

Introduction of the second package of COVID-19 measures

On 2 April 2020, the Croatian Government adopted the second package of measures to help the Croatian economy fight the COVID-19 uncertainties. The new package will be enacted through the urgent legislative procedure.

We present you with a summarized overview of some of the new COVID-19 economic measures adopted by the Croatian Government. EY Croatia will continue to monitor and update you with further legislative developments and implementation details of individual measures as determined in the respective legislation.

Total combined value of COVID-19 April economic package exceeds **HRK 18bn**

1 The Set of Tax Measures

The total value of tax measures package exceeds **HRK 10bn**

Where extraordinary circumstances affected the ability of businesses to settle their tax liabilities or seriously affected the ongoing business, the following economic measures may be utilized:

- ▶ Companies that **did not exceed an annual turnover of HRK 7.5m** (approx. EUR 1m), from supply of goods and services in the previous year, and **have a decrease in monthly revenue of more than 50% year over year (YOY)**, are entitled to **exemption in full from the obligation to pay taxes** (VAT excluded) and social contributions for the months of April, May, and June;
- ▶ Companies that **did exceed an annual turnover of HRK 7.5m** (approx. EUR 1m) from supply of goods and services in the previous year, and **have a decrease in monthly revenue of more than 50% YOY**, are entitled to **proportional exemption from the obligation to pay taxes** (VAT excluded) and social contributions for the months of April, May and June. The proportional exemption will correspond to the percentage of revenue decrease of the taxpayer;
- ▶ As already encompassed by the COVID-19 March economic measures, all companies that are affected by the extraordinary circumstances and have a **decrease in monthly revenue of more than 20% YOY** may request an **interest-free deferral** for payment of taxes (VAT excluded) and social contributions for a period of three months. After expiry of the three-month period, taxpayers will be able to request repayment of taxes and social contributions in up to 24 installments;
- ▶ All taxpayers, irrespective of their annual turnover, may **defer VAT obligations to the moment when the invoice issued by the taxpayer has been settled**. The exact criteria for applying the VAT deferral are to be prescribed by the respective Bylaws.
- ▶ **VAT on imported goods is not to be paid upon customs clearance**. Instead, it will be charged through the VAT return of the taxpayer;
- ▶ Some of the **donations** made will not be subject to VAT. The exact criteria are to be prescribed by the respective Bylaws;
- ▶ The deadline for **submission of financial statements is deferred to 30 June**, and the Croatian Financial Agency (FINA) will not charge administrative fees for public disclosure of financial statements. It is expected that the Minister will defer the statutory deadline for submission of the corporate income tax return in the respective Bylaws.



2 The Set of Measures Assisting Employers Maintain their Workforce

The total value of financial aid for employment exceeds **HRK 8bn**

Retention of jobs presents one of the biggest challenges of the COVID-19 outbreak. The Croatian Government increased the measures aimed at assisting employers to maintain their workforce, and has adopted the following measures:

- ▶ Financial Aid for preserving jobs in the sectors affected by COVID-19 outbreak is **increased from HRK 3,250 to HRK 4,000 per employee for April and May**;
- ▶ The employers are **exempted from the obligation to pay social contributions** corresponding to the amount of salary received as financial aid for the the purpose of preserving jobs;
- ▶ Such exemption is also applicable to the financial aid received for the month of March.

3 Other Economic Measures in Response to the COVID-19 Outbreak

In addition to the above, the Croatian Government continues to assist the overall economy by encouraging special COVID-19 credit lines, and standstills on the existing loan obligations.

The COVID-19 April set of measures also addresses assistance to the stakeholders in the area of tourism, agriculture, as well as other stakeholders affected by the extraordinary circumstances.

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