

# Croatia: Severance pay/redundancy compensation

Croatia

Phase: Management

Type: Severance pay/redundancy compensation

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Native name:

Zakon o radu 93/2014, 127/17, 98/19; Pravilnik o porezu na dohodak 10/17, 128/17, 106/18, 1/19, 80/19, 1/20 i 74/20. 1/21

English name:

Labour Act 93/2014, 127/17, 98/19) and related; The Book of Rule on the Law on Personal Income Tax 10/17, 128/17, 106/18, 1/19, 80/19, 1/20 i 74/20, 1/21

#### Article

Labour Act: Article 126, 137; The Book of Rule on the Law on Personal Income Tax: Article 7

#### Description

An employee whose employment contract is terminated after two or more years of continuous service has the right to severance pay, unless the notice is due to the employee's misconduct, in which case no right to severance pay holds. Under the provisions of the labour act, in the event of a business transfer, the years of service with the previous employer are added to the transferred employment contracts, which are considered to be continuing contracts from the previous employment.

The severance pay amount is determined by the length of service. The minimum severance pay amount for each year of service is one-third of the average monthly salary earned by the employee in the three months prior to the termination of the employment contract. Unless otherwise specified by law, collective agreements, employment regulations or employment contracts, the total severance pay amount may not exceed six times the average monthly salary earned in the three months prior to the termination of the employment contract.

In accordance with article 7 (2 - 15, 16) of the Book of Rule on the Law on Personal Income Tax, severance pay due to business reasons is exempt from taxation up to the amount of HRK 6,500 ( $\leq$ 860) for each year of service with the same employer. Severance pay due to injury or occupational illness is exempt from taxation up to the amount of HRK 8,000 ( $\leq$ 1,060) for each year of service with the same employer.

#### Comments

This is a general regulation, not specific to collective dismissals.

#### Cost covered by

**Employer** 

# Involved actors other than national government

National goverment only

### **Thresholds**

No, applicable in all circumstances

## **Sources**

■ Labour Act 93/2014 (http://narodnenovine.nn.hr/clanci/sluzbeni/2014\_07\_93\_1872.html)

Book of Rule on the Law on Personal Income Tax (https://www.poreznauprava.hr/hr\_propisi/\_layouts/in2.vuk.sp.propisi.intranet/propisi.aspx#id=pro1657)



Revision log summary