Tax advice
for entrepreneurs

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1.

TAXATION OF CAPITAL GAINS AND THE JOPPD FORM: WHEN DOES A TAX OBLIGATION ARISE AND WHAT MUST YOU REPORT?

The sale of shares, units in investment funds, and other financial assets can result in capital gains and a tax obligation. In practice, many taxpayers are unsure when capital gains are taxed, when the JOPPD Form must be filed, and when no tax is due at all.

Tax on capital gains is paid at a rate of **12%**, but only if three conditions are cumulatively met: the financial asset has been disposed of, no more than two years have passed since it was acquired, and the sale generated a positive difference between the acquisition and sale value. If even one of these conditions is not met, a tax obligation generally does not arise.

The tax base is determined as the difference between total gains and total losses realized, and when the same type of asset has been purchased multiple times, the FIFO method applies: the oldest acquired assets are considered to be sold first, which can significantly affect the calculation of the tax liability.

If a taxable capital gain is realized during the year, the taxpayer is required to calculate the tax themselves and file the **JOPPD Form by February** 28 of the current year at the latest, for gains realized in the previous year, using codes 1001 and 1006. However, the form does not need to be filed if only a capital loss was realized, or if the tax liability does not exceed the prescribed low thresholds when the gain was realized through a domestic financial intermediary.

Special rules apply to the disposal of shares in a **d.o.o. (limited liability company)**: in this case, the JOPPD is not filed; instead, the transfer is reported directly to the Tax Administration within eight days, after which a decision on the assessed tax liability is issued.

The most common mistakes in practice relate to misinterpreting the two-year period, incorrect calculation of capital gains under the FIFO method, and failing to file the JOPPD Form.
When does the obligation to pay tax on capital gains arise, what are the exceptions, how is the JOPPD Form filled out, and what special rules apply to shares in a d.o.o.? Read the detailed overview and practical examples in the article.

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2.

WHEN ARE BOAT COSTS TAX-DEDUCTIBLE, AND WHEN ARE THEY NOT?

Buying a boat through a company is often seen as a tax-favorable solution, but the Corporate Income Tax Act sets out clear conditions that must be met. If these conditions are not satisfied, depreciation and all costs related to the boat become **non-deductible expenses** and increase the corporate income tax base.

Under Article 12 of the Corporate Income Tax Act, a company must cumulatively meet two conditions: it must be registered for the relevant business activity (e.g., boat rental or transport), and during the tax period it must generate revenue from the use of the boat amounting to at least **7% of its acquisition value**. For example, for a boat worth EUR 800,000, at least EUR 56,000 in annual revenue must be generated.

If these conditions are not met, neither depreciation nor costs such as maintenance, mooring, servicing, fuel, or insurance are tax-deductible, even if the boat has **already been fully depreciated.** A similar rule applies to boats under business lease or leasing: the lease cost is deductible only if the company generates revenue at least equal to that cost.

In the first year of acquisition and the year of sale, the revenue threshold is calculated proportionally to the number of months of use. The company is required to maintain **separate records** for each boat (acquisition value, revenue generated, depreciation, costs) and attach them to its corporate income tax return.

Separately, boat owners may also be liable for an annual boat tax under local tax regulations, the amount of which depends on the boat's length, type, and engine power; this obligation does not affect the right to deduct expenses under the Corporate Income Tax Act.

What conditions must be met for boat expenses to be tax-deductible, what happens if the revenue threshold isn't reached, and how is the boat tax calculated? Read all the details in our article.

3.

USING A COMPANY CAR FOR PRIVATE PURPOSES: HOW TO CORRECTLY CALCULATE THE BENEFIT IN KIND

When an employee or director uses a company car for private purposes as well, this use is treated under Croatian regulations as a **benefit in kind**, which is subject to income tax and contributions just like regular salary. Incorrectly determining this obligation is one of the more common irregularities identified by the Tax Administration during audits.

The Personal Income Tax Ordinance provides for three methods of determining the value of the benefit: calculating it as **1% of the vehicle's acquisition value** per month (including VAT and the special motor vehicle tax), calculating it as **20% of the monthly leasing or rental installment** (including VAT), or calculating it based on **actual private kilometers driven**, at a rate of EUR 0.50 per kilometer.

The first method is most commonly used since it doesn't require records of private trips, while the actual-use method can be more favorable when the vehicle is only occasionally used privately, though it requires careful record-keeping of dates, mileage, and purpose of travel, which serves as evidence during any potential audit.

Regardless of the method chosen, the resulting amount represents a **net benefit**, which must be converted to a gross amount before payroll calculation, with contributions and income tax then applied to that gross amount.

Common mistakes in practice include failing to calculate the benefit when an employee uses the vehicle 24 hours a day, incorrectly determining the acquisition value, not keeping records of private kilometers, and inconsistently applying the chosen method.

What are the three methods for calculating the benefit in kind for private use of a company vehicle, how are they chosen, and what are employers' most common mistakes? Read more about the rules and practical examples in the article on our [blog.]

CONTACT

CONEO – ZAGREB D.O.O.

Garićgradska st. 18
10 000 Zagreb

+385 1 4606 900

www.coneo.hr

Christian Braunig
Managing Partner
e-mail

Frane Garma
Director
e-mail

Worldwide service
through ETL Global