

## Overview of the Investment Promotion and Development of Investment Climate Act

MINIMUM AMOUNT OF INVESTMENT IN FIXED ASSETS
<ul style="list-style-type: none"> <li>▪ € 50,000 and 3 new jobs created for micro enterprises</li> <li>▪ € 150,000 and 5 new jobs created for small, medium and large enterprises</li> </ul>

**An application to acquire the status of a recipient of incentive measures must be submitted before the beginning of the investment.**

**Table 1**

The classification of enterprises according to the Small Business Development Promotion Act (OG 29/02, 63/07, 53/12)					
Enterprise category	Number of employees	<u>and</u>	Turnover	<u>or</u>	Balance sheet total
Medium	≤ 249		≤ € 50 mil.		≤ € 43 mil.
Small	≤ 49		≤ € 10 mil.		≤ € 10 mil.
Micro	≤ 9		≤ € 2 mil.		≤ € 2 mil.

**Table 2**

BUSINESS ACTIVITIES THAT CAN BENEFIT FROM INVESTMENT MEASURES		
Development and innovation activities	Business support activities	High value-added services
Improvement and modernization of: <ul style="list-style-type: none"> <li>▪ Products</li> <li>▪ Production series</li> <li>▪ Production processes</li> <li>▪ Manufacturing technologies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Customer/Client contact centres</li> <li>▪ Centres for outsourced business activities</li> <li>▪ Logistics and distribution centres</li> <li>▪ ICT system and software development centres</li> </ul>	<ul style="list-style-type: none"> <li>▪ Creative services activities</li> <li>▪ Tourism services activities</li> <li>▪ Management, consulting, education services</li> <li>▪ Industrial engineering services</li> </ul>

**Table 3**

Baseline for calculation:			
Material assets (value of real estate/buildings and machinery/equipment) + Non material assets (patents, licences, know-how – up to 50% of material assets)	<b>OR</b>	Costs of creating new jobs (monthly gross salary x 24 months)	
<b>NOTICE: The amount of aid is calculated based on the cost of material and non material assets <u>OR</u> based on the cost of the salaries for the new jobs created, the larger of these amounts constituting the baseline for calculation.</b>			
<b>Ineligible costs (do not form a baseline for calculation):</b> <ul style="list-style-type: none"> <li>▪ land purchase cost</li> <li>▪ buildings already in use</li> <li>▪ machinery/equipment already in use</li> </ul>			
Amount of incentives = baseline for calculation x maximum aid intensity			
	Large enterprises	Medium enterprises	Micro and small enterprises
Maximum aid intensity	<b>40%</b>	<b>50%</b>	<b>60%</b>

The maximum amount of aid available according to this Act, as well as all other sources, is calculated on the basis of the table above.

**Incentive measures defined by the Act:**

- A. Tax incentives** - decrease of the corporate income tax rate, depending on the amount of the investment and the number of new jobs created – Table 4,
- B. Customs incentives** - customs exemption for importing machinery/equipment, depending on the customs tariff – Table 5,
- C. Non-refundable aid for eligible costs of new jobs created** - depending on the unemployment rate in the county in which the investment is located – Table 6,
- D. Non-refundable aid for eligible training costs** - depending on the size of the enterprise and the type of the training - Table 7,
- E. Additional non-refundable aid for eligible costs of new jobs created in specific business activities** - depending on the type of the business activity non-refundable aid for new jobs created from Table 6 is multiplied by certain percentages from Table 8,
- F. Non-refundable aid for the purchase of high-tech equipment/machinery for development and innovation activities** non refundable aid of up to 20% of eligible costs of the purchase of machinery/equipment – Table 8,
- G. Non-refundable aid for capital investments above 5 millions € and above 50 new jobs created** - depending on the unemployment rate in the county in which investment project is located - Table 9,
- H. Non-refundable aid for new jobs created in labour intensive investment projects** - depending on the number of new jobs created - Table 10.

**A decrease of the corporate income tax rate is calculated based on the submission of the annual Income Tax Statement.**

**Non-refundable aid for investment in long-term assets is granted after the first year of investment expires, while non-refundable aid for new jobs created is granted one year after new jobs were created.**

**Table 4**

<b>TAX INCENTIVES</b>				
<b>Investment amount</b>	<b>Number of new jobs created</b>	<b>Corporate income tax rate**</b>	<b>Number of years</b>	<b>Minimum period for maintaining the investment and newly created jobs***</b>
<b>≥ 50.000* €</b>	<b>≥ 3</b>	<b>10%</b>	<b>5</b>	<b>3 years</b>
<b>0.15-1 million €</b>	<b>≥ 5</b>	<b>10%</b>	<b>10</b>	<b>5 years</b> for large enterprises
				<b>3 years</b> for small and medium enterprises
<b>1-3 million €</b>	<b>≥ 10</b>	<b>5%</b>	<b>10</b>	<b>5 years</b> for large enterprises
				<b>3 years</b> for small and medium enterprises
<b>≥ 3 million €</b>	<b>≥ 15</b>	<b>0%</b>	<b>10</b>	<b>5 years</b> for large enterprises
				<b>3 years</b> for small and medium enterprises

\* Only micro enterprises can use incentive measures for investments starting from € 50.000.

\*\* The corporate income tax rate of 20% is decreased by 50%, 75% and 100%, depending on the amount of the investment.

\*\*\* The period of maintaining the investment and newly created jobs cannot be less than the period of use of the incentive measures.

**Table 5**

<b>CUSTOMS INCENTIVES</b>	
<b>Customs relief is applied for imports of machinery/equipment from Custom Tariffs Act headings 84 -90.</b>	<b>Applicable until 1 July 2013</b>

**Table 6**

<b>NON-REFUNDABLE AID FOR ELIGIBLE COSTS OF NEW JOBS CREATED</b>	
<b>County unemployment rate</b>	<b>Aid amount (as a percentage of two years gross salary costs)</b>
<b>Up to 10%</b>	<b>10%, not exceeding € 3,000 per new job created</b>
<b>10-20%</b>	<b>20%, not exceeding € 6,000 per new job created</b>
<b>Above 20%</b>	<b>30%, not exceeding € 9,000 per new job created</b>

An investor, recipient of incentive measures, will be granted **100%** of the non-refundable aid for eligible costs of new jobs created if s/he employees:

- an unemployed person registered in the Croatian Employment Service's records of unemployed persons for at least 3 months, or
- a person 25 years of age or younger with no occupation, ancillary occupation or vocational occupation, being employed for the first time, with no unemployment record at the Croatian Employment Service, or
- a person 29 years of age or younger holding a secondary, associate or university degree, being employed for the first time, with no unemployment record at the Croatian Employment Service, or
- a person 29 years of age or younger registered in the unemployment records of the Croatian Employment Service within 90 days from graduation, from having acquired a vocation upon completion of secondary education, or
- a person with no occupation having completed only primary education, or
- a person whose employment contract has been terminated due to a bankruptcy.

If the above cited employment conditions have not been met, only **40%** of the non-refundable aid will be granted.

**Table 7**

NON-REFUNDABLE AID FOR ELIGIBLE TRAINING COSTS		
Enterprise category	Aid amount (as a percentage of the eligible training costs)	
	Specific training	General training
Large	25%	60%
Medium	35%	70%
Micro and small	45%	80%

**Specific training** – with the purpose of acquiring theoretical and practical knowledge which cannot be applied or can only partially be applied to other entrepreneurs or business activities.

**General training** – with the purpose of acquiring general knowledge that can be applied to other entrepreneurs or business activities

**Eligible training costs** are:

- a. trainer costs,
- b. travel expenses for the trainer and the trainees,
- c. depreciation of tools and equipment to the extent that they are used for training,
- d. trainees' costs up to the amount of the total of the above mentioned eligible costs.

The amount of aid for training costs that can be granted can be **up to 50%** of non-refundable aid for new jobs created.

**Table 8**

NON-REFUNDABLE AID FOR ELIGIBLE COSTS OF NEW JOBS CREATED IN SPECIFIC BUSINESS ACTIVITIES			
Type of investment project	DEVELOPMENT AND INNOVATION ACTIVITIES	BUSINESS SUPPORT ACTIVITIES	HIGH VALUE-ADDED SERVICES
Increase of non-refundable aid for new jobs created from Table 6 by:	+ 50%	+ 25%	+ 25%
Non-refundable aid for machinery/equipment	Up to 20% of eligible costs of purchase of machinery/equipment (max. 0.5 million €)		

**Table 9**

<b>NON-REFUNDABLE AID FOR CAPITAL INVESTMENT PROJECTS</b>			
<b>Investment amount</b>	<b>Number of new jobs created</b>	<b>County unemployment rate</b>	<b>Investment amount (as a percentage of the eligible costs of purchasing long-term assets)</b>
<b>≥ 5 million €</b>	<b>≥ 50</b>	<b>10-20 %</b>	<b>10 %, not exceeding € 0.5 million</b>
		<b>≥ 20 %</b>	<b>20 %, not exceeding € 1 million</b>

**Eligible costs** of capital investment projects:

- the construction costs of a new factory, production facility or tourism facility,
- the costs of purchasing new machinery, production equipment.

Part of the investment in machinery/equipment must equal at least 40% of the total investment and at least 50% of purchased machinery/equipment must be high-tech machinery/equipment.

**Table 10**

<b>NON-REFUNDABLE AID FOR NEW JOBS CREATED IN LABOUR INTENSIVE INVESTMENT PROJECTS</b>		
<b>Number of new jobs created</b>		
<b>≥ 100</b>	<b>≥ 300</b>	<b>≥ 500</b>
<b>Increase in non-refundable aid for new jobs created from Table 6 by:</b>		
<b>+ 25%</b>	<b>+ 50%</b>	<b>+ 100%</b>

**An application for acquiring the status of a beneficiary of incentive measures must be submitted before the beginning of the investment**, i.e. before construction has started or first equipment is purchased. Applications should be submitted to the following address:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>▪ <b>for micro, small and medium enterprises</b></li> </ul> <p>Ministry of Entrepreneurship and Crafts<br/>Directorate for International<br/>Collaboration, Investments and<br/>Cooperation<br/>City of Vukovar Street 78<br/>10000 Zagreb</p> | <ul style="list-style-type: none"> <li>▪ <b>for large enterprises</b></li> </ul> <p>Ministry of Economy<br/>Directorate for Economic Diplomacy,<br/>Export and Investment<br/>City of Vukovar Street 78<br/>10000 Zagreb</p> |
|---|--|

Application forms can be downloaded from [HAMAG INVEST Web site](#).

**Documentation that needs to be submitted with the Application forms:**

- Extract from the Court Register, or Register of Crafts if the application is submitted by a craft, not older than 3 months
- Statement of the Tax Administration on the obligation to pay profit tax, if the application is submitted by a craft
- Information on the financial status of the investor (Annual financial reports for the previous 3 years or an Audit report)
- 5 year business plan with financial report projections
- List of references or other documentation that the investor deems relevant to justify the application.

**Obligations of the recipient of incentive measures** – submission of the annual report on the status of the investment project to the responsible ministry and Ministry of Finance – Tax Authority. The Annual Report is submitted together and in accordance with the deadlines for the submission of an annual income tax statement and in accordance with the Corporate Income Act.

**Table 11**

<b>Deadlines for:</b>				
	<b>Creating new jobs</b>	<b>Maintaining the investment</b>	<b>Maintaining the new jobs created</b>	<b>Maintaining the new jobs – if non refundable aid from Table 6 was granted</b>
<b>Micro</b>	<b>1 year</b> from the start of the investment process	<b>3 years</b> from the finalization of the investment	<b>3 years</b> from their opening	<b>5 years</b> from their opening
<b>Small and medium</b>	<b>3 years</b> from the finalization of the investment	<b>3 years</b> from the finalization of the investment	<b>3 years</b> from their opening	<b>5 years</b> from their opening
<b>Large</b>	<b>3 years</b> from the finalization of the investment	<b>5 years</b> from the finalization of the investment	<b>5 years</b> from their opening	<b>5 years</b> from their opening

## Calculation examples

Example No. 1			
Investment amount			
<b>Total investment in material and non-material assets</b>		<b>HRK 1,500,000</b>	
Investment in real estate/buildings		<b>HRK 450,000</b>	
Investment in machinery/equipment (NOT including high-tech machinery/equipment)		<b>HRK 550,000</b>	
Investment in high-tech machinery/equipment		<b>HRK 500,000</b>	
<b>Cost of creating new jobs</b> (average gross salary of HRK 10,000 x number of new jobs created 5)		<b>HRK 1,200,000</b>	
<b>Enterprise category</b>		<b>Small</b>	
<b>County</b>		<b>Lika-Senj</b>	
<b>Planned number of new jobs</b>		<b>5</b>	
<b>Type of business activity</b>		<b>Development and innovation</b>	
Maximum incentives amount available			
<b>60%</b>		<b>HRK 900,000</b>	
Realized incentives			
<b>Corporate income tax rate</b>	<b>Non-refundable aid for new job creation</b>	<b>Non-refundable aid for development and innovation activities</b>	<b>Additional non-refundable aid for new jobs created for development and innovation activities</b>
10%	HRK 337,500	HRK 100,000	HRK 168,750
TOTAL REALIZED INCENTIVES: HRK 606,250 + corporate income tax rate of 10%			
<p><b>Explanation:</b> The entrepreneur in this example can realize a maximum incentives amount of HRK 900,000. The total investment in material and non-material assets establishes a baseline for this calculation since that amount is greater than the total cost of new job creation (Table 3). The corporate income tax rate will be decreased to 10% because the investment is up to 1 million EUR and 5 new jobs will be created (Table 4). Non-refundable aid for new job creation amounts to HRK 337,500, this being the number of new jobs created multiplied by EUR 9,000 (maximum amount of aid for Lika-Senj County), since this amount is lower than the one we would get if we took 30% of eligible costs (Table 6). For development and innovation activities aid for the purchase of high tech machinery/equipment is granted in the amount of 20% of eligible costs, HRK 100,000 respectively, and additional aid for the new jobs created in the amount of HRK 168,750 (Table 8).</p>			



<b>Example No. 2</b>			
<b>Investment amount</b>			
<b>Total investment in material and non-material assets</b>		<b>HRK 11,250.000</b>	
<b>Cost of creating new jobs</b> (average gross salary of HRK 8,000 x number of new jobs created 7)		<b>HRK 1,344,000</b>	
<b>Enterprise category</b>		<b>Medium</b>	
<b>County</b>		<b>Međimurje</b>	
<b>Planned number of new jobs</b>		<b>7</b>	
<b>Type of business activity</b>		<b>High value-added services</b>	
<b>Cost of general training</b>		<b>HRK 80,000</b>	
<b>Maximum incentives amount available</b>			
<b>50%</b>		<b>HRK 5,625,000</b>	
<b>Realized incentives</b>			
<b>Corporate income tax rate</b>	<b>Non-refundable aid for new job creation</b>	<b>Non-refundable aid for training costs</b>	<b>Additional non-refundable aid for high value-added services</b>
10%	HRK 268,800	HRK 56,000	HRK 67,200
<b>TOTAL REALIZED INCENTIVES: HRK 392,000 + corporate income tax rate of 10%</b>			
<p><b>Explanation:</b> The entrepreneur in this example can realize a maximum incentives amount of HRK 5,625,000. The total investment in material and non-material assets establishes a baseline for this calculation since that amount is greater than the total cost of new job creation (Table 3). The corporate income tax rate will be decreased to 10% although the total investment amount exceeds 1 million EUR because only 7 new jobs will be created (Table 4). Non-refundable aid for new job creation amounts to HRK 268,800, i.e. 20% from total eligible cost of HRK 1,344,000 (Table 6). The entrepreneur can also realize HRK 56,000 of non-refundable aid for training costs of general training, i.e. 70% of the costs of general training (Table 7). Aid for new job creation is increased by 25% or HRK 67,200 because of the type of activity concerned – high value-added services (Table 8).</p>			

Example No. 3			
Investment amount			
Total investment in material and non-material assets		HRK 7,000,000	
Cost of creating new jobs (average gross salary of HRK 6,000 x number of new jobs created 60)		HRK 8,640,000	
Enterprise category		Micro	
County		Osijek-Baranja	
Planned number of new jobs		60	
Type of business activity		Business support	
Cost of general training		HRK 225,000	
Maximum incentives amount available			
60%		HRK 5,184,000	
Realized incentives			
Corporate income tax rate	Non-refundable aid for new job creation	Non-refundable aid for training costs	Additional non-refundable aid for business support activities
5%	HRK 2,592,000	HRK 180,000	HRK 648,000
<b>TOTAL REALIZED INCENTIVES: HRK 3,420,000 + corporate income tax rate of 5%</b>			
<p><b>Explanation:</b> The entrepreneur in this example can realize a maximum incentives amount of HRK 5,184,000. The cost of creating new jobs establishes a baseline for this calculation since this amount is greater than the total investment in material and non-material assets (Table 3). The corporate income tax rate will be decreased to 5% because the investment amounts to above 1 million EUR and 10 new jobs will be created (Table 4). Non-refundable aid for new job creation amounts to HRK 2,592,000, i.e. 30% of HRK 8,640,000 (Table 6). The entrepreneur can also realize HRK 180,000 of non-refundable aid for the costs of general training, being 80% of the cost of general training (Table 7). Aid for new job creation is increased by 25% or HRK 648,000 because of the type of business activity –business support activity (Table 8).</p>			