



i-paye



**Guide to Contracting in  
Croatia**



# COUNTRY HIGHLIGHTS (2017)

## Croatia – Individual

Currency	Croatian Kuna (HRK)
Tax Year	Starts 1 January    Ends 31 December
Tax Rates	Personal Allowance 2,600HRK Per Month  First 26,400 HRK at 12% Next 132,00 HRK at 25% Balance at 40%  Local Municipal Surcharges between 0 and 18%
Social Security	Employers Social Between 17.2% Employees Social 20% which is deductible before the calculation of Income Tax.

### **Tax Residency**

An individual becomes Tax Resident in Croatia if a person own or has at their disposal an abode for more than 183 days in Croatia.

An individual who is Tax Resident is taxable on Worldwide Income except if exempt under a double taxation treaty.

An individual who is not Tax Resident is taxable in Croatia on Income earned or generated there.

### **Social Security**

Social Security is payable in Croatia unless the individual is paying Social Security in the country in which their employer is based and they are habitually resident. A certificate of continuing liability to Social Security is required to exempt the individual from Bulgarian Social Security.

### **Right to Work**

EU and EEA Nationals have an unfettered right to work in Croatia without the need to hold a VISA or Work Permit. However, countries that have imposed transitional measures on Croatian Nationals are required to obtain Work Permits until the transitional period has ended which typically would be five years after Croatia joined the EU which was 1 July 2013.

Other Nationals, generally, need to have the relevant approval from the Croatian Ministry of Internal Affairs before they accept a role in Croatia.

# I-PAYE Service

I-PAYE is registered as an employer in Croatia and all individuals are engaged on contracts of employment.

All income is reported to the Croatian Tax Authorities, with deduction for expenses allowed under Croatian Law. Any expenses that are reimbursed that are not allowed or are above published rates will be subject to Croatian Taxation and Social Security at the appropriate rates.

I-PAYE will provide UK Nationals that habitually reside in the UK. I-PAYE will not normally seek to employ Croatian or other European Nationals on assignments based in Croatia.

## As an employee of I-PAYE then you simply would register as working in Croatia and the rest is down to us.

### Frequently Asked Questions

**Q. I currently work on a project in the United Kingdom through a PSC and have an assignment in Croatia, is it true that I can operate the same model in Ireland?**

A. Under Croatian Domestic Law a UK PSC may be considered as having a Permanent Establishment in Croatia, which means that all income derived by the business will be subject to Croatian Taxation. No matter the taxation position of the company any employment income paid in respect of duties performed in Croatia will be subject to Croatian Taxation and Social Security from day 1.

In addition any dividends payable to shareholders will be subject to Croatian Dividend Taxation either at resident or non-resident rates.

**Q. What happens if I choose to ignore the rules?**

A. Croatia as with all European Countries may seek to apply the Mutual Assistance Recovery Directive (MARD) to request the UK and other Tax Authorities to collect any unpaid moneys due.

From 1 October 2017 new legislation has been enacted in the United Kingdom that means that any entity engaging in or with business that evades taxation in a Foreign Country will be subject to an unlimited fine. Failing to report income to the Croatian Authorities is Tax Evasion, not avoidance, and under Croatian Law would generally lead to a criminal conviction.

**Q. I want to do it correctly where should I seek advice?**

A. Unfortunately, the Croatian Tax Office only provide advice in Croatian and many of the general advice given on other websites is out of date. Specialist advice should be sought before going on assignment.

More information is available from I-PAYE on 0151 449 3500



e [info@i-paye.com](mailto:info@i-paye.com)

t +44 (0) 0151 449 3500

w [www.i-paye.com](http://www.i-paye.com)

f +44 (0) 0151 203 3130

