists and organising camps), and who is not a payer of value added tax on that basis according to the act regulating value added tax.

(3) By way of derogation from paragraph 2 of this Article, a non-resident taxpayer entered in the register of payers of value added tax whose value of the supplies in the previous calendar year was not higher than the amount prescribed for the obligatory entry in the value added tax system according to the act regulating value added tax and who fulfils the conditions from paragraph 2 of this Article and fulfils the conditions according to special regulations may establish and pay income tax in a flat-rate amount.

(4) The taxpayer from paragraphs 1 – 3 of this Article, paying income tax in a flat-rate amount, shall not keep financial records from Article 34 paragraph 2 of this Act, except for turnover records.

(5) Annual tax in a flat-rate amount at the rate of 12% shall be determined by the Tax Administration in a decision for the taxpayers referred to in paragraphs 2 and 3 of this Article.

(6) Annual tax in a flat-rate amount at the rate of 12% shall be assessed by the taxpayers referred to in paragraph 1 of this Article under a report from paragraph 10 of this Article. The difference in the annual flat-rate amount of tax for payment or return shall be determined on the basis of the report from paragraph 10 of this Article, which the taxpayer shall submit to the Tax Administration no later than within 15 days from the end date of the year for which the report is submitted. The taxpayer shall pay the difference of the annual flat-rate tax on the day of submitting the report.

(7) Income tax shall be determined by assessment for taxpayers referred to in paragraph 6 of this Article who fail to submit the report referred to in paragraph 10 of this Article or the data in the report are inaccurate or incomplete.

(8) The Tax Administration may, on the basis of performed inspection and collected data on the realised turnover issue a decision on payment liability for advance on income tax in accordance with Article 37 paragraph 1 of this Act, if it determines that the taxpayer realised those receipts in the amount exceeding the amount prescribed for the obligatory entry in the value added tax system.

(9) In the case from paragraph 6 of this Article, the taxpayer shall switch to determining income from a self-employment activity in the manner prescribed by the provisions of Articles 30 – 35 of this Act.

(10) The Minister of Finance shall prescribe, in an ordinance, the self-employment activities according to paragraph 1 of this Article which will be taxed in a flat-rate amount, the amount of the flat-rate income and income tax, tax payment deadlines and records and reports with regard to flat-rate taxation.

(11) The Minister of Finance shall prescribe activities of renting and organising camps according to paragraphs 2 and 3 of this Article which will be taxed in a flat-rate amount, the amount of the flat-rate income, tax payment deadlines, records and reports with regard to flat-rate taxation as well as the criteria by which the representative body of the local self-government unit shall determine the flat-rate amount of income tax in legally provided range.

PART SEVEN - SUBMITTING REPORTS AND OTHER OBLIGATIONS

CHAPTER I - SUBMITTING DATA BY TAXPAYERS

Article 83

(1) Taxpayers who begin performing a self-employment activity from Article 29 of this Act, taxpayers who begin renting and leasing movables, things and immovable property, and taxpayers who begin realising income directly from abroad shall report to the Tax Administration the beginning of performing the activities, renting and realising income, within eight days from the day of the beginning of performing the activity, i.e. from the day of the beginning of realising income.

(2) Within the deadline from paragraph 1 of this Article, the taxpayers who begin performing a self-employment activity from Article 29 of this Act shall submit data to the Tax

Administration branch office, competent according to their permanent residence or habitual residence, on the person who keeps their financial records.

(3) The Tax Administration may, based on the gathered data on income from a self-employment activity, compulsory contributions and advance on income tax and income tax surtax which the taxpayers shall submit in a prescribed report, publish on its website the list of taxpayers/employers who do not pay salary to their workers, i.e. who in the submitted reports stated only the calculation of contributions pursuant to Article 24 paragraph 2 of the Contributions Act for three months in a row or three months in a period of six months. The list shall contain: first and last name or name of the employer, year of birth for the natural person of the employer, place of permanent residence or habitual residence of the natural person or the seat of the legal person of the employer, the number of employees for whom the payment of salary was not stated in the report and the time period to which these reports refer. Upon request of the person demonstrating a legitimate interest, the Tax Administration may also amend the list with other information necessary to determine indisputably the identity of the individual taxpayer from this list, such as: date and month of birth of the natural person of the employer and parent's name of the natural person of the employer.

(4) The Tax Administration may, via the ePorezna system, on the basis of the data from its official records, enable the payers of receipts from which other income, income from property rights and capital are determined, insight in the data with regard to belonging to a municipality/town of the recipient.

(5) The Tax Administration may, via the ePorezna system, on the basis of the data from its official records, enable the employers and payers of salaries insight into the data with regard to paid non-taxable receipts the worker may gain from several employers and payers of salaries up to specific annual amount in the tax period and insight into the unused amount of personal allowance in the case referred to in Article 26, paragraph 6 of this Act.

CHAPTER II - SUBMITTING DATA BY THE RELEVANT STATE AUTHORITIES

Article 84

(1) The relevant state administration authorities, legal persons with public authorities, i.e. other competent organisations, shall submit to the Tax Administration all approvals for the

performance of the activities of trade crafts and professions, and decisions on temporary suspension and cessation of activities, i.e. professions, simultaneously with the delivery of approvals, i.e. decisions to the taxpayer.

(2) The data from paragraph 1 of this Article may also be submitted electronically, i.e. on data carriers.

CHAPTER III - SUBMITTING DATA BY OTHER LEGAL AND NATURAL PERSONS

Article 85

(1) Legal and natural persons and other organisations shall submit to the Tax Administration, upon its request, the data on the delivered goods and services performed by payers of income tax and other prescribed data on paid salaries, pensions and other receipts based on employment and activities, for the year for which income tax is determined.

(2) Banks and other financial organisations performing payment transactions shall submit to the Tax Administration, upon its request, the data on the turnover in the account of the payer of income tax. Upon request of the Tax Administration, they shall also submit this data for individual income taxpayers in the course of the year.

(3) Persons and organisations from paragraphs 1 and 2 of this Article shall enable insight into the financial records and registries to the Tax Administration in order to determine data necessary to determine tax.

(4) The data from paragraphs 1 and 2 of this Article may also be submitted electronically, i.e. on data carriers.

(5) Persons and organisations from paragraphs 1 and 2 of this Article shall also submit to the Tax Administration, within the prescribed deadline and in the prescribed form, the data on the paid prescribed receipts on which no income tax is paid and on other prescribed receipts which are not deemed income within the meaning of this Act.

(6) The Minister of Finance shall prescribe, in an ordinance, the form, content, deadlines and the manner of submitting data on the paid receipts and paid tax from paragraph 5 of this Article for the purposes of the Tax Administration and the Central Register of Insured Persons.

CHAPTER IV - OBLIGATION OF PAYMENT INTO AN ACCOUNT

Article 86

(1) The state administration and judicial authorities and other state bodies, bodies and services of local and regional self-government units, institutions, non-profit organisations, entrepreneurs - legal and natural persons, shall make payments of receipts that are deemed to be income to payers of income tax and payments of receipts that are not deemed to be income, i.e. on which no income tax is paid, to natural persons, into their transfer account in a bank and exceptionally into their current account, pursuant to special regulations, and in cash in the prescribed manner.

(2) The Minister of Finance shall prescribe, in an ordinance, the payments of receipts that can be made into a current account, i.e. in cash.

CHAPTER V – THE REGISTER OF TAXPAYERS

Article 87

(1) In order to provide the data necessary for determining tax, taxpayers, i.e. their proxies, shall submit to the Tax Administration, competent according to their permanent residence or habitual residence, an application in order to be entered in the register of payers of income tax.

(2) An application for the entry in the taxpayer register shall be submitted for income from:

1. Trade crafts activities, activities of professions, activities of agriculture and forestry and other activities taxed as trade crafts according to Article 29 of this Act

2. assets according to Articles 56 – 58 of this Act

3. employment realised directly from abroad or abroad and in diplomatic, i.e. consular representation of a foreign country and international organisation or in the representative office or organisation which has diplomatic immunity on the territory of the Republic of Croatia

4. a self-employment activity from abroad

5. property and property rights from abroad

6. capital and other income from abroad

7. trade crafts activities and activities of renting of apartments, rooms and beds to travellers and tourists and organising camps for which income begins to be determined in a flat-rate amount according to Article 82 of this Act and/or

8. activities of professions from Article 29 paragraph 2 item 4 of this Act which are taxed according to Article 39 of this Act.

(3) The application for entry in the register of taxpayers shall also be submitted by taxpayers who realise income and receipts on which no income tax is paid, and other receipts which, within the meaning of this Act, are not deemed to be income from abroad, and receipts which would be taxable under income tax if international contracts did not regulate otherwise.

(4) The application shall be submitted within eight days from the beginning of performing the activity, from the day of submitting a written request for switching to determining flat-rate income or the day of switching to taxation at source, i.e. the beginning of realising receipts.

(5) In case of cessation of performing a self-employment activity and/or cessation of realising income from abroad and/or switching from determining flat-rate income according to Article 82 of this Act to determining income from a self-employment activity on the basis of prescribed financial records and/or cessation of determining income from property and other income on the basis of data from prescribed financial records, the taxpayers shall submit to the relevant Tax Administration branch office a report on the cessation of performing the activity, cessation of determining income on the basis of data from prescribed financial records and cessation of realising income, within the deadline from paragraph 4 of this Article.

(6) The Minister of Finance shall prescribe, in an ordinance, the form and content of the application for entry into the register of payers of income tax from paragraph 1 of this Article.

CHAPTER VI - COMPARISON AND COLLECTION OF DATA IMPORTANT FOR TAXATION

Comparison of data

Article 88

(1) In order to properly determine the obligation of income tax and other taxes, the Tax Administration shall, in the course of a taxation period, compare data on natural persons of which it disposes and, on the basis of the compared data, collect other data important for taxation.

(2) The comparison of data from paragraph 1 of this Article shall be performed by the Tax Administration on the basis of all data on the realised income from Article 5 of this Act, realised receipts which are not deemed to be income from Article 8 of this Act and other non-taxable receipts and claims, and data on the procured immovable, movable and other property and other expenses of natural persons and their obligations during a taxation period. The comparison shall be performed on the basis of data of which it disposes, data reported by the taxpayer and data from other sources.

(3) If, in the course of the collection of data and their comparison from paragraphs 1 and 2 of this Article, the Tax Administration determines that the sources of assets of natural persons are not proven, it shall determine other income on those grounds according to Article 76 of this Act.

(4) For the purposes of paragraphs 1 and 2 of this Article, the Tax Administration shall organise records on taxpayer assets on the basis of data from their records, records of state administration authorities and records of local and regional self-government units.

Collection of data

Article 89

(1) The Tax Administration shall compare the data on taxpayers collected on the basis of provisions of this Act and the data collected through other tax procedures which are within the competence of the Tax Administration.

(2) For the purpose of the comparison of data from paragraph 1 of this Article, the Tax Administration shall collect publicly available data on taxpayers, as well as data on property available through data exchange systems between competent institutions and the Tax Administration.

(3) If the comparison of data from paragraphs 1 and 2 of this Article shows significant deviations between the usual receipts of taxpayers and incurred expenses for procured assets and funds spent for consumption, the Tax Administration shall, through a verification procedure, invite the taxpayer to fill in the form Statement of the Natural Person on Sources of Assets Acquisition, prescribed by the provisions of a special regulation.

(4) In the implementation of the procedure of verifying data, the Tax Administration is authorised to request and exchange data with other public legal authorities and request data from other persons pursuant to the provisions of a special regulation.

(5) If, in the process of verifying data, the taxpayer submits authentic documentation with which he or she proves sources of the funds, the Tax Administration shall add the said data to the already known data for that taxpayer.

(6) By way of derogation from paragraph 5 of this Article, if the taxpayer does not respond to the invitation or does not submit authentic documentation, the Tax Administration shall within 60 days, through authorised persons, initiate the procedure of determining other income from Article 76 of this Act.

(7) On the basis of completed procedures initiated on the basis of paragraphs 5 and 6 of this Article, the Tax Administration shall establish the state of property for that taxpayer on a specified day.

(8) The procedure initiated on the basis of paragraphs 5 and 6 of this Article shall be conducted for the property acquired within the limitation period prescribed by the act regulating the general taxation procedure.

(9) Sources and amounts of funds proving the value of the acquired property must be based on authentic documents, otherwise, the Tax Administration is not obliged to accept them as valid. If a taxpayer submits, as authentic documents, documents from the time periods fall outside of the limitation period, they can be accepted if their authenticity can be established based on all objective circumstances.

(10) The Minister of Finance shall prescribe, in an ordinance, what shall be deemed to be a significant deviation from paragraph 3 of this Article, thereby taking into account the occurrences and risks having impact on the deviations and procedures from paragraphs 5 and 6 of this Article.

PART EIGHT - PROCEDURAL PROVISION

Article 90

With regard to determination, collection, tax return, appeal proceedings, limitation period and misdemeanour proceedings, provisions of the act regulating general taxation procedure

shall apply, unless this Act or the act regulating the misdemeanour proceedings provides otherwise.

PART NINE – PENAL PROVISIONS

Article 91

(1) The following legal persons shall be fined for a violation in the amount of HRK 10,000.00 to 50,000.00:

1. an employer, payer of receipts from employment, i.e. pension, which does not pay or pays lower tax advance on income from employment within the prescribed deadline (Article 24 paragraph 1, Article 25 paragraph 5 and Article 81 paragraph 1)

2. a foreign organisation which does not have diplomatic immunity in the Republic of Croatia, with a seat in the Republic of Croatia, which does not pay or pays lower tax advance on income from employment within the prescribed deadline (Article 24 paragraph 4)

3. the Croatian Pension Insurance Institute, which does not pay or pays lower tax advance on income from employment within the prescribed deadline (Article 25 paragraph 1)

4. an employer, i.e. payer of receipts from employment in kind, which does not pay or pays lower tax advance on income from employment within the prescribed deadline (Article 25 paragraph 3)

5. a legal person which does not submit data on the paid receipts and paid income tax and surtax to the Tax Administration in the prescribed form or does not submit them within the deadline (Article 27 paragraph 1, Article 41 paragraph 1, Article 63 paragraph 1, Article 70 paragraphs 7 and 14, Article 78a paragraph 3, Article 81 paragraphs 1 and 4 and Article 85 paragraph 5)

6. a payer of the receipt from which other income is determined, which does not pay or pays lower income tax on other income within the prescribed deadline (Article 40 paragraph 2)

7. a legal person which does not make the annual calculation of tax on income from employment for its workers and natural persons from Article 21 of this Act (Article 47 paragraph 1)

8. a payer of the receipt from which income from property rights is determined, which does not pay or pays lower tax on income from property rights within the prescribed deadline (Article 62 paragraph 2)

9. a payer of the receipt from which income from property on the basis of special types of property is determined, which does not pay or pays lower tax on income from property within the prescribed deadline (Article 62 paragraph 6)

10. a payer of the receipt from which income from capital is determined, which does not pay or pays lower tax on income from capital within the prescribed deadline (Article 70 paragraphs 1, 2 and 19)

11. a payer of the receipt from which other income is determined, which does not pay or pays lower income tax on other income within the prescribed deadline (Article 78a paragraph 2)

12. a legal person which does not make the payment of receipts to natural persons into their transfer account in a bank, or exceptionally to their current account in a bank in accordance with the special regulations (Article 86 paragraph 1).

(2) A natural person who is a craftsman and a person performing other self-employment activities shall be fined in the amount of HRK 5,000.00 to 30,000.00 for a violation from paragraph 1 items 1 and 4 - 12 of this Article, which he or she committed with regard to the performance of his or her trade crafts or a self-employment activity.

(3) A natural person shall be fined in the amount of HRK 2,000.00 to 20,000.00 for violations from paragraph 1 items 1, 4 and 5 of this Article.

(4) The responsible person in a legal person shall be fined in the amount of HRK 2,000.00 to 10,000.00 for violations from paragraph 1 of this Article.

Article 92

(1) A natural person who is a craftsman and a person performing other self-employment activities shall be fined in the amount of HRK 5,000.00 to 50,000.00 for a violation which he or she committed with regard to the performance of his or her trade crafts or a self-employment activity, and who:

1. does not pay or pays lower tax based on the annual tax return within the prescribed deadline (Article 46 paragraph 6)

2. does not pay the monthly, quarterly, i.e. one-time income tax according to the decision of the Tax Administration in the determined amount and within the prescribed deadline (Article 37 paragraph 5 and Article 62 paragraphs 1, 3 and 4 and Article 82 paragraph 8)

3. does not pay or pays lower income tax within the prescribed deadline (Article 81 paragraph 1)

4. does not report the beginning of performing an activity, renting and/or realising income within the prescribed deadline (Article 83 paragraph 1 and Article 87 paragraph 1).

(2) A natural person shall be fined in the amount of HRK 2,000.00 to 20,000.00:

1. for violations from paragraph 1 of this Article

2. if, as a holder of financial property, he or she does not pay or pays lower tax on income from capital (Article 70 paragraphs 4 and 14)

3. if he or she does not pay or pays lower tax on income from capital based on capital gains from the alienation of shares in the capital which are not transferable on the capital market (Article 70 paragraph 17)

4. if he or she does not pay tax advance on income from employment on the basis of pension (Article 81 paragraph 2).

PART TEN - TRANSITIONAL AND FINAL PROVISIONS

Article 93

Within 90 days from the day of this Act coming into force, the Minister of Finance shall issue an ordinance from Article 9 paragraph 2, Article 17 paragraph 9, Article 25 paragraph 7, Article 26 paragraph 7, Article 27 paragraph 2, Article 34 paragraph 6, Article 37 paragraph 7, Article 39 paragraph 9, Article 40 paragraph 3, Article 41 paragraph 2, Article 50 paragraph 3, Article 53 paragraph 7, Article 54 paragraph 12, Article 57 paragraph 5, Article 58 paragraph 10, Article 62 paragraph 7, Article 63 paragraph 2, Article 70 paragraph 21, Article 71 paragraph 2, Article 74 paragraph 2, Article 79 paragraph 8, Article 81 paragraph 7, Article 82 paragraph 8, Article 85 paragraph 6, Article 86 paragraph 2, Article 87 paragraph 6 and Article 89 paragraph 10 of this Act.

Article 94

(1) Income realised until the day of this Act coming into force shall be taxed according to the regulations regulating income taxation which were in force until then.

(2) Income tax shall not be paid when paying out dividends and shares in the profit from Article 70 of this Act if they are paid out from the profit realised until 29 February 2012, except for dividends and shares in the profit based on shares in the capital which are realised in the period from 1 January 2001 to 31 December 2004, and are paid after this Act comes into force, and are taxed at the rate of advance on income tax of 12%.

(3) The provisions of Article 70 of this Act, in the part that refers to the taxation of capital gains, shall apply in the case of alienation of financial property acquired before 1 January 2016.

(4) The provisions of the Income Tax Act shall apply to the procedures of submitting and processing income tax return for 2016, to determination and payment of the difference of the flat-rate amount of income tax for 2016, to determination and payment of advances on tax on income from a self-employment activity which are determined in 2017 on the basis of the realised income in 2016, ("Official Gazette" no. 177/04, 73/08, 80/10, 114/11, 22/12, 144/12, 120/13, 125/13, 148/13, 83/14, 143/14 and 136/15).

(5) Procedures initiated according to Article 63 of the Income Tax Act ("Official Gazette" no. 177/04, 73/08, 80/10, 114/11, 22/12, 144/12, 120/13, 125/13, 148/13, 83/14, 143/14 and 136/15), and which have not been completed by the time this Act came into force, shall be completed according to the provisions of this Act.

(6) Provisions of the regulations regulating the taxation of income, which were in effect at the moment of reinvesting, shall apply to payments after this Act comes into force in connection with reinvested profit according to the Profit Tax Act ("Official Gazette" no. 177/04, 90/05, 57/06, 146/08, 80/10, 22/12, 148/13, 143/14 and 50/16) in the process of determining income and paying income tax on the basis prescribed by that Act, regardless of when those payments are made.

(7) The provisions of Article 45 of this Act shall apply until an act regulating the state aid for research and development projects is adopted.

Article 95

(1) Until the day of Article 14 paragraphs 5 and 6 of this Act coming into force, children supported by parents, guardians, adoptive parents, step-fathers and step-mothers shall be deemed supported children. Children after the completion of regular education until their first employment if they are registered at the Croatian Employment Bureau shall also be deemed children. A spouse and a civil partner, i.e. taxpayer's life partner and informal life partner, taxpayer's parents and parents of his or her spouse and civil partner, i.e. life partner and informal life partner, ancestors and lineal descendants, stepmothers, i.e. stepfathers supported by an adult stepchild, former spouses and civil partners, i.e. life partners and informal life partners for whom the taxpayer pays support and adult persons for whom the taxpayer has been appointed guardian according to a separate act shall be deemed other supported members of the immediate family.

(2) Until Article 26 of this Act comes into force, the personal allowance in determining tax advance on income from employment shall be recognised and determined on the basis of the Withholding Allowance Certificate which is held by employers and payers or receipts, i.e. salary and pensions for an employee, pensioner or natural persons realising receipts from employment.

(3) The Withholding Allowance Certificate from paragraph 2 of this Article shall be issued free of charge by the Tax Administration, and employers and payers of receipts from employment shall keep it as long as the employee, pensioner or natural person realising those receipts works for them, i.e. as long as pension or receipts based on employment are paid.

(4) An employee, pensioner and natural person realising receipts from employment may, during a taxation period, use his or her personal allowance if they submitted the Withholding Allowance Certificate from paragraph 2 of this Article to the employer or payer of the receipt.

(5) An employee, pensioner and natural person realising receipts from non-employment shall report any change regarding the supported members of their immediate family and children, change in permanent residence or habitual residence and other, having an impact on personal allowance, i.e. non-taxable part of income, to the Tax Administration branch office according to his or her permanent residence i.e. habitual residence, and submit to it authentic documents within 30 days from the day the change occurred. The accepted and recorded changes shall be applied by the employer and payer of salary, pension or the taxpayer himself or herself in following payments of salaries and pensions.

(6) Until Article 33 paragraph 1 item 5 of this Act comes into force, 30% of expenses in connection with own or rented personal motor vehicles and other means of personal transportation of entrepreneurs, managers and other employed persons shall be deemed non-deductible expenses in determining income from a self-employment activity, if based on the utilisation of such means for personal transportation no salary or other income is determined.

Article 96

On the day of this Act coming into force, the Income Tax Act shall cease to apply ("Official Gazette" no. 177/04, 73/08, 80/10, 114/11, 22/12, 144/12, 120/13, 125/13, 148/13, 83/14, 143/14 and 136/15).

Article 97

On the day of this Act coming into force, the following shall cease to apply:

- Ordinance on renting of flats, rooms and beds to travellers and tourists and organising campsites which will be taxed in a flat-rate amount, on the amount of the flat-rate tax and on the method of payment of the flat-rate tax ("Official Gazette" no. 48/05 and 148/09)

– Income Tax Ordinance ("Official Gazette" no. 95/05, 96/06, 68/07, 146/08, 2/09, 9/09, 146/09, 123/10, 137/11, 61/12, 79/13, 160/13, 157/14 and 137/15)

- Ordinance on flat-rate taxation of self-employment activities ("Official Gazette" no. 143/06, 61/12, 160/13 and 137/15).

Article 98

The Ministry of Finance shall, in the period of two years from the day of this Act coming into force, make a subsequent assessment of the effects of this Act.

Article 99

This Act shall be published in the "Official Gazette" and shall come into force on 1 January 2017 except for Article 14 paragraphs 5 and 6, Article 26, Article 33 paragraph 1 item 5 and Article 83 paragraph 4 which shall come into force on 1 January 2018.

NOTE, OFFICIAL GAZETTE, 106/18

Act on Amendments to the Income Tax Act

TRANSITIONAL AND FINAL PROVISIONS

Article 30

(1) Representative bodies of self-government units shall adopt decisions referred to in Article 17 of this Act in respect of 2019 that will establish the amount of the flat-rate tax per bed, i.e. camp accommodation unit until 31 January 2019 and submit them to the Tax Administration until 15 February 2019 at the latest. The adopted decision shall apply until a new decision is adopted in accordance with Article 17 of this Act.

(2) If representative body of self-government unit fails to adopt the decision within the prescribed deadline, the amount of the flat-rate tax per bed, i.e. camp accommodation unit shall be determined in the amount of HRK 750.00

(3) Article 14 of this Act shall apply when determining annual income tax for 2018 and onward.

Article 31

(1) The Minister of Finance shall harmonise the implementing provisions of the Income Tax Act (“Official Gazette”, no. 115/16) with the provisions of this Act within 90 days from the day of its entry into force.

(2) The provisions of the Income Tax Ordinance (Official Gazette, no. 10/17 and 128/17) shall remain in force insofar as it is not contrary to this Act.

Article 32

The Ministry of Finance shall carry out an ex post impact assessment as regards to this Act within two years from the day of its entry into force.

Article 33

This Act shall be published in the “Official Gazette” and shall enter into force on 1 January 2019.

NOTE, OFFICIAL GAZETTE, 121/19

Act on Amendments to the Income Tax Act

TRANSITIONAL AND FINAL PROVISIONS

Article 19

The Minister of Finance shall harmonise the implementing provisions of the Income Tax Act (“Official Gazette”, 115/16 and 106/18) with the provisions of this Act within 90 days from the day of its entry into force.

Article 20

The Ministry of Finance shall, in the period of two years from the day of this Act coming into force, make a subsequent assessment of the effects of this Act.

Article 21

This Act shall be published in the “Official Gazette” and shall enter into force on 1 January 2020.

NOTE, OFFICIAL GAZETTE, 32/20

Act on Amendments to the Income Tax Act

TRANSITIONAL AND FINAL PROVISIONS

Article 3

The provision of Article 2 of this Act shall be applied by the Tax Administration in the special procedure for the assessment of annual income tax and income tax surtax for 2019 and onwards.

Article 4

This Act shall enter into force on the first day from its publication in the “Official Gazette”.