




INVESTMENTS INCENTIVES

**INVEST IN CROATIA
AND PAY ZERO TAX**

INVESTMENT PROMOTION ACT (OFFICIAL GAZETTE NO 102/15)

Regulation on investment promotion (Official Gazette No 31/16)

Investment, initial investment or investment project means initial investment for micro, small, medium-sized and large enterprises in tangible and intangible assets of the aid beneficiary amounting to:

- a minimum of EUR 50 000 expressed in equivalent HRK value, with at least three jobs created for micro-enterprise, or;
50 000 EUR 
- a minimum of EUR 150 000 expressed in equivalent HRK value, with at least five jobs created in relation to the investment project, or;
150 000 EUR 
- a minimum of EUR 13 million expressed in equivalent HRK value, with at least 10 jobs created in relation to the investment project and requiring university qualifications.
13 000 000 EUR 

Incentive measures

(when considering the incentives, the overall limit of the incentives must be taken in to account)

Tax incentives	Decrease of the corporate income tax rate, depending on the amount of the investment and the number of new jobs created.*
Non-refundable aid for new jobs	Depending on the unemployment rate in the county in which the investment is located. County unemployment rate is divided in 3 categories: <ul style="list-style-type: none"> ▪ unemployment up to 10% (aid amount max EUR 3.000 per job); ▪ 10-20% (aid amount max EUR 6.000 per job) and ▪ above 20% (aid amount max EUR 9.000 per job).
Non-refundable aid for eligible training costs - up to 70% of the eligible training costs	Depending on the size of the enterprise and the type of the training. Eligible training costs are costs related to the training of the employees for working on the jobs created by the investment project (e.g. lecturer costs, costs of materials directly related to the training, costs of consultancy services, administrative and other general indirect costs associated with the training).
Aid for: a) development and innovation activities b) business support activities c) high value-added services	Additional non-refundable aid for eligible costs of new jobs created in specific business activities (depending on the type of the business activity non-refundable aid for new jobs created is multiplied by certain percentages): <ul style="list-style-type: none"> - for a) and b) up to 25% - for c) up to 20%
Non-refundable aid for capital investments above 5 million Euro and above 50 new jobs created	Non-refundable aid for eligible costs of capital investment projects (the construction costs of a new factory and production facility, the costs of purchasing new machinery and production equipment), in the amount of 10% or 20%, depending on the unemployment rate in the county in which investment project is located. County unemployment rate 10-20 % – Investment amount 10 %, not exceeding € 0.5 million County unemployment rate ≥ 20 % – Investment amount 20 %, not exceeding € 1 million
Non-refundable aid for new jobs created in the labour-intensive investment project (min 100 new jobs created in the period of 3 years from the start of the investment)	Depending on the number of the new jobs non-refundable aid for new jobs created is multiplied by certain percentage (additional 25% for 100 jobs, 50% for 300 jobs, 100% for 500 jobs).

* Jobs created means any increase of the number of employees in relation to the established initial situation at the beginning of an investment, where the initial situation regarding the number of employees at the beginning of an investment means the average number of employees in the previous twelve months before the beginning of an investment. In case of a loss of an employee, respective position must be replaced to reach the initial number of employees at the beginning of an investment.

CLASSIFICATION OF ENTERPRISES / SIZE OF ENTERPRISE

(when classifying enterprises one should also consider affiliated enterprises)

Enterprise category	Number of employees	and	Annual turnover	or	Balance sheet
Large	≥ 250	and	> 50 million EUR	or	> 43 million EUR
Medium	< 250	and	≤ 50 million EUR	or	≤ 43 million EUR
Small	< 50	and	≤ 10 million EUR	or	≤ 10 million EUR
Micro	< 10	and	≤ 2 million EUR	or	≤ 2 million EUR

TAX INCENTIVES

The minimum period for maintaining the investment and newly created jobs linked to an investment is five years for large enterprises, and three years for small and medium-sized enterprises, but no less than the period of use of the incentive measures.

Investment amount	New jobs	Corporate income tax rate	Incentive period
≥ EUR 50,000*	≥ 3	50%	5 years
EUR 0.15-1 million	≥ 5	50%	10 years
EUR 1-3 million	≥ 10	25%	10 years
above EUR 3 million	≥ 15	0%	10 years

* Applicable only to micro enterprises

INCENTIVE FOR INVESTMENT IN THE MINIMUM AMOUNT OF EUR 13 MILLIONS (APPROX. HRK 99 MILLIONS)*

Provided that ten new jobs requiring university degree are created and linked with the investment project.

Incentive	Financing
Aid ensuring unchanged business conditions	Co-financing up to the difference in tax liabilities and liabilities arising from contributions determined in accordance with the regulations that were in force at the time of filling the application and tax liabilities and liabilities arising from contributions in accordance with the regulations enforced at the time of calculation of those commitments, for a period of 10 years from the start of the investment.*
Incentives for investment	Co-financing of a part of tax liability (other than VAT) or a part of the amount of the liability to pay contribution in the period up to 10 years from the start of the investment.*
Incentives "half and half"	Subsidy up to 50% of personal income tax on employment income and/or subsidy up to 50% of corporate income tax and prepayments of corporate income tax.*
Grace period for tax liabilities	A loan to pay tax liabilities, except value-added tax, in the period of three years from the start of the investment, free of interest.*

* Which taxes and contributions shall be co-financed (in which part and the amount), as well as other applicable conditions are regulated by the Agreement on the preparation and implementation of the project concluded with the competent ministry.

ZERO TAX ZONE

ZERO TAX ZONE

An application for acquiring the status of a beneficiary of incentive measures **must be submitted before the beginning of the investment**, i.e. before construction has started or first equipment is ordered.

THE INCENTIVE MEASURES FOR INVESTMENT PROJECTS PERTAIN TO INVESTMENT PROJECTS AND TO STRENGTHENING COMPETITIVENESS IN:



Manufacturing and processing activities



Development and innovation activities

Improvement and modernization of:

- products;
- production series;
- production processes;
- manufacturing technologies.



Business support activities

- customer/Client contact centres;
- centres for outsourced business activities;
- logistics and distribution centres;
- ICT system and software development centres.



High value-added services

- creative services activities (e.g. activities related to the architecture, design, media communication and marketing, publishing, art activities);
- tourism services activities (e.g. opening of four/five stars hotel, aparthotel, tourist resort and camps; accommodation facilities rebuilt by the restoration of cultural and historical heritage; projects related to the health, nautical, congress and cultural tourism, recreational centres, ecological and other innovative touristic projects);
- management, consulting, education services;
- industrial engineering services.

This publication has been prepared for general guidance and as such does not constitute professional advice and it should not be used as a substitute for consultation with professional accounting, tax, legal or other competent advisors.

The application and impact of law, rules and regulations can vary based on specific facts involved. For making any decision or taking any action you should consult professional advisors.

Sigma business consulting ltd can provide you professional advisory service and help you to identify the possibility for utilization of the incentive measures, provide you with expert assistance in preparing documentation, guide you through complex administrative procedure and steer your business to success.



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