

**CONEO**

# Ideas that pay off.

Monthly Newsletter

March, 2025.

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## 1.

### NEWS ON VAT REGULATIONS IN 2025

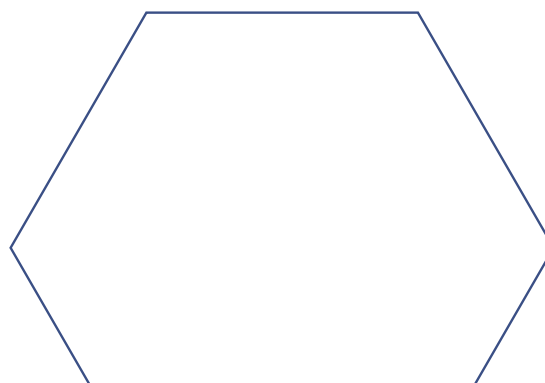
At the end of January 2025, amendments to the VAT Regulation were published, detailing changes to the VAT system, which came into effect on February 1, 2025.

- Entry into the VAT system is now calculated from the first day after exceeding the threshold of €60,000, instead of from the first day of the following month.
- Small taxpayers from the EU can now be exempt from VAT payment in Croatia, provided they meet certain conditions. The same applies in reverse—Croatian taxpayers can benefit from this exemption in other EU member states.
- The PDV-P form has been updated with new registration requirements.

#### Additional key changes include:

- ➔ Correction of input tax deduction based on the Tax Administration's decision
- ➔ Special taxation procedures for small taxpayers in Croatia and other EU member states
- ➔ Changes in taxation methods upon entry/exit from the VAT system
- ➔ Deregistration from the VAT system now requires remaining in the system for at least two years after entry

These changes provide greater flexibility but also require more careful tax planning.



## 2.

### RESIDENCE AND WORK PERMITS – KEY CHANGES IN 2025

On February 21, 2025, the Croatian Parliament passed amendments to the Foreigners Act, changing the conditions for issuing residence and work permits in Croatia.

- » Easier employer changes – Third-country nationals with a valid residence and work permit can now change employers within the same profession after one year of employment.
- » Shortage occupations – Certain professions no longer require a labor market test for hiring foreign workers.
- » Additional work – Foreign workers with full-time jobs can now work for another employer under specific conditions.
- » Permits issued for up to three years – Instead of the previous one-year permits, permits can now be issued for a longer period.

Employers hiring foreign workers should pay attention to the new requirements for obtaining a positive opinion from the Croatian Employment Service (HZZ) and the new ratio of domestic to foreign employees.

These changes bring greater flexibility and labor market adaptation but also stricter employment controls.



## 3.

### **AMENDMENTS TO INCOME TAX IMPLEMENTATION REGULATIONS – WHAT YOU NEED TO KNOW?**

As of February 1, 2025, new implementing regulations have come into force, enabling the application of amendments to the Income Tax Act. These changes affect employers, taxpayers, and income payers, bringing significant adjustments to the tax system.

#### **What is changing?**

- Youth tax reliefs – Updated birth year tables and thresholds for tax benefits to ensure fairer distribution.
- Adjustments to JOPPD form – New designations for income recipients improve reporting accuracy and transparency.
- New rules for real estate taxation – Additional criteria for proving permanent residence when applying tax exemptions.

#### **How to prepare for these changes?**

- Employers should update payroll systems to ensure proper recording of non-taxable income and employee tax reliefs.
- Taxpayers benefiting from youth tax relief should check if their data is updated according to the new regulations.
- Income payers must adjust the JOPPD form to new designations and reporting methodologies.

→ Property owners claiming tax exemptions should provide valid proof of permanent residence.

Timely adaptation to new regulations is crucial for smooth operations and avoiding tax inconsistencies.



## 4.

### **MINIMUM WAGE IN 2025 – WHAT CHANGES AND WHAT ARE THE IMPLICATIONS?**

As of January 1, 2025, the minimum gross wage in Croatia has increased to €970, marking a significant shift in labor rights policies and the business environment.

#### **What does this mean for workers?**

- Greater financial security and improved living standards
- Increased purchasing power, potentially boosting the economy
- Possible reduction of the gap between minimum and average wages

#### **What does this mean for employers?**

- Higher labor costs, especially in sectors with many minimum-wage employees
- Need for business optimization and financial plan adjustments
- Possible pressure to increase product and service prices

#### **Broader Economic Effects**

- Wage growth may stimulate spending, strengthening the economy in the long run
- Employers may face challenges in maintaining competitiveness
- Possible inflationary impact due to increased business costs

Considering all aspects, the increase in the minimum wage may have both positive and challenging consequences for workers and employers alike.



## 5.

### REAL ESTATE TAX – DATA REPORTING FOR TAXATION

From 2025, property owners in Croatia must report relevant tax-related data if there are changes in the property's purpose or taxable area.

#### Tko ne mora podnijeti prijavu?

- Citizens paying a municipal fee for their primary residence (utilities, municipal charges)
- Owners of properties rented under registered contracts recorded with the Tax Administration

#### When is reporting required?

- 1 If the property's purpose or area changes (e.g., a holiday home becomes a primary residence)
- 2 If the owner seeks a tax exemption, such as
  - The property is used for permanent residence but lacks registered residency
  - The property is uninhabitable due to natural disasters
  - It serves a public purpose or institutional housing
  - It was acquired in exchange for unpaid claims (within the last six months)

Deadline for reporting: March 31, 2025.

#### How to submit a request?

- Via the Tax Administration or another competent authority
- From February 24, 2025, reporting will be possible via ePorezna and soon through mPorezna

This change simplifies the reporting process and enables faster processing of property tax exemptions.



## 6.

### ANNUAL INCOME TAX RATES – WHAT YOU NEED TO KNOW?

As of March 1, 2025, new annual income tax rates, determined by local government units (LGUs) under the Income Tax Act, will apply.

#### How are tax rates determined?

- Local units decide on rates within prescribed limits
- Decisions are typically made by the end of November of the previous year and take effect on January 1, 2025
- If local authorities do not adopt new rates by February 28, 2025, statutory rates apply (Lower rate: 20%, Higher rate: 30%)

#### Application of rates in the annual tax calculation

- Specific rates apply for the entire tax period
- They are used in the annual income tax settlement
- The final table of prescribed rates can be accessed through official Tax Administration channels.

Taxpayers should check their local government's applicable rate and understand how it impacts their tax obligations.

## 7.

### CONTRIBUTION CALCULATIONS FOR CRAFTSMEN IN 2025 – WHAT IS CHANGING?

At the beginning of 2025, new contribution bases for craftsmen came into effect. These changes affect the minimum and maximum bases for contribution payments, directly impacting entrepreneurs' monthly obligations.

#### Key updates include:

- 1 Base increase – Bases are adjusted to the average gross wage, leading to higher contributions for craftsmen paying flat-rate contributions.
- 2 New contribution categories for craftsmen – They will pay contributions based on predefined brackets, which have also increased.
- 3 Impact on pension and health insurance – Higher contributions mean potentially higher future pensions but also increased current business costs.

Entrepreneurs should adjust their financial plans accordingly. Timely consultation with an accountant is recommended to optimize operations and minimize costs.

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