

## TAXES IN THE FISCAL SYSTEM OF CROATIA

(As of August 2005)

| TAX                    | TAXPAYER  | TAX BASE   | TAX RATE  | LEGAL ACT  | BELONGING OF TAX REVENUES |
|------------------------|---|--|---|--|---------------------------|
| <b>VALUE ADDED TAX</b> | Legal and natural person (entrepreneur) delivering goods or performing services | Sales price of all goods delivered or services performed                                       | 22, 10 and 0 %  | Value Added Tax Act: NN47/95, 106/96, 164/98, 105/99, 54/00, 73/00 48/04, 82/04 and 90/05<br>Regulation: NN60/96, 113/97, 7/99, 112/99, 119/99, 44/00, 63/00, 80/00, 109/00, 54/01, 58/03, 198/03, 55/04 and 77/04 | State<br>100%             |
| <b>EXCISE TAXES</b>    |   |  |   |  |                           |
| 1. COFFEE              | Legal and natural person importing, carrying into and receiving coffee          | Kilo of net weight of coffee or coffee product   | HRK 5 to 20 per kg, depending on the blend and type of coffee | Excise Tax Act on Coffee: NN136/02 and 87/05<br>Regulation: NN73/00, 119/01 and 92/05  | State<br>100%             |
| 2. OIL PRODUCTS        | Producer or importer of oil products and government body for commodity reserves | Per liter of oil product at the temperature of 15 degrees centigrade or per kilo of net weight | -HRK 0 to 2.40 per liter, -HRK 0.10 to 1.40 per kilo          | Excise Tax Act on Oil Products: NN136/02 and 123/03<br>Regulation: NN63/00, 119/01, 26/03 and 179/03   | State<br>100%             |
| 3. TOBACCO             | Producer or importer of   | Cigarettes and tobacco   | -HRK 5.50 to 10.90 per packet of cigarettes,                  | Excise Tax Act on Tobacco Products:  | State<br>100%             |

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| PRODUCTS                                 | tobacco products   |  | -HRK 38.00 per kg of tobacco,<br>-HRK 1.10 per cigar,<br>-HRK 4.40 per packet of cigarillos   | NN136/02 and 95/04<br>Regulation: NN112/99, 50/00, 119/01 and 59/03   |               |
| 4. BEER                                  | Producer or importer of beer   | Hectoliter of beer and non-alcoholic beer  | -HRK 200.00 per hl of beer,<br>-HRK 60.00 per hl of non-alcoholic beer  | Excise Tax Act on Beer : NN136/02<br>Regulation: NN59/94, 109/96, 46/98 and 119/01  | State<br>100% |
| 5. NON-ALCOHOLIC DRINKS                  | Producer or importer of non-alcoholic drink  | Hectoliter of non-alcoholic drink  | HRK 40.00 per hl  | Excise Tax Act on Non-alcoholic Drinks: NN 136/02<br>Regulation: NN59/94, 109/96 and 119/01   | State<br>100% |
| 6. ALCOHOL                               | Producer or importer of alcohol and alcohol drinks   | Liter of absolute alcohol contained in the ethyl alcohol or in the alcohol beverage at a temperature of 20 degrees centigrade  | - HRK 60.00 per l of absolute alcohol.<br>-There is no excise tax on wine.  | Excise Tax Act on Alcohol: NN136/02<br>Regulation: NN119/01   | State<br>100% |
| 7. CARS, MOTORBIKES, BOATS AND AIRPLANES | a) Producer or importer<br><b>(Excise tax)</b><br><br>b) Second-hand buyer<br><b>(Sales tax)</b> | <b>a1)</b> new:<br>1.Cars and motorbikes (sales price)<br><br>2.Boats (depending on length and cabin)<br><br>3.Airplanes (depending of number of seats)<br><br><b>a2)</b> Second-hand car or motorbike | <b>a1)</b> new:<br>1.HRK 0-50,000: tax 13%,<br>HRK 50,000-350,000: tax HRK 6,500-98,000+18 - 48%<br><br>2. - without cabin HRK 6,000-48,000<br>-with cabin HRK 15,000-150,000<br><br>3. HRK 7,000-300,000 | Excise Tax Act on Cars, Motorbikes, Boats and Airplanes: NN136/02, 44/03 and 95/04<br>Regulation: NN63/00, 119/01, 26/03 and 179/03 | State<br>100% |

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|   |   | <b>b)</b> Second-hand (sales price)  | <b>a2)</b> tax <b>a1</b> is increased from 50-100%<br><b>b)</b> Second-hand 5% |   |  |
| 8. LUXURY GOODS                               | Legal and natural person importing and producing luxury goods | Sales value (without VAT) of jewelry, watches, furs, reptile leather shoes and clothes, and arms. For imported products the tariff base. | 30%  | Excise Tax Act on Luxury Goods: NN136/02 Regulation: NN112/99 and 119/01  | State 100%   |
| <b>TAX ON INSURANCE PREMIUMS FOR CARS AND</b> | Insurer   | a)Insurance premiums for auto responsibility<br>b)Premiums for comprehensive motor (automobile) insurance                                | a)15%<br>b)10%   | Tax Act on Insurance Premiums for Cars: NN150/02 Regulation: NN16/03  | State 100%   |
| <b>GAMES OF CHANCE TAX</b>                    | Legal and natural person organizing the games of chance       | Gain   | 22% (VAT)  | Act on the Games of Chance: NN83/02 and 149/02 Regulations: NN158/02, 43/03, 77/03, 110/03 and 162/03<br><br>Regulation on Betting: NN84/99, 47/02, 167/03 and 24/04 Regulation: NN187/94 and 20/05 | State 100%   |
| <b>INCOME TAX</b>                             | Natural person realizing taxable income                       | Total income realized in Croatia and abroad. For foreign taxpayers income realized in Croatia  | 15%, 20%, 35% and 45%  | Income Tax Act: NN177/04 Regulations: NN140/03, 188/03, 198/03, 169/04 and 95/05 Special regulations:   | Law on Financing Local and Regional Entities regulates the distribution of |

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|                                      |  |   |  | NN90/03 and 48/05   | income tax  |
| <b>PROFIT TAX</b>                    | A company or some other legal entity that carries on some activity for the sake of making a profit.                          | Profit (difference between revenues and expenditures)   | 20 %   | Profit Tax Act: NN177/04<br>Regulation: NN54/01, 198/03 and 95/05   | State 70%<br><br>County 10%<br><br>Municipality/Town 20%  |
| <b>REAL PROPERTY TRANSACTION TAX</b> | Buyer of the real property   | Market value of the real property   | 5%   | Real Property Transaction Tax Act: NN69/97 and 153/02<br>Regulation: NN28/01  | State 40%<br><br>Municipality/Town 60%                    |
| <b>INHERITANCE AND GIFT TAX</b>      | Legal and natural person who have inherited property, including cash or monetary claims, or received it as a gift in Croatia | Market value of the property at the moment of tax assessment after the deduction of debts and expenses encumbering the property | 1.cash, money claims, shares and movables if the their value is greater then HRK 50,000: 5%<br><br>2.immovables : 5% | 1. Act on Financing Local and Regional Entities: NN117/93, 69/97, 33/00, 127/00, 59/01, 107/01, 117/01, 150/02 and 147/03<br>2. Real Property Transactions Tax Act: NN69/97 and 153/02<br>Regulation: NN28/01 | 1.County 100%<br><br>2.State 40%<br>Municipality/Town 60% |
| <b>TAX ON MOTOR VEHICLES</b>         | Legal and natural person owner of registered passenger car or motorbike  | Depending on age (up to 10 years of age for cars) and the engine power<br>1.cars<br>2.motorbikes                                | 1.HRK 200-1,500 per year<br>2.HRK 0-1,200 per year   | Act on Financing Local and Regional Entities  | County 100%   |
| <b>TAX ON BOATS</b>                  | Legal and natural person owners of boats   | Boats depending of the length, cabin, engine power and form of power (engine or sailing boat)                                   | HRK 0-5,000 per year   | Act on Financing Local and Regional Entities  | County 100%   |

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| <b>TAX ON SLOT-MACHINES FOR GAMES OF CHANCE</b> | Legal and natural person renting the slot-machine                                    | Slot-machine   | HRK 100 monthly per machine                        | Act on Financing Local and Regional Entities<br><br>Regulation on entertainment of chance: NN86/1 | County 100%            |
| <b>CONSUMPTION TAX</b>                          | Legal and natural person in the catering business                                    | Retail price of alcoholic and non-alcoholic beverages sold in bars and restaurants     | Up to 3 %  | Act on Financing Local and Regional Entities  | Municipality/Town 100% |
| <b>TAX ON COUNTRY COTTAGES</b>                  | Legal and natural person owner of country cottages                                   | Square meter of usable surface depending on location, age, condition of infrastructure | From HRK 5 to 15 per m <sup>2</sup> per year       | Act on Financing Local and Regional Entities  | Municipality/Town 100% |
| <b>TAX ON UNCULTIVATED AGRICULTURAL LAND</b>    | Owners or lessee of uncultivated land for the period of one year                     | One hectare depending of nature of the land  | HRK 0 to 1,000 per ha per year                     | Act on Financing Local and Regional Entities  | Municipality/Town 100% |
| <b>TAX ON UNUSED BUSINESS IMMOVABLES</b>        | Legal or natural persons owner of unused business immovable for a period of one year | Square meter of business immovable   | HRK 5 to 15 per m <sup>2</sup> per year            | Act on Financing Local and Regional Entities  | Municipality/Town 100% |
| <b>TAX ON UNBUILT BUILDING SITE</b>             | Legal or natural persons owner of unbuilt building site                              | Square meter of building site  | HRK 1 to 5 per m <sup>2</sup> per year             | Act on Financing Local and Regional Entities  | Municipality/Town 100% |
| <b>FIRM TAX</b>                                 | Legal persons and individuals liable to profit tax or income tax                     | Firm or name   | Up to HRK 2,000 per year                           | Act on Financing Local and Regional Entities  | Municipality/Town 100% |
| <b>TAX ON THE USE OF PUBLIC AREAS</b>           | Natural and legal persons users of public areas                                      | Size of the used public area   | Per m <sup>2</sup> decided by municipality or town | Act on Financing Local and Regional Entities  | Municipality/Town 100% |

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| <b>LOCAL SURCHARGES</b> | Income tax taxpayers | State income tax | 1.municipality up to 10%<br>2.town under 30,000 inhabitants up to 12%<br>3.town over 30,000 inhabitants up to 15%<br>4.Zagreb up to 30% | Act on Financing Local and Regional Entities | Municipality/Town 100% |
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Other important tax regulations:

- 1.General Tax Law NN127/00, 86/01 (correction) and 150/02
- 2.Law on Tax Consultancy NN127/00
- 3.Regulation on the Program and Procedure of the Exams for Tax Consultants NN 54/01, 79/01 and 38/03
- 4.Law on Areas of Special National Concern, NN26/03, 42/05 and 90/05
- 5.Law on the Reconstruction and Development of the City of Vukovar, NN 4/01 and 90/05
- 6.Law on Hill and Mountain Areas, NN12/02, 32/02, 117/03, 42/05 and 90/05
- 7.Law on Free Zones, NN44/96 and 92/05