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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

With a GDP per capita of USD 16,250 (IMF, 2021), the Croatian consumer is less wealthy than their Western European counterparts but also richer than all other nations in the Balkans except for Slovenia. The Croatian population is ageing and shrinking slightly with a median age higher than the EU average (43.9 years as opposed to 43.1 years) and a net growth rate of -0.48% (CIA World Factbook, 2020 and 2021 est.).

Croatians spend as much as 18.3% of their budget on food, one of the highest rates among EU member states (Eurostat, 2019 latest data available). On the other hand, housing expenditure is less significant than the EU average (16.2% as opposed to 23.5% - Eurostat, 2019 latest data available).

The income inequality within different regions and social groups is somewhat greater than the EU average, but not too high within the global context, with the country having a Gini index of 29.3 points according to the World Bank's latest data available.

Consumer Behaviour

While Croatia is one of the wealthiest countries in the Balkans, Croatian consumers remain price-sensitive and are not particularly open to new brands entering the market. After struggling with years of recession, Croatian consumers are now able to increase their spending and have renewed optimism in their economy. The Economic Sentiment Indicator (ESI) hit its highest level (118.8 out of 100) in February 2018 since the European Commission has been monitoring this indicator for Croatia.

Croatian consumers prefer local brands when shopping from traditional retail stores, however, they have a strong preference for international online retailers (40% of Internet users buy mostly from foreign websites) (ITA, 2019 latest data available). Nonetheless, e-commerce is far from reaching maturity as enterprises only generate 14% of their revenues through this medium (EU average 20%) (Eurostat, 2020).

Consumers Associations

[National Consumer Protection Council](#)

[Croatian Association for Consumer Protection](#)

IMPORTING & DISTRIBUTING

Import Procedures

A Croatian importer is responsible for providing the required import documentation, which consists of common trade, transport, and customs documents, as well as certificates required for quality control and licenses where appropriate. The Single Administrative Document (SAD) that is used by the EU and most other countries is the key customs document in Croatia as well.

As part of the "SAFE" standards set forth by the World Customs Organization (WCO), the European Union has set up a new system of import controls, the "Import Control System" (ICS), which aims to secure the flow of goods at the time of their entry into the customs territory of the EU. This control system, part of the Community Program eCustoms, has been in effect since 1 January 2011. Since then, operators are required to pass an Entry Summary Declaration (ENS) to the customs of the country of entry, prior to the introduction of goods into the customs territory of the European Union.

Croatia is a member of the [CEFTA](#) (Central European Free Trade Association) as well as the [WTO](#) (World Trade Organization) and has signed agreements of free trade with the countries of CEFTA and Turkey.

For more information, please visit the [Croatian Customs website](#).

Distribution market players

There are an estimated 7,500 retail outlets in Croatia (including kiosks, small shops and open markets). Recently, newly developed shopping centres (such as Importanne, King Cross, Kaptol Centar, Avenue Mall, City Centar One, West Gate, Garden Mall and Arena Centar in Zagreb), supermarkets and modernised national retail chains newly established (such as Konzum, Dinova-Diona, Prehrana, Plodine) and foreign chains (such as Billa, DM, Mercatone, Metro, Bauhaus, Baumax, Kaufland, Lidl and Interspar) have become dominant players in the market. (ITA, 2019 latest data available)

In early 2017, the largest chain store Konzum, whose parent company is Agrokor, faced major financial difficulties. The Croatian government intervened to prevent bankruptcy and appointed a commissioner to help creditors restructure the company.

There is an increasing trend towards internationalisation and concentration in the sector, including the development of shopping centres, department stores and the establishment of international hypermarket chains.

OPERATING A BUSINESS

Type of companies

Društvo s ograničenom odgovornošću or D.O.O. (Private Limited company)

Number of partners: One or more person.

Capital (max/min): Minimum capital: HRK 20,000, totally released

Shareholders and liability: Liability is limited to the amount contributed

Dioničko društvo or D.D. (Public Corporation)

Number of partners: One or more person.

Capital (max/min): Minimum capital: HRK 200,000

Shareholders and liability: Liability is limited to the amount contributed

Javno trgovačko društvo or J.T.D. (General partnership)

Number of partners: Minimum 2 partners.

Capital (max/min): No minimum capital required.

Shareholders and liability: Every partner has unlimited liability with all his/her assets.

Komanditno drustvo or K.D. (Limited partnership)

Number of partners: Minimum 2 persons: one general partner and one limited partner

Capital (max/min): No minimum capital required.

Shareholders and liability: At least one partner (general partner) has unlimited liability with all his/her assets and at least one (other) partner has limited liability proportional to the invested assets.

Setting Up a Company	Croatia	Eastern Europe & Central Asia
Procedures (number)	7.0	5.3
Time (days)	19.5	11.8

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

In 2021, the minimum gross wage is HRK 4,250 per month according to the Croatian Ministry of Labour and Pension System.

Average Wage

In 2021, the average gross monthly salary is HRK 9,373 according to the Croatian Bureau of Statistics.

Social Contributions

Social Security Contributions Paid By Employers: 16.5% on salaries

Social Security Contributions Paid By Employees: 20% on the gross wage

Intellectual Property

National Organisations

The body responsible for industrial property is the [State Office for Intellectual Property](#).

Croatia signed the [Agreement of Paris](#) concerning the protection of industrial property and the agreement which establishes the World Intellectual property Organization (WIPO). They are a part of the [Agreement of Madrid](#), on the international register of the trademarks.

International Membership

[Membership to the TRIPS agreement](#) - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

TAX RATES

Consumption Taxes

Nature of the Tax

Value Added Tax - *Porez na dodanu vrijednost* (PDV)

Tax Rate

25%

Reduced Tax Rate

Exempt: public interest activities, postal service, hospital services and health care services, social care services, financial services, insurance transactions, real estate transactions, services closely linked to sports, etc.

5%: bread, milk, technical and educational books, medicine (approved by the State Health Insurance Office), surgical material for implants, scientific magazines, cinema tickets, newspapers and magazines published daily.

13%: on accommodation services, daily and periodic newspapers/magazines (if not for advertising purposes), oils and fats for human consumption in accordance with special legislation, supply of water (with the exception of water marketed in bottles or any other packaging), white sugar produced from sugar cane or sugar beet, car seats, babies' nappies, baby food and processed grain food for infants and small children, concert tickets, restaurants and catering services, urns and coffins, seedlings and seeds, fertilizers and pesticides and other agrochemical products, animal food, excluding food for pets, live animals, fresh or cooled meat, fresh meat products, fresh fish, fresh crabs, fresh vegetables, fresh fruit and nuts, fresh eggs, writers, composers and artists' services and related royalties, etc.

Other Consumption Taxes

Excise taxes are levied on oil products, tobacco, alcoholic beverages, soft drinks, coffee, electricity, natural gas, coal and coke, personal cars (except for electric cars) and luxury products.

Corporate Taxes

Company Tax

18%

Tax Rate For Foreign Companies

Non-residents are only taxed on their Croatia-source income.

Capital Gains Taxation

Capital gains are included in taxable income and taxed at the standard corporate income tax rate of 18% (or 10% for companies whose annual income is below HRK 7.5 million).

Main Allowable Deductions and Tax Credits

Amortisation of tangible and intangible assets is tax-deductible at rates ranging from 5% to 50%. Land, financial assets, cultural monuments and works of art are not affected by this depreciation. Goodwill cannot be amortised for tax purposes.

Start-up expenses can be deducted in the year in which they were incurred.

Interest charges are deductible up to the higher of 30% of taxpayer's earnings before interest, tax, depreciation,

and amortisation (EBITDA), or to EUR 3 million. Interest expenses that cannot be deducted in their year of occurrence may be carried forward to a period of three years.

Bad debts are generally deductible. Receivable write-offs that are made in line with the regulations on bankruptcy that apply to special interest entities, are also deductible.

Donations to charitable organisations are deductible up to 2% of the previous year's taxable income. This rate can be exceptionally higher if donations are made according to ministerial policies on the funding of special activities or programmes.

Fines and taxes are not tax-deductible.

Tax losses can be carried forward up to five years. The carryback of losses is not permitted.

Other Corporate Taxes

The purchase of real estate is subject to a property transfer tax of 3% of the market value of the property in question. The acquisition of property subject to VAT is exempt from property transfer tax. There is no regular property tax to pay.

Social security contributions payable by the employer amount to 16.5% of salary. Companies with more than 20 employees not complying with prescribed requirements for disabled employees are obligated to pay a monthly fee amounting to 30% of minimal salary (HRK 4,687.50 in 2022).

Employers are not liable for payroll tax, but they are required to withhold between 20% and 30% of their employees' gross income.

The annual membership fee to the Croatian Chamber of Commerce (mandatory) varies between HRK 42 and HRK 3,973 depending on the type of company.

No stamp duties are levied in Croatia. Companies may be subject to forest contributions, tourism contributions, and cultural monument contributions.

Other Domestic Resources

[Consult Doing Business Website](#), to obtain a summary of the taxes and mandatory contributions.

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[See the list of the Double Taxation Agreements](#)

Withholding Taxes

Dividends: 0 (resident company)/10%/20% (if paid to a company in a blacklisted country)/10% (for individuals),

Interest: 0 (resident company)/15%/20% (if paid to a company in a blacklisted country)/10% (for individuals),

Royalties: 0 (resident company)/15%/20% (if paid to a company in a blacklisted country)/20% (for individuals).