

CONEO

Ideas that pay off.

Monthly Newsletter

November, 2025.

CONEO.HR

1.

SECONDARY INCOME, VAT, AND FISCALISATION: WHAT CHANGES IN 2026?

Starting 1 January 2026, Croatia will implement Fiscalisation 2.0, introducing new obligations for individuals earning secondary income, particularly those who are VAT payers.

This applies to authors, consultants, experts, athletes, artists, members of supervisory boards, and individuals working under service contracts.

FROM 2026 ONWARDS, INDIVIDUALS WHO ARE VAT PAYERS WILL BE REQUIRED TO:

- issue eInvoices for domestic B2B transactions,
- fiscalise their invoices through the Fiscalisation 2.0 system, and
- verify whether their clients are obliged to receive eInvoices.

The new system brings greater digitalisation, the mandatory use of eInvoices, and the need to monitor the VAT status of business partners, along with adjustments to documentation and record-keeping practices.

2.

HOW WILL CROATIA IMPLEMENT THE GLOBAL MINIMUM TAX ACT?

Starting in 2024, Croatia introduced the Global Minimum Tax Act, aligned with EU Directive 2022/2523 and the OECD's Global Anti-Base Erosion (GloBE) framework (Pillar 2). The goal is to ensure that multinational companies pay a minimum effective tax rate of 15% in every jurisdiction in which they operate.

The law applies to multinational and large domestic groups with annual consolidated revenue of €750 million or more. The additional tax is determined through three key mechanisms:

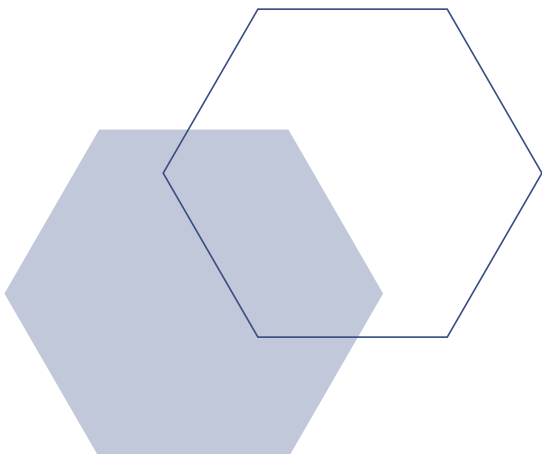
- IIR (Income Inclusion Rule) – imposes a top-up tax on parent companies for low-taxed subsidiaries,
- UTPR (Undertaxed Payments Rule) – ensures that income not sufficiently taxed in one jurisdiction is taxed elsewhere,
- QDMTT (Qualified Domestic Minimum Top-up Tax) – allows countries to collect the additional tax domestically, retaining tax revenue.

To reduce administrative burden, safe harbour rules have been introduced, allowing simplified calculations if certain criteria are met – such as a minimum revenue threshold or an adequate effective tax rate.

The first information returns must be submitted by June 2026 for the 2024 fiscal year, while in subsequent years they will be due within 15 months after the end of the financial year.

The new law will have a significant impact on financial reporting, as companies will need to reflect the Pillar 2 effects in their results, calculate effective tax rates under the new rules, and document compliance measures.

Learn more about practical steps and preparation in our latest [blog](#).



3.

WHAT SHOULD EMPLOYERS KNOW ABOUT THE ANNUAL PAYROLL RECONCILIATION?

By the end of December, employers are required to conduct the annual payroll reconciliation for all employees who have been continuously employed throughout 2025. Although often seen as a formality, this process plays an important role in ensuring the accurate calculation of personal allowances and a fair distribution of the tax burden.

THE ANNUAL RECONCILIATION MUST BE CARRIED OUT IN CASES WHERE:

- the employee has not used their full personal allowance,
- the employee was on sick leave, maternity leave, or received irregular salary payments during the year,
- bonuses, awards, or other irregular payments were made.

It is necessary to include:

- all gross income in accordance with Article 21 of the Income Tax Act,
- the correct application of personal allowance based on the employee's tax card (PK),
- any differences in local tax rates.

The result may be a tax refund, an additional payment obligation, or no difference.

Note: failure to carry out the annual reconciliation when required may result in fines ranging from €1,320 to €6,630.

By performing the reconciliation correctly, employers can avoid penalties and ensure a transparent and compliant employment relationship.

4.

NEW MINIMUM WAGE FOR 2026

As of 1 January 2026, Croatia will implement a new Regulation on the Minimum Wage, increasing the gross amount from €970 to €1,050, representing a rise of 8.25%. The net wage will remain below €810, while the total employer cost for a worker on minimum wage will now exceed €1,200 per month.

The new minimum wage applies to full-time employment throughout 2026 and does not include allowances for night work, Sundays, overtime, or work on public holidays. If a collective agreement stipulates a lower wage, employers are required to align it with the newly prescribed amount.

It is not necessary to amend employment contracts if the wage is already paid in accordance with the Regulation, even if a lower gross amount is still stated in the contract.

All workers in Croatia are entitled to the minimum wage, regardless of nationality or the employer's registered seat. The only exceptions are management board members and similar positions who are the sole employees of their company.

5.

WHAT CHANGES FOR STARTING A CRAFT BUSINESS WHILE EMPLOYED OR RETIRED FROM 1 JANUARY 2026?

Starting from 1 January 2026, opening a craft business while being employed or retired in Croatia will become simpler and more flexible than ever before. With more citizens choosing additional or seasonal work, the new rules more precisely define the rights and obligations for both groups.

Employees will still be able to open a craft business alongside their regular job without changing their primary insurance status. They will pay social contributions only on the income earned from the craft, while their employment remains the main basis for insurance.

A major change affects retirees, who from 2026, after reaching 65 years of age and having at least 15 years of pensionable service, will be allowed to keep their craft business active while receiving 50% of their old-age pension. This introduces a new model of active ageing and supports additional income during retirement.

Favourable conditions will also apply to home-based and secondary activities, which can be performed alongside employment or retirement without acquiring insured status, as long as the annual income does not exceed the legal threshold (currently €17,980).

The new rules promote entrepreneurial flexibility, reduce bureaucracy, and enable citizens to remain active and financially independent — whether through a hobby, extra income, or preparation for full self-employment.

6.

WHAT SHOULD EMPLOYERS KNOW ABOUT COMPENSATION FOR UNUSED ANNUAL LEAVE?

When an employee leaves the company without having used all of their annual leave, the employer is legally obliged to pay compensation for the unused days, regardless of the reason for the termination of employment. This obligation arises under the Labour Act and is often overlooked, especially in short-term or seasonal contracts.

The compensation is calculated proportionally to the unused days of annual leave, and the base includes all salary supplements, such as payments for night work, work on public holidays, or overtime. The payment must be reported in the JOPPD form as other income, not as salary, but it remains subject to social contributions.

If the employee was unable to use their annual leave due to illness, they retain the right to compensation. However, if they used the leave before termination, no compensation is paid.

In practice, errors in calculating this compensation can lead to tax and labour inspection penalties. Therefore, employers should always check the employee's remaining leave balance before termination and ensure timely and accurate payment in line with the applicable 2025 regulations.



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CONTACT

CONEO – ZAGREB D.O.O.

Poljička ul. 5/V
10 000 Zagreb

+385 1 4606 900

www.coneo.hr

Christian Braunig Managing Partner

e-mail

Frane Garma Director

e-mail