

Croatia VAT

A tax professional's essential guide to calculating, reporting and paying VAT in Croatia



Introducing VAT in Croatia...

Despite being one of Europe's newest countries, having only declared independence in 1991, Croatia's VAT regime has a long and varied history.

VAT was initially introduced in the country in 1998 and was comprehensively updated in 2013 once Croatia had joined the European Union; ensuring its VAT regulations matched those outlined in the EU's VAT Directive.

The most significant change for businesses in Croatia at this time was the reclassification of imports from or exports to the EU as 'arrivals' and 'supplies/despaches' respectively.

As a result, VAT is no longer charged on such transactions and the customer instead accounts for VAT through the reverse charge mechanism.

It is the responsibility of the Croatian Tax Administration - known locally as Porezna Uprava - to uphold the laws and issue penalties in cases of non-compliance.

Any business trading in Croatia or selling to Croatian consumers should check whether it should be collecting and paying VAT in the country. While there are many quirks to consider, generally speaking any organisation providing goods or services in Croatia without having a registered office in the country will be considered a VAT payer.

Registration for Croatian VAT becomes mandatory once turnover exceeds HRK 270,000 - or approximately €35,000.

To remain compliant, businesses will also need to meet rules on invoicing, foreign currency reporting, reverse charges and much more.

What VAT rates apply?

25% **Standard**
Most goods and services

13% **Reduced**
e.g. some food, water supplies, concert tickets, hotel rooms and electricity

5% **Reduced**
e.g. some medical equipment, books, newspapers and cinema tickets

0% **Zero**
e.g. some international transport

Registering for Croatia VAT

Foreign businesses that trade goods and services in Croatia are likely to be required to register for VAT in the country. Typical scenarios that mandate registration include:



Buying and selling goods locally



Importing goods



Online sales to Croatian consumers



Intra-community supplies to Croatian consumers (above the threshold)



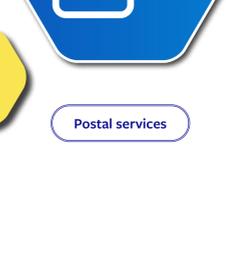
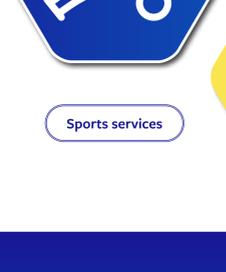
Organising live events with paid admission in Croatia

Exemptions

Foreign currency

Radio and TV

Casino winnings



Sports services

Postal services

Reporting

Businesses registered for VAT in Croatia must meet a number of reporting obligations.

These include:

1 Companies must electronically file VAT returns by the 20th day of the following month.

2 Businesses with turnover under HRK 800,000 in the previous year can submit quarterly.

3 Any annual adjustments must be made in the VAT return for December.

4 Intra-community transactions have to be reported in an EC Sales and Purchase List.

5 Records of incoming invoices must be submitted by the 20th of each month.

Tax point

In Croatia, the tax point - the time of supply - is the moment that determines when VAT is due.

In transactions where a VAT invoice has not been presented (i.e. many B2C sales), the tax point is generally considered to be the earliest of two occasions - either when the physical supply of goods is made or when payment is received.

When an invoice is issued (i.e. many B2B transactions), the tax point is usually regarded to be the invoice date.

For services where no VAT invoice is given, the tax point is the time when the service is delivered to the customer or the payment, whichever occurs earliest.

In longer B2C services the tax point occurs when the service has been completed.

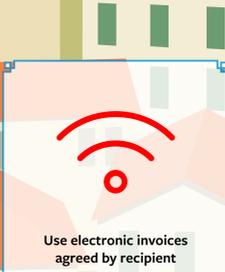


Compliance

After registering for VAT in Croatia, businesses must follow a series of regulations in order to remain compliant. These state taxpayers must:



Issue invoices with disclosure details



Use electronic invoices agreed by recipient



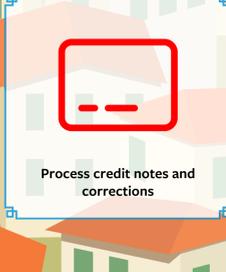
Use only approved foreign currency rates



Maintain accounts for at least 10 years



Invoice customers in line with time of supply rules



Process credit notes and corrections



DID YOU KNOW...

Non-resident VAT payers that do not have a fixed establishment or place of residence in Croatia can still claim a refund of Croatian VAT - providing they have not made taxable supplies for which they are liable to account for VAT in the country.

With Croatia now a member of the EU, businesses from other EU member states may use the 8th Directive VAT recovery claim.

What's more, non-EU businesses can apply for a VAT refund through the 13th VAT Directive process.



5%

A reduced rate of VAT is applicable to the supply of natural gas until at least 31st March 2023. Until this date, VAT should be calculated and paid at just 5%.



HRK 300,000

Domestic businesses will be required to register for Croatian VAT system once their supplies for the previous or current calendar year surpass HRK 300,000.

1998

The first year in which VAT was introduced in Croatia. In 2013, the country joined the European Union and its VAT system was updated to be in line with the EU VAT Directive.



The expert's view

By Nathan Farmer, Commercial Director



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Croatia might not yet have the same recognition as a business powerhouse on par with its neighbour across the water, Italy, but it is swiftly garnering a reputation for certain industries.

These include chemicals and plastics, electronics and construction materials.

Its location on the Adriatic Sea, close not only to Italy but also to both central and western Europe, also make it a popular shipping destination and key part of the global supply chain.

As such, we've seen more businesses require a solution for Croatian VAT in recent years, as they seek to tackle the unique challenges of its 24-year-old regime.

The good news for many is that, as a member of the EU, Croatia's VAT system deploys the majority of features outlined in the EU's VAT

Directive and therefore shares many similarities with VAT in other European countries.

However, no two VAT regimes are the same, so it's important to have a solution in place that is capable of meeting the requirements and circumnavigating the nuances of VAT in Croatia.

At Innovate Tax, we have an out-of-the-box automation solution for Oracle that enables clients to enjoy seamless and reliable determination and reporting of Croatian VAT within their ERP.

Similarly, for users of other ERPs such as SAP and Workday, we offer a range of services designed to implement automated workflows within your setup to drive complete automation of Croatian VAT.

Get in touch with us today for more information - and enjoy the peace of mind that comes from knowing you have VAT in Croatia covered!

