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Factsheet for case **HR-2020-14/321**

Cancellation and reduction of taxes and social contributions

Factsheet generated on 04 May 2020, 07:21

Country	Croatia, applies nationwide
Time period	Temporary, 02 April 2020 - 31 December 2020
Type	Legislation or other statutory regulation
Category	Supporting businesses to stay afloat – Deferral of payments
Case created	06 April 2020 (updated 30 April 2020)

Background information

Croatia is a small country highly dependable on tourism and related services, which represent around 18-20% of its GDP. Therefore, the consequences of the coronavirus on Croatian economy should be seen primarily through this economic sector and its spill-over effects on the whole economy. As the share of exports in Croatia's GDP, primarily due to positive trends in tourism, has increased over the last 10 years, so its GDP has become increasingly sensitive to changes in exports. Furthermore, the share of very small and SME in Croatia is more than 90% in total employment, while these business entities are characterized by relatively high outlays for taxes and social contributions. For them in mentioned circumstances of high illiquidity problems, the fiscal relaxation due to the deferral payment could mean the possibility to sustain on the market.

Content of measure

The Government decided on 2 April 2020 that for companies that have revenue of up to HRK 7.5 million (€ 1 million) and have a revenue drop of more than 50%, taxes and contributions will be completely written off over the next three months. For companies that have revenue of more than HRK 7.5 million (€ 1 million) and have a revenue drop of more than 50 -100%, taxes and social contributions will be proportionally written off over the next three months.

Therefore, if a company has a revenue drop of 75%, it will pay 25% of taxes and contributions over the next three months. The companies that generate more than HRK 7.5 million (€ 1 million), the 7% of big

companies, will be exempt from their tax liabilities in proportion to the decrease in their revenue in April, May, and July. If their revenue has decreased by 20% to 50%, they are entitled to a deferral and interest-free payment in installments, those whose revenue has decreased by 50% to 100% will pay proportionately, and if their revenue has decreased by 75%, they will only pay 25% of their tax liabilities.

Use of measure

Not yet known at this stage.

Actors, target groups and funding

Actors	Target groups	Funding
National government	All companies	No special funding required

Social partners

Role of social partners	No involvement
Form of involvement	No involvement

Due to the nature of the measure, social partners were not involved.

Sectors and occupations

This case is not sector-specific.

This case is not occupation-specific.

Sources

- 02 April 2020: Prijedlog zaključka o drugoj skupini mjera za pomoć gospodarstvu uslijed epidemije koronavirusa (vlada.gov.hr)
- 07 April 2020: Zakon o dopuni Općeg poreznog zakona (narodne-novine.nn.hr)
- 08 April 2020: Pravilnik o izmjenama i dopunama Pravilnika o provedbi Općeg poreznog zakona (narodne-novine.nn.hr)