Tax advice
for entrepreneurs

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Monthly Newsletter
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1.

WHAT CHANGES IN THE ISSUANCE AND RECEIPT OF INVOICES AND EINVOICES IN 2026?

As of **1 January 2026**, new rules on the issuance and receipt of **eInvoices** will come into force as part of **Fiscalisation 2.0**. This represents one of the most significant changes in the area of tax and accounting compliance, particularly affecting VAT taxpayers engaged in domestic transactions.

VAT taxpayers who supply goods or services to other entities obliged to receive eInvoices will be required to issue eInvoices for all domestic supplies, fiscalise them at the moment of issuance, submit electronic reports on payments, and store invoices in their original **XML format**. This introduces full digital traceability of business transactions.

For retail transactions paid in cash or by card, it will still be possible to apply **Fiscalisation 1.0**, subject to an important limitation: the transaction may be documented **either** by a fiscalised receipt **or** by an eInvoice, but not both in parallel.

Entities obliged to receive eInvoices include VAT taxpayers, income or corporate tax payers, budgetary and extra-budgetary users, as well as state and local government bodies. Certain non-profit organisations, foreign business entities, and residential buildings outside the VAT and corporate income tax systems are exempt.

The new rules also regulate specific situations such as advance payment invoices, self-billing, invoice approval and archiving procedures, as well as exemptions from the obligation to issue eInvoices for VAT-exempt transactions.

The implementation of eInvoices requires not only technical alignment of IT systems, but also clearly defined internal processes for verification, approval, and archiving in order to ensure full compliance from the start of the new regime.

2.

CONTRIBUTION BASES FOR 2026

Based on data published by the **Croatian Bureau of Statistics**, the average net salary in 2025 amounted to **EUR 1,993.00**, which serves as the key reference for determining **contribution bases in 2026**. These amounts directly affect the calculation of social contributions for employees, as well as for individuals who perform independent activities.

The **minimum monthly contribution base** is **EUR 757.34**. It applies in cases of unpaid salary, unpaid leave, sick leave, periods of inactivity without termination of employment, as well as part-time work, calculated proportionally to the agreed working hours.

The **maximum monthly contribution base** amounts to **EUR 11,958.00** and represents the upper limit for calculating pension insurance contributions (Pillar I and II). For health insurance contributions, however, the **full gross salary applies without any cap.**

The **maximum annual contribution base** is **EUR 143,496.00**. Once this threshold is exceeded, there is no further obligation to pay contributions for **Pillar I pension insurance.**

For **taxpayers who keep business books** (such as sole traders, freelancers, and liberal professions), the **maximum annual contribution base for 2026** is **EUR 15,545.40**, provided the activity was carried out throughout the entire year. The prescribed contribution rates for Pillar I and II pension insurance and health insurance apply to this base.

Deadlines for the payment of annual contributions are linked to tax filings: the **DOH form** must be submitted by **28 February 2027**, while the **PD form** is due by **30 April 2027**.

In the case of **lump-sum taxation**, the annual contribution base is determined in accordance with income tax regulations, and the contribution obligation becomes due **15 days after the tax authority's decision is served.**

Timely understanding and correct application of the new contribution bases are essential for accurate contribution calculations and for avoiding subsequent adjustments and liabilities in 2026.

3.

CAN A COMPANY GRANT A LOAN TO A DIRECTOR, EMPLOYEES, OR OTHER COMPANIES?

In an environment of higher interest rates and strong liquidity, loans granted by companies are increasingly used as a financing tool. However, the rules governing such loans are strictly regulated and differ depending on the recipient of the loan.

Loans to directors and their family members are permitted only with a prior decision of the company's shareholders or members, and must include clearly defined interest rates and repayment terms. If these conditions are not met, the loan must be repaid immediately and the company may face significant financial penalties.

In the case of **loans to employees**, the agreed interest rate may not be lower than 2%, as any difference compared to a market rate is treated as **salary in kind**. Income tax and all applicable social contributions must be calculated and paid on that difference.

Loans to related companies are subject to specific tax rules. If the borrower is in a preferential tax position or carries forward tax losses, the **minimum interest rate for 2026 is 2.65%.**

For **loans to unrelated legal entities**, there are no specific tax restrictions; however, the general rules of the **Civil Obligations Act** apply, including proper contractual documentation and repayment obligations.

If the borrower fails to repay the loan within the agreed deadline, **default interest** applies and limitation periods begin to run—**three years for commercial loan agreements** and f**ive years for civil-law loan agreements.**

A loan agreement may be concluded with or without interest, but in all cases it must clearly define the loan amount, repayment terms and deadlines, the interest rate, and the method of calculation in order to avoid tax and legal risks.

4.

WHAT HAPPENS WITH ADVANCE PAYMENT INVOICES AFTER 1 JANUARY 2026?

The announced amendments to the VAT Ordinance, which would have introduced a mandatory obligation to issue an invoice for every received advance payment, will **not** enter into force. The Tax Administration has officially confirmed that it is abandoning the repeal of the exception set out in **Article 159(4) of the VAT Ordinance**, meaning that the existing rule—widely applied in practice—remains in force.

This means that **after 1 January 2026**, it will still **not be necessary to issue an advance payment invoice** if a final invoice for the supply is issued **within the same VAT period** in which the advance payment was received. In such cases, under **Fiscalisation 2.0**, the final eInvoice is subject to fiscalisation, not the advance payment.

However, if the supply is **not made in the same VAT period** in which the advance payment is received, the obligation to **issue and fiscalise an advance payment invoice** remains in place, along with the proper cancellation and issuance of final invoices in accordance with VAT rules.

This decision represents an important development for businesses that regularly use advance payments, as retaining the existing rule means **reduced administrative burden**, simpler accounting treatment, and avoidance of additional technical adjustments ahead of the implementation of Fiscalisation 2.0.

5.

NEW INTEREST RATE FOR LOANS BETWEEN RELATED PARTIES IN 2026

The Ministry of Finance has published a **Decision on the interest rate applicable to loans between related parties for tax purposes in 2026**, setting the reference interest rate at **2.65%** (Official Gazette No. 150/25). The new rate applies as of **1 January 2026**.

In practice, this means that loans between related parties must reflect an **arm's length interest rate**, as any deviation has direct tax consequences. If interest is **not charged or is charged at a rate below 2.65%** on loans granted to **related non-residents**, the difference between the agreed and prescribed interest rate is included in the **corporate income tax base of the lender**. Conversely, if interest is **higher than 2.65%**, the difference increases the **corporate income tax base of the borrower.**

The same rule also applies to **loans between related resident parties**, but only in cases where one of the parties is in a **preferential tax position**, for example due to tax exemptions, the application of a reduced tax rate, or the use of carried-forward tax losses.

The publication of the new interest rate is important for the timely alignment of existing and future loan agreements and for avoiding additional tax adjustments and risks during tax audits in 2026.

6.

WHAT SHOULD EMPLOYERS KNOW ABOUT WORKING TIME AND PAYROLL CALCULATION IN 2026?

Questions related to working time and payroll calculation remain among the most common challenges in everyday employer practice. How many hours does an employee work per week? When is salary calculated on an hourly basis, and when is a fixed amount paid regardless of the number of hours worked? How should employers proceed when a public holiday falls on a working day or a non-working day? These situations require correct interpretation of regulations and consistent application.

Under the **Labour Act**, working time may be agreed as full-time, part-time, or reduced working hours, and employers are required to keep accurate records of the start and end of employees' working time. Salary may be agreed as a fixed monthly amount or on an hourly basis. When salary is agreed per hour, the amount paid depends on the actual monthly working hours, including hours worked, public holidays, annual leave, and other non-working days that are subject to special payroll treatment.

It is important to emphasize that the **monthly working hours fund is not prescribed by law**, but is determined based on the specific work schedule and calendar for each month. This is precisely why payroll calculation errors most often occur, especially in cases of complex work schedules, shift work, or a combination of fixed salary and hourly pay.

Incorrect payroll calculation may lead to issues during labour inspections, employee complaints, or tax audits. Therefore, in 2026 it is particularly important for employers to ensure clear payroll rules, up-to-date internal records, and employment contracts aligned with applicable regulations.

7.

WHAT DO THE AMENDMENTS TO THE CORPORATE INCOME TAX ACT BRING AS OF 1 JANUARY 2026?

At the beginning of 2026, new contribution bases for craftsmen and sole traders entered into force. These changes relate to the level of the minimum and maximum contribution bases, directly affecting monthly contribution obligations toward the state.

The most important changes include:

1. Increase of contribution bases – The bases have been aligned with the average gross salary, resulting in higher contribution amounts, particularly for lump-sum taxed craftsmen.

2. New contribution brackets for craftsmen – Contributions are now calculated according to predefined brackets, which have also been increased.

3. Impact on pension and health insurance – Higher contributions may lead to higher future pensions, but they also represent an increased current cost of doing business.

These changes require adjustments to the financial planning of craftsmen and sole traders. Timely information and consultation with an accountant are recommended to optimize business operations and minimize costs.

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