



OTP Bank Group

Market: Croatia

Date: October 12th, 2023

Category: Market News

Changes and amendments to the Income Tax Act and the Profit Tax Act – update

In an update to our previous newsflash, please be advised that the amendments to the Profit Tax Act and Income Tax Act will be effective **from 1 January 2024**, except of the following two amendments, which will be effective **from 12 October 2023**:

- change in the Profit Tax Act is the increase of the withholding tax from 20% to 25% applicable to all remunerations payable under the Article 31 of the Profit Tax Act (including dividend and interest) to legal entities resident in countries from the EU List of non-cooperative tax jurisdictions, not having a Double Taxation Treaty with Croatia and
- exemption from withholding tax on interest, royalties, dividends and shares in profit for related companies that are residents of the European Economic Area (Norway, Iceland and Lichtenstein) for tax purposes under the same conditions prescribed for related companies that are residents of a member state of the European Union for tax purposes (article 31f).

Likewise, there is an additional exemption from the obligation to calculate **capital gains tax** on government bonds and other debt securities and money market instruments issued by the Republic of Croatia (RH) and units of local and regional self-governments, if these securities are sold before the expiry of the 2-year period (disposal of financial assets is not considered as disposal of debt securities and money market instruments issued by RH and local and regional self-government units).



Please find a table overview of tax rates, existing and future ones:

Current standard tax rates in Croatia:	
Dividend income	
Legal entities	10%
Private Individual	10% + surtax
Interest income	
Legal entities and private individuals	not subject to withholding tax over interest payments; 0%
Exemption for dividend and interest	20%, for investors based in non-cooperative tax jurisdictions (except for interest from bonds), not having a Double Taxation Treaty with Croatia
Capital Gains	
Private Individual	10% + surtax (depends on the registered residence of the private individual)
Stamp Duty	no
VAT	not applied on financial services such as safekeeping services

Tax rates in Croatia from 01.01.2024.:	
Dividend income	
Legal entities	10%
Private Individual	12%
Interest income	
Legal entities and private individuals	not subject to withholding tax over interest payments; 0%
Exemption for dividend and interest	25% , for investors based in non-cooperative tax jurisdictions (except for interest from bonds), not having a Double Taxation Treaty with Croatia
Capital Gains	
Private Individual	12% (exception for disposal of government bonds and money market instruments issued by the Republic of Croatia)
Stamp Duty	no
VAT	not applied on financial services such as safekeeping services

Impact: For information purposes

Required actions: -

Application date: January 01, 2024.2024.

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