Tax advice
for entrepreneurs

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1.

INHERITANCE AND GIFT TAX: WHEN DOES A TAX LIABILITY ARISE?

Inheriting or receiving property as a gift does not automatically result in a tax liability. The tax treatment depends on the **type of property, the relationship between the deceased or donor and the person acquiring the property, the method of acquisition, and the specific circumstances of each case.** It is therefore important to determine before the transfer whether a tax liability exists or whether one of the statutory exemptions applies.

In the case of inherited or gifted real estate, tax exemptions apply, among others, to spouses, descendants and ancestors in the direct line, as well as adoptees and adoptive parents. Certain exemptions are also available in other situations prescribed by law. If no exemption applies, it is necessary to determine whether real estate transfer tax is due.

Tax rules do not apply only to real estate. Inheritance or gifts may also include **cash, monetary claims, securities, and various movable assets.**

Inheritance and gift tax is levied at a rate of **4%,** while for movable property, its individual market value is particularly relevant – the tax liability applies to movable property whose market value exceeds **EUR 6,700** on the date the tax liability arises. Statutory exemptions also apply to certain types of such property and recipients.

Particular attention should be paid to **financial assets.** When inheriting cash, securities, investment fund units, or other financial assets, it is necessary to determine the type of asset, where it is registered or held, and whether additional tax or administrative obligations apply.

The situation can become even more complex where there is an **international element**. If the heir lives abroad or the inherited assets are held with a foreign bank, brokerage firm, or other financial institution, Croatian regulations alone may not be sufficient. The rules of the country where the assets are located, the heir's country of tax residence, and any applicable international tax rules should also be reviewed.

Obligations towards the Croatian Tax Administration must also be considered. In many cases, once an inheritance decision becomes final, courts and notaries electronically submit the necessary information to the Tax Administration. However, where the document governing the acquisition was not issued or prepared by a court or notary, the taxpayer may be required to report the acquisition to the competent Tax Administration office within the prescribed deadline.

In practice, tax risks most often arise from the incorrect assumption that tax is always payable on inherited assets or, conversely, that every inheritance is automatically tax-exempt. Problems may also result from failure to report an acquisition, incomplete documentation, or failure to identify additional obligations when the assets and heirs are connected to several countries.

Before transferring ownership, it is therefore advisable to review the **tax status of the specific assets, available tax exemptions, reporting obligations, and documentation required for the proper completion of the procedure.**

Who is exempt from tax? When does a tax liability arise? What rules apply to real estate, cash, and securities, and what should you consider in cross-border inheritance cases? Find more information and a detailed [overview in our article.]

2.

SALE OF A COMPANY CAR IN 2026: WHAT SHOULD BE CHECKED BEFORE THE SALE?

Selling a company car from the assets of a company is not simply a matter of agreeing on a price with the buyer and issuing an invoice. **The tax and accounting treatment of the sale depends on when and from whom the vehicle was acquired, whether there was a right to deduct input VAT at the time of acquisition, and to whom the vehicle is being sold.**

One of the first steps is therefore to check the year in which the vehicle was acquired. For most company passenger cars acquired from **1 January 2018 onwards**, the sale is subject to VAT at a rate of 25%. This particularly applies to vehicles for which the company was entitled to deduct 50% of input VAT upon acquisition, or 100% in cases where full deduction was permitted.

A different treatment may apply to vehicles acquired between **1 March 2012 and 31 December 2017**. If VAT was charged when the vehicle was acquired but the company was not entitled to deduct input VAT, the subsequent sale may, under certain conditions, be exempt from VAT. For this reason, the tax treatment should not be determined solely on the basis of the vehicle's current value or age; the original acquisition documentation should also be reviewed.

It is also important to consider **who is purchasing the vehicle.** When selling to another company, the seller must issue an invoice showing the prescribed taxable amount and VAT if VAT is applicable. The buyer may be entitled to deduct input VAT if the statutory requirements are met.

When selling to a private individual, it is likewise necessary to determine whether VAT must be charged. Additional attention should be paid to the payment method and any potential obligation to fiscalise the invoice. In all cases, the invoice must contain the elements prescribed by law and serve as valid documentation for the transfer of ownership.

Special rules apply when a vehicle is sold to a **buyer in another EU Member State**. Among other things, it is necessary to determine whether the vehicle is considered new or used and to verify the buyer's tax status. For VAT purposes, a vehicle is considered new if it is supplied no more than six months after its first use or has travelled no more than 6,000 kilometres. This may affect the VAT treatment and tax reporting obligations.

One obligation that can easily be overlooked when selling a company car is the **adjustment of input VAT.** For passenger cars, the adjustment period is five years, including the year of acquisition. If, during this period, the circumstances relevant to the original input VAT deduction change, an adjustment may be required for the remaining period.

The transaction must also be handled correctly from an accounting perspective. Before issuing the invoice, it is necessary to **calculate and record depreciation up to the end of the month of sale, determine the vehicle's carrying amount, and properly record the sale itself.**

Because different tax rules may apply, two seemingly identical sales of company cars can result in very different tax treatments. Before proceeding with a sale, it is therefore essential to review the acquisition documentation, input VAT deduction rights, buyer status, any potential input VAT adjustment, and the accounting consequences of the transaction.

Which rules apply depending on the year of acquisition? When must VAT be charged? What happens when the vehicle is sold to a private individual or a buyer in another EU Member State, and when is an input VAT adjustment required? Read the detailed overview and practical information in our article.

3.

PRIVATE USE OF A BOAT OR APARTMENT OWNED BY A COMPANY: WHAT ARE THE TAX CONSEQUENCES?

Purchasing a boat or apartment through a company can be a justified business decision when the asset is used for a registered business activity, such as charter services or tourist accommodation. However, the tax situation becomes more complex when the same asset is used privately by the owner, director, employee, or members of their family.

Private use of business assets is not prohibited, but it must be **properly recorded and treated for tax purposes.** Otherwise, additional liabilities may arise in relation to VAT, benefits in kind, income tax, social security contributions, and the tax deductibility of expenses.

Any use that is not connected with the company's business activity is considered private use. Examples include an owner using the apartment for a holiday, a director spending a private weekend on the company's boat, or an employee using company-owned property without paying an appropriate fee.

One of the key considerations in such situations is the **market value of the use**. The fee charged for private use should correspond to the price that would be charged for a comparable service on the market – for example, the rental price of a comparable apartment in the same location or a similar boat during the same period.

If the private use is not properly recorded or the fee is set below market value, tax adjustments may be required.

If an employee or director uses company property privately free of charge or for a fee below market value, a **benefit in kind** may arise. Depending on who uses the asset, the tax treatment may differ – for example, it may be treated as salary in kind, income from capital in kind, or other income in kind.

The **VAT treatment** must also be carefully considered. The fact that the company does not charge for private use does not automatically mean that there is no VAT liability. If input VAT was deducted in full or in part when the asset was acquired, private use may, under certain circumstances, constitute a taxable supply for private purposes.

Private use may also affect the tax deductibility of **depreciation and other expenses associated with the asset,** which makes it important to clearly distinguish between business and private use.

For boats used in business activities, appropriate records and documentation must be maintained. Business and private use should be properly recorded and, where required, appropriate agreements should be concluded and invoices issued.

A lack of adequate documentation is one of the most common tax risks in this area. Purchasing assets through a company primarily for private use, using them without accounting for VAT or benefits in kind, or deducting all related expenses without assessing their business purpose may result in additional taxes, social security contributions, and other adjustments during a tax audit.

Can an owner privately use a company-owned apartment? When must VAT be accounted for? How is a benefit in kind determined, and which expenses may be tax-deductible? Read more about the correct tax treatment of the private use of boats and real estate [in our blog article.]

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