

CONFIDA

**Ideas that
pay off.**

Monthly Newsletter

December, 2024.

CONFIDA.HR

1.

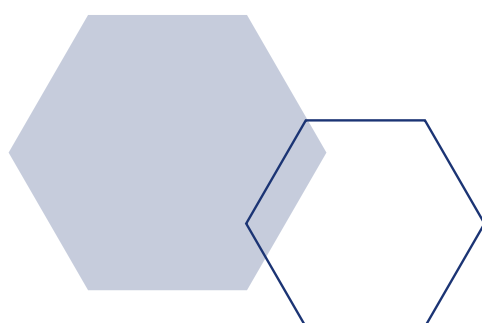
ACCOUNTING SECTOR SEES GROWTH IN DEMAND IN CROATIA

According to the latest data, the accounting profession in Croatia is experiencing significant growth. In September this year, 3,930 active accounting and tax advisory businesses registered, marking a nearly 6% increase compared to the previous year. According to specialized employment portals, job postings for accountants, bookkeepers, and finance managers rose 21% in the first half of the year. These trends highlight the growing need for accounting professionals, emphasizing the importance of continuous professional development and adapting to the industry's evolving challenges.

2.

DOUBLE TAXATION AGREEMENT BETWEEN CROATIA AND AUSTRALIA FINALIZED

Croatia and Australia have successfully concluded negotiations on a Double Taxation Agreement to eliminate double taxation and prevent tax evasion. This agreement offers significant advantages, including income tax relief, enhanced economic cooperation, and improved conditions for financial investments. The agreement will foster the exchange of goods and services, boost economic activity, and create new opportunities for Croatian businesses in the Australian market. The next step is for the parliaments of both countries to ratify the agreement, which will pave the way for its implementation.



3.

PLANNING PROFIT DISTRIBUTION AT THE END OF THE FISCAL YEAR

As the fiscal year draws close, now is the perfect time to plan your profit distribution. Here are the key considerations:

- » **Profit Allocation Decision:** The company must make an official decision on the allocation before distributing profit. Simplified limited liability companies (j.d.o.o.) must direct 25% of the profit into statutory reserves.
- » **Taxes:** The government imposes a 12% capital gains tax on profit distribution. It sets the corporate income tax rate at 10% for amounts up to €1,000,000.00 and 18% for amounts exceeding this threshold.
- » **Foreign Owners:** Profit distribution to non-residents is possible under double taxation treaties, where applicable.
- » **Tax Optimization:** Companies can reduce their tax obligations through non-taxable income, state subsidies, and employment incentives.

4.

CROATIAN MERCHANDISE EXPORTS SHOW GROWTH IN 2024

According to the Croatian Bureau of Statistics, Croatia's merchandise exports in the first nine months of 2024 reached €17.5 billion, marking a 3.5% increase compared to last year. Imports rose by 4.7%, totalling €31.4 billion.

The trade deficit stood at €13.9 billion, with exports covering imports at 55.8%, a slight decrease from last year.

- » **Exports to the EU:** Exports to EU countries rose by 0.1% to €11.5 billion, while imports from the EU grew by 8.3%, reaching €24.6 billion.
- » **Exports Outside the EU:** Exports to non-EU countries increased by 10.8%, totalling €5.96 billion, while imports decreased by 6.4%, to nearly €6.8 billion.

These figures highlight steady growth in Croatia's foreign trade and dynamic shifts in trade relations with both EU and non-EU countries.



5.

INFLATION IN THE EU ACCELERATES IN OCTOBER, WITH PRICES IN CROATIA RISING THE MOST SINCE MAY

Inflation in the European Union accelerated slightly in October, reaching an annual rate of 2.3%, compared to 2.1% in September. In the eurozone, prices rose by 2% year-on-year, up from 1.7% in September.

For comparison, inflation was higher in October last year, with rates at 3.6% for the EU and 2.9% for the eurozone. Services recorded the most significant price increase at 4%, followed by fresh food at 3%, while energy prices decreased by 4.6%.

Core inflation, which excludes energy and fresh food prices, remained stable at 2.7%. Consumer prices in the EU increased by 0.4% every month, while they rose by 0.3% in the eurozone.

In October, consumer prices in Croatia rose by 3.6%, marking the strongest increase since May. On a monthly basis, prices increased by 0.8%. With an annual inflation rate of 3.6%, Croatia was close to Slovakia's 3.5%. Meanwhile, consumer prices in Slovenia remained stable, with the lowest increases recorded in Lithuania and Ireland, at 0.1%.

6.

EMPLOYERS IN CROATIA CAN PROVIDE UP TO €700 PER EMPLOYEE TAX-FREE

Employers in Croatia can offer employees tax-free benefits of up to €700 per person, including Christmas bonuses, holiday allowances, and similar perks. The tax authorities will tax any amount exceeding this threshold as regular income.

Additionally, gifts up to €133 per employee are also tax-exempt. For public sector employees, the Christmas bonus 2024 amounts to €300, covering allowances and other festive rewards.

Careful planning of these payments minimizes tax liabilities and enhances employee satisfaction, fostering a positive work environment. Employers who effectively organize these distributions can maximize tax benefits while boosting employee motivation for the upcoming year.



7.

AVERAGE NET AND GROSS SALARIES INCREASE ACROSS ALL COUNTIES IN CROATIA

According to data from the Croatian Bureau of Statistics (DZS), the average monthly net and gross salaries in legal entities rose in all counties during Q3 2024 compared to last year.

NET SALARIES:

- » The highest growth in net salaries was recorded in **Požeško-slavonska** and **Šibensko-kninska** counties, increasing by 17%. Net salaries reached €1,211 in Požeško-slavonska and €1,260 in Šibensko-kninska counties.
- » **Istria** County observed the lowest growth, with net salaries rising by 12.6% to reach €1,236.
- » The highest average net salary was in **Zagreb**, at €1,525, reflecting a 13.6% increase.
- » The lowest average net salary was in **Virovitičko-podravska** County at €1,169, a 16.2% increase.
- » Najniža neto plaća bila je u **Virovitičko-podravskoj** županiji, 1.169 €, uz rast od 16,2%.

Nationally, the average net salary was €1,320, up 14.5% year-on-year.

GROSS SALARIES:

- » The most significant growth in gross salaries occurred in **Lika-Senj** County, with a 17.3% increase, reaching €1,672.
- » **Istria** County experienced the lowest gross salary growth at 12.3%, averaging €1,690.
- » **Zagreb** recorded the highest gross salary, at €2,206.
- » The lowest gross salary was in **Virovitičko-podravska** County, at €1,560.

The national average gross wage stood at €1,829, reflecting a 14.5% rise compared to last year. These figures highlight a steady upward wage trend nationwide, with notable regional differences.



8.

EUROZONE FACES POTENTIAL PUBLIC DEBT CRISIS

The European Central Bank (ECB) has warned that a renewed public debt crisis in the Eurozone could occur if member states fail to stimulate economic growth, reduce public debt, and resolve political uncertainty.

According to the ECB's Annual Financial Stability Report, concerns over public debt sustainability are rising. High debt levels, fiscal deficits, weak economic growth, and political instability—particularly in France—pose significant challenges.

Key indicators, such as the yield spreads between 10-year French and German government bonds, have reached their highest level in 12 years at 0.77 percentage points, highlighting market concerns.

ECONOMIC RISKS IN THE SPOTLIGHT:

- » Structural weaknesses, such as low productivity, increase the risks of high public debt and deficits.
- » Macroeconomic shocks could raise risk premiums on government bonds, especially given elevated refinancing costs amid higher interest rates.
- » Sluggish growth and substantial public debt levels may hinder financing crucial investments, such as defence and climate initiatives.

Financial Sector and Market Volatility:

Rising risks in equity and bond markets have already triggered several episodes of heightened volatility. A potential economic downturn could heavily impact bank balances as businesses and consumers struggle with increased borrowing costs. Commercial real estate also faces substantial risks, with possible losses for banks and investment funds.

This situation is a stark reminder of the dangers previously seen during the 2010 Eurozone crisis, underscoring the need for coordinated action to ensure economic stability.



9.

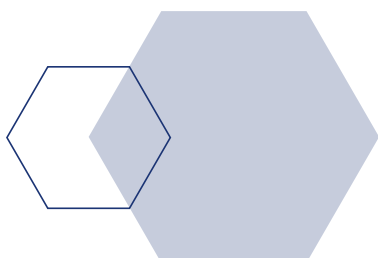
CROATIA AND SAUDI ARABIA SIGN DOUBLE TAXATION AVOIDANCE AGREEMENT

Croatia and Saudi Arabia have signed an Agreement on the Avoidance of Double Taxation on Income and Property Taxes and Preventing Tax Evasion. This agreement marks an important step towards strengthening economic and financial ties between the two countries.

WHAT DOES THE AGREEMENT OFFER?

- Simplified operations for businesses from both countries
- More favourable conditions for trade, services, and investments
- Enhanced economic cooperation and the creation of new business opportunities

The agreement also fosters a favourable business environment, encourages the exchange of knowledge and investments, and improves bilateral cooperation in key economic sectors. This partnership opens up new opportunities for entrepreneurs and investors, further connecting Croatia and Saudi Arabia on the global financial stage.



10.

INCREASE IN MINIMUM SALARY FOR DIRECTORS IN 2025

Starting from January 1, 2025, the minimum gross salary for directors in Croatia will increase to €1,168.70 per month, marking a 15.3% rise compared to 2024. The net amount will depend on tax reliefs and local income tax rates. A director residing in Zagreb will receive a minimum net salary of €853.99 per month.

For directors working part-time, the minimum annual contribution base will be €14,024.40, with the total cost to the company amounting to €16,338.48 per year. This salary increase will also affect companies' tax and contribution costs, which will be at least €493.70 per month in 2025.

For more information, visit our [blog](#).



11.

DONATION COSTS IN 2024

As of the beginning of 2024, amendments to the Corporate Income Tax Act introduce new conditions for recognizing donations as tax-deductible expenses. Companies can now identify donations up to 2% of revenue, provided they direct them toward public-benefit purposes such as culture, healthcare, and humanitarian activities. Entrepreneurs can choose whether to use the previous or current year's revenue for the calculation, while they must meet additional conditions for donations exceeding 2%.

Special treatment applies to food donations, which are tax-deductible regardless of the amount, as long as they contribute to reducing food waste. The authorities have also introduced new forms for reporting donation expenses in tax returns.

For more details on donation rules and procedures in 2024, visit this [link](#).

12.

ANNUAL INVENTORY OF ASSETS AND LIABILITIES FOR 2024

Nonprofit organizations must conduct an annual inventory of assets and liabilities by December 31, 2024, and record the inventory in the business books for the same year. Libraries are an exception, as they may conduct the inventory every three years.

The organization's legal representative is responsible for organizing the inventory, determining the date, and making decisions based on the results. The inventory lists should include the actual condition, accounting records, and quantities and amounts.

The inventory is crucial for aligning business records with the situation, ensuring business transparency, and supporting better decision-making.

For more information, visit our [blog](#).



CONFIDA

**Ideas that
pay off.**

Monthly Newsletter

December, 2024.

CONFIDA.HR



CONTACT

CONFIDA – Revizija d.o.o.
CONFIDA – Zagreb d.o.o.

Poljička ul. 5/V
10 000 Zagreb

+385 1 4606 900

www.confida.hr

Christian Braunig
Managing Partner

e-mail

Frane Garma
Director

e-mail