**GUIDELINES FOR ADAPTATION OF THE ECONOMY IN THE PROCESS OF THE CHANGEOVER FROM THE CROATIAN KUNA TO THE EURO**

Coordination Committee for the Adjustment of the Economy and Consumer Protection has drafted a document “Guidelines for adaptation of the economy in the process of the changeover from the Croatian kuna to the euro” with the aim of timely informing businessmen about the preparations for the introduction of the euro as the national currency.

The adjustment is divided into three periods - the preparatory period, the dual circulation period and the period after the completion of the dual circulation.

Below is a summary of the guidelines.

Period of obligatory dual display starts on the first Monday in September 2022 and ends after 12 months from the date of the euro introduction (starts on 5 September 2022, and ends on 31 December 2023).

Dual circulation period begins on the date of the euro introduction and lasts for 2 weeks (14 days from the date of the euro introduction). Dual circulation period ensures that cash transactions may be executed both in euro and in kuna as the legal means of payment, i.e. during that period both euro and kuna will be put into circulation.

All reports for the preceding year and former years will be submitted in kuna, and the reports for the year in which the euro will be introduced and thereafter will be submitted in euro. The VAT form for December of the preceding year will be submitted in kuna in accordance with legal deadlines on 1 January of the year of the introduction of the euro as it refers to the period of the preceding year. The same will be applied to all other forms which will be submitted in the year of the euro introduction if they refer to the period of the preceding year (PO-SD, PO-SD-Z, DOH, GFI POD, ZPP-DOH, PD, PD-IPO and so on). Considering that there are forms which pursuant to tax regulations the paying agents submit to the recipient of the income and refer to preceding years, they have to be submitted in kuna, such as the Form for the Confirmation on paid remuneration, income and paid taxes and surcharges per deduction.

The forms related to tax and other obligations of a business entity to the state, i.e. claims of a business entity from the state which are submitted in the year of the euro introduction, and refer to preceding years, will be filled in kuna.

Declarations for corporate tax and income tax for the preceding year (for the period before the euro introduction), which are submitted in the year of the euro changeover will be submitted in kuna.

Corporate tax payers whose taxation period starts before the euro introduction, and ends after the euro introduction, will submit corporate tax declaration for that taxation period in euro.

In the reports for the year in which the euro was introduced – if these reports contain comparable data for the preceding year as well – data for the preceding year will be converted from kuna to euro in accordance with fixed conversion rate.

The Tax Administration will in the period of dual display (starting on the first Monday in September 2022, ending by 31 December 2023) indicate all financial data in decisions and in other output documents establishing tax obligation, in a dual manner, i.e. both in euro and in kuna.

In order to avoid additional costs in form of fees for maintaining the account, the account holder of separate accounts in kuna and in euro respectively, may within 60 days from the euro introduction day use the right to close one or more accounts without paying fees, and to transfer the amounts registered on those accounts to the account of own preference within the same institution.

In relation to the impact of the dual display of currencies on ledgers of incoming and outgoing invoices for the 2022 accounting period and formerly, the data are to be indicated in kuna, and for the accounting period starting from 1 January 2023, in euro.

Business entities who are VAT payers per transaction, and thus are subject to keeping ledgers of incoming and outgoing invoices, have to on 1 January 2023 pay special attention to correct conversion of data in the mentioned books, especially due to rounding of the base, the VAT amount and the invoice amount in total.

**During the dual display period, i.e. from 1 January to 14 January 2023, the fiscalisation of an issued invoice is to be done in euro.**

For business entities whose business year does not correspond to calendar year, the reports for the preceding business year (lasting from 1.3.2022 to 28.2.2023) cover the period before the decision of the Council on adoption of the euro, transitional period until the introduction of the euro and the period after the euro introduction. Such reports are to be submitted in the currency in force on the last day of the fiscal year, i.e. in this particular case the reports are to be submitted in euro.

Conversion variation for the data registered in books in relation to foreign currency (demands from foreign customers, obligations to foreign suppliers, received and given loans or credits in foreign currency and so on) on 31 December 2022 have to be converted in accordance with average exchange rate of the Croatian National Bank, pursuant to legal provisions.

Conversion of the final state in kuna will be implemented with application of the fixed conversion rate on 1 January 2023 for the initial accounting state.

All invoices issued after 1.1.2023 in currency other than euro, the VAT amount in total and the invoice amount in total have to be indicated in countervalue in euro as well, by applying average exchange rate of the Croatian National Bank.

Salaries for December 2022, to be paid in January 2023, needs to be paid in euro along with other contributions. The JOPPD form (Report on receipts, income tax and surtax and contributions for compulsory insurance) for December salary to be paid in 2023, will have indication 23xxx. All JOPPD forms containing 23xxx are submitted in euro. Finally, all delays in salaries, and of other taxable and non-taxable remunerations for the period ending on 31.12.2022 to be done in 2023, will be in euro, along with accompanying JOPPD form in euro, containing 23xxx.

Five (5) days prior to the date of the euro introduction, at the earliest, banks will be able to carry out the so-called simplified sub-frontloading, distributing cash in the amount of up to EUR 10 000 to business entities. Only micro business entities will have the right to participate in the procedure, that is, entities with less than ten employees and annual income below two million euro.

In exchange for the euro cash received in frontloading, business entities will have to submit appropriate collateral (for example a bank may block amounts in kuna on the account of a business entity in countervalue of euro cash which was frontloaded). The amount will be taken from the account on the day of the euro introduction. Therefore, there is no conversion at the moment of sub-frontloading, but on the day of the euro introduction the business entity “pays” the euro received in sub-frontloading.

It is important to point out that business entities need to keep the cash from the frontloading separately from all other euro cash, both in banknotes and in coins, other currencies, i.e. other assets in order to avoid their circulation before the date of the euro introduction.

The obligation of dual display starts on the first Monday in September 2022 and ends after 12 months after the date of the euro introduction (starts on 5 September 2022 and ends on 31 December 2023), and it will be implemented in accordance with the Act on Introduction of the Euro as the Official Currency in the Republic of Croatia, Consumer Protection Act and the Ordinance on method of display of retail prices and prices per a unit of measure for goods and services.

**The obligation of dual display applies exclusively to direct relation with consumers.**

Only the fixed conversion rate established by the Council of the European Union For is used for the conversion of kuna to euro, and it generally consists of six digits.

Conversion of prices by application of a shorter version of the fixed conversion rate rounded for example to two decimal units **is not allowed**.

* If the third digit after a comma is less than five (from 0 to 4), the value of the cent does not change;
* If the third digit after comma equals or is higher than five (from 5 to 9), the cent is rounded by one value.

For amounts which are after application of the fixed conversion rate and conversion rules smaller than a cent, that part of the total debt from a debtor to a creditor is released, i.e. that part of the total debt is written off ex-officio in accordance with the Act on Introduction of the Euro as the Official Currency in the Republic of Croatia.

**The fixed conversion rate has to be displayed as well on a visible spot in the premises or at the place of the service provision. The fixed conversion rate has to be indicated on the websites and self-service systems in a visible and readable manner. In case of phone sales, it has to be clearly communicated.**

When indicating prices of goods and services we suggest ISO code EUR or designation €. Both EUR and € in Croatian texts follow the amount and are separated by a hard space (for example the amount of 30 EUR or 30 €).

Dual display obligation refers to **display on the total shown on receipts**.

Cash registers and other point-of-sale terminals of business entities have to be adapted to dual display so that **the total on receipts could be indicated in both currencies**.

**The receipt has to contain fixed conversion rate as well.**

During dual display, business entities will have to indicate the amounts on salary slips and other remuneration for work paid to the employee’s account (copyright agreements, work contracts, travel orders, Christmas bonus, holiday bonuses, child bonuses and so on) in both currencies.

The amount of salary set by employment contracts and by other acts establishing the amount of salary and of other remuneration in kuna will be converted into euro using the fixed conversion rate and in accordance with the conversion and rounding rules regulated by the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia.

The same applies to employment contracts which will not be subject to modifications only for introduction of the euro as the official currency. Amounts in working regulations, annexes to contracts and so on, which will be modified after the introduction of the euro, have to be indicated in the euro.