THE CROATIAN PARLIAMENT

ACT

ON INVESTMENT PROMOTION AND DEVELOPMENT OF INVESTMENT CLIMATE

I. GENERAL PROVISIONS

Scope and purpose of the Act

Article 1

This Act shall regulate the promotion of investments and encouraging the enhancement of investment environment in the Republic of Croatia as well as the other related issues.

Article 2

This Act comprises the provisions which are in compliance with the following EU acts:

– Rules on regional aid comprised by:


b) Guidelines on National Regional Aid (OJ C 54, 04. 04. 2006, p. 13–45),


Article 3

(1) For the purpose of this Act the enterprises shall mean business entities – entrepreneurs classified in line with the provisions of Articles 2 and 3 of the Small Business Development Promotion Act (Official Gazette 29/02, 63/07 and 53/12).

(2) For the purpose of this Act the enterprises shall also mean business entities - large entrepreneurs. For the purpose of this Act the category large entrepreneur shall comprise the entrepreneur whose number of employees turnover/business income and total assets exceed the criteria set forth in Article 2 of the Small Business Development Promotion Act (Official Gazette 29/02, 63/07 and 53/12).
Article 4

(1) The objective i.e. the purpose of investment promotion and encouraging the enhancement of investment environment shall be promotion of economic growth and pursuing of the economic policy of the Republic of Croatia, its involvement in the international trade flows and strengthening the investment and competitive capacity of Croatian enterprises.

(2) At the level of business entities the objective and purpose of investment promotion and encouraging the enhancement of investment environment shall be establishing of the internationally competitive, transparent and attractive system of incentive measures for investments of the legal or natural persons registered in the Republic of Croatia, persons liable to profit tax, carrying out an economic activity in the Republic of Croatia.

Article 5

(1) For the purpose of this Act the promotion of investments and enhancement of investment environment in the Republic of Croatia shall mean the system of incentive measures for investments and incentive measures for timely implementation of the required investment activities. The Act provides for the method and time-limits for accomplishing of all required investment activities with a view to realizing successfully the subject investment project within the statutory time limits in the territory of the Republic of Croatia.

(2) The incentive measures provided for by this Act shall refer to investment projects and strengthening of competitive capacities in:

– production-processing activities,
– development-innovation activities,
– business support activities,
– high value added service activities.

(3) The incentive measures provided for by this Act shall cover the projects referred to in paragraph 2 of this Article, which ensure environmentally friendly entrepreneurial activity and pursue one or more of the following objectives:

– introduction of new equipment and modern technologies,
– increase in employment and higher level of employees’ training,
– development of products and services involving higher added value,
– increase in entrepreneurial competitiveness,
balanced regional development of the Republic of Croatia.

Basic terms

Article 6

For the purpose of this Act the terms below shall have the following meanings:

1. **Investment, initial investment, i.e. investment project**: investment in fixed assets contributed to the property of the recipient of incentive measures amounting to a minimum of EUR 150,000 expressed in HRK equivalent, i.e. minimum of EUR 50,000 expressed in HRK equivalent for micro enterprises, referring to the startup enterprises, the extension of an existing enterprise or the startup of an activity involving a substantial transformation of the product or production process of an existing enterprise (through rationalisation, diversification or modernisation). The replacement investment shall be excluded from this definition unless it implies modernization or improvement of the business process and shall not be included in the amount of initial investment. Regional state aid, within the meaning of this Act, shall not be granted to enterprises in difficulty or to enterprises operating in steel industry, shipbuilding (building of self-propelled merchant sea vessels of not less than 100 gross registered tons), synthetic fibres industry or transport sector.

2. **Fixed assets**: tangible and intangible assets contributed to the property of the recipient of incentive measures, visible in the balance of payments of the recipient of incentive measures.

3. **Recipient of incentive measures**: An enterprise – natural person (craftsman), liable to profit tax, or company registered in the territory of the Republic of Croatia which are eligible for incentive measures or for aid for initial investments.

4. **Aid for initial investment**: total amount of granted incentive measures calculated as a percentage of the investment’s value. This value shall be calculated on the basis of eligible investment costs.

In line with the provisions of the rules on regional state aid, the aid for initial investments may be granted as:

A. Calculation of aid based on investment costs – tangible and intangible assets,

B. Calculation of aid based on wage costs.

5. **Eligible investment costs**: 
A. The value of real estate/buildings and equipment/machinery (standard base). In the transport sector, expenditures referring to the purchasing of transport equipment (movable assets) shall not be included in eligible investment expenditures (standard base). The eligible investment expenditures shall not comprise the land, previously constructed buildings/facilities or previously used equipment/machinery.

The minimum period for retention of the subject investment in the region in which it has been realized shall be five years from the investment completion in case of large enterprises and three years in case of small and medium enterprises; however, not shorter from the period of use of incentive measures provided for by this Act.

B. The eligible investment costs may include certain categories of intangible investments (patent rights, licences, know-how) up to a limit of 50% of the standard base. To be deemed eligible investment costs the intangible assets shall:

- be used exclusively by the recipient of incentive measures,
- be deemed to be depreciable/amortisable assets,
- be purchased from third parties under market conditions, except in case of linked enterprises
- be included in the assets of the recipient of incentive measures and visible in balance sheet of the recipient of incentive measures for not less than five years.

C. Eligible costs in respect of new jobs creation linked to an investment shall be calculated as a percentage of the gross wage calculated over a two years period.

The new jobs shall be created within the three years following the completion of the works. The minimum period for retention of the new jobs linked to an investment shall amount five years in case of large enterprises or three years in case of small and medium enterprises.

6. Aid amount:

(1) The aid amount shall be calculated in relation to the tangible and intangible assets of the initial investment project or in relation to the wage costs in respect of the newly created jobs directly resulting from the investment project.

(2) For the purpose of determining the maximum intensity of aid, the cumulation of the above mentioned amounts as the total eligible costs shall not be permitted, but the higher amount shall be taken in account.

(3) Minimum 25% of financing of the eligible investment costs of the investment must be contributed by the recipient of incentive measures and must not contain any state aid.
7. **Gross grant equivalent** (GGE): the total amount of aid intensities must be calculated in terms of gross grant equivalents (GGE) as the amount of the final benefit which a recipient of incentive measures is deemed to derive from the value of the aid before profit tax deduction.

8. **Maximum intensity of aid:**

(1) The amount of aid calculated as percentage of eligible investment costs or eligible costs of new job creation shall present a certain percentage of gross grant equivalent of eligible investment costs in the case of large enterprises, increased by 10% of the gross grant equivalent in case of investment promotion of medium enterprises, i.e. increased by 20% of the gross grant equivalent in case of investment promotion of small enterprises in line with the regional state aid map; it shall present the ceiling of the total, cumulative aid, i.e. sum of the incentive measures provided for by this Act, including also the aid from other sources and shall be in line with the rules on regional aid and the regional aid map.

(2) Maximum intensity of aid shall be determined pursuant to the rules on regional aid and shall not exceed the amount of the ceiling of the eligible intensity set forth by the regional aid map.

(3) Regional aid intended for investments with eligible investment costs exceeding EUR 50 million (large investment projects) shall be determined upon the maximum intensity of aid as follows:

– for the part of investment amounting to EUR 50 million, the maximum total aid intensity amounts to 100% of the aid ceiling set forth by the regional state aid map.

– for the part of investment from EUR 50 million to EUR 100 million the maximum total aid intensity amounts to 50% of the aid ceiling set forth by the regional state aid map.

– For the part of investment exceeding EUR 100 million the maximum total aid intensity amounts to 34% of the aid ceiling set forth by the regional state aid map.

(4) Maximum state aid intensity referred to in paragraph 1 of this item refers to all aids referred to in Articles 7, 8, 9, 10, 11, 12, 13, 14 and 20 of this Act.

9. **Large investment projects:**

(1) Large investment projects shall refer to investment projects of value exceeding EUR 50 million in HRK equivalent. For such projects a special calculation methodology shall apply for calculation of state aid amount in line with item 8, paragraph 4 of this Article.
The authority in charge of implementation of the state aid system shall be notified on the regional aid referring to large investment projects provided the total aid amount from all sources exceeds 75% of the maximum aid amount of the investment with eligible costs amounting to EUR 100 million in HRK equivalent, to which the recipient is entitled pursuant to the standard aid amount in case of large enterprises in line with the regional aid map applicable on the date of aid allocation and provided:

– over 25% of the subject products on the subject market/markets before the investment shall be contributed by the aid recipient or over 25% shall be contributed by the recipient upon the investment.

– the production capacity deriving from the project cover over 5% of the market measured on the base of the data on visible consumption in relation to the subject product, unless the average annual growth rate of his visible consumption during the last five years period exceeds the average annual GDP growth rate in the European economic area.

The authority in charge of implementation of state aid system shall grant the regional aid intended for investments provided the outcomes of detailed examination reveal that the aid shall provide for incentive effect of investment and the benefits of the subject incentive measure go beyond the impact of market competition distortion and impact on trade.

For the purpose of preventing the artificial splitting of large investment projects in sub-projects, the large investment project shall be deemed as a single investment project provided the investment is made within a three years period by the same investor and provided it consists of economically inseparable fixed assets.

10. Newly created job and training linked to investment: shall mean each job deriving from investment referred to in item 1 of this Article and the corresponding training of the person trained for this particular job in line with the aid provided for by this Act.

11. When determining the eligibility of non repayable grants for creating of the new jobs and training pursuant to this Act the following conditions shall be in particular taken in account:

– new job, as well as the training, shall be linked with implementation of investment project, that is, the job shall be created during the period of investment project implementation and retained during the five years period, starting from its creating in case of the large enterprises or three years in case of small and medium enterprises.

– non repayable grants for creation of the new jobs and training linked to an investment project shall be granted for new jobs created within the three years period starting from completion of works, except for the investment projects referred to in Article 8 of this Act.
– in case the incentive measures recipient fails to retain the new jobs provided for by provisions of this Act during the period not less than five years starting from its creation in case of large enterprises, or three years in case of small and medium enterprises, the right to use non repayable grant for the new job and training shall expire and he shall be liable to reimburse funds derived from the allocated aid, increased by statutory interest on arrears.

– the investment project shall result in increased number of employees in the enterprise – recipient of incentive measures if compared with the average number of employees in the previous twelve months, i.e. gross created new jobs during the period of twelve months; the number of jobs lost during the same period has to be deducted from the subject number.

12. *Commencement of investment:* commencement of investment, i.e. commencement of project works shall mean: either the commencement of construction works or the first assumed obligation in terms of ordered equipment, not including the preparatory feasibility study.

13. *Competent ministry:* Ministry of Entrepreneurship and Crafts as the competent ministry for micro, small and medium sized enterprises referred to in Article 3, paragraph 1 of this Act, Ministry of Economy as the competent ministry for large enterprises referred to in Article 3, paragraph 2 of this Act.

II. INVESTMENT PROMOTION

*Incentive measures*

Article 7

The incentive measures shall mean:

1. incentives for micro enterprises,
2. profit tax incentives,
3. customs incentives,
3. aid to cover eligible costs of the job creation linked to an investment project;
4. aid to cover eligible costs of training linked to an investment project;
5. incentive measures for:
   A. development-innovation activities
   B. business support activities, and
C. high value added service activities,

7. incentive measures for capital expenditures of investment project,

8. incentives for labour intensive investment projects.

1. Incentives for micro enterprises

Article 8

(1) In case of investments made by micro enterprises amounting to minimum EUR 50,000 in HRK equivalent, the incentive measures recipient shall be eligible to 50% reduction of the profit tax rate stipulated during the five years period beginning from the year of commencing the investment, provided not less than three new jobs have been created linked to the investment project within one year from investment commencement.

(2) The person submitting application to qualify for incentive measures may be granted tax incentives without ensuring the creation of new jobs, provided he implements the modernization of technological process of the existing production line or plant. In such case the recipient shall retain the same number of new employment, as recorded at the moment of submitting the notification to qualify for incentive measures, during the overall period of using the incentives, which shall not be shorter than three years following the commencement of the use of incentive measures referred to in this Article.

(3) The overall amount of tax incentives to which the incentive measures recipient is entitled during the whole period of use of tax incentives shall be determined in absolute amount resulting from the difference between the due amount of profit tax, calculated pursuant to the Profit Tax Act, and the amount calculated pursuant to this Act, taking thereby into account the maximum aid ceilings for cumulation of aid as laid down in Article 2 item 8 of this Act.

(4) The recipient of incentive measures shall retain the investment project and the number of employees during a minimum period of three years which shall not be shorter than the period in which he uses the incentive measures pursuant to this Act.

(5) If the recipient of incentive measures during the period in which he uses the incentive measures pursuant to this Act ceases to be liable to profit tax, he shall be revoked the tax incentives in respect of the remaining period in which they have been granted, however he shall be liable to retain the new jobs and the investment project.

(6) If the recipient of incentive measures reduces the number of new jobs provided for by the provisions of this Article he shall be revoked the tax incentives in respect of the overall period in which the incentives have been granted and shall be liable to
reimburse funds derived from the use of the incentives, increased by statutory interest on arrears.

2. Tax incentives

Article 9

(1) In the case of an investment amounting to EUR 1 million in HRK equivalent, the recipient of incentive measures shall be eligible to reduction of the profit tax rate by 50% of the statutory profit tax within a period of up to 10 years from the year in which the investment was first made, provided the recipient provides for creation of at least 10 new jobs linked to the investment.

(2) In the case of an investment amounting from EUR 1 to 3 million in HRK equivalent, the recipient of incentive measures shall be eligible to reduction of the profit tax rate by 75% of the statutory profit tax within a period of up to 10 years from the year in which the investment was first made, provided the recipient provides for the creation of at least 10 new jobs linked to the investment.

(3) In the case of an investment amounting over EUR 3 million in HRK equivalent, the recipient of incentive measures shall be eligible reduction of the profit tax rate by 100% of the statutory profit tax within a period of up to 10 years from the year in which the investment was first made, provided the recipient provides for the creation of at least 15 new jobs linked to the investment.

(4) The person submitting notification to qualify for incentive measures may be granted tax incentives without ensuring the creation of new jobs, provided he implements the modernization of technological process of the existing production line or plant. The person shall be liable to retain the same number of jobs as recorded in the moment of submitting the notification during the overall period in which he uses the incentives, which shall not be shorter than three years following commencement of use of incentive measures referred to in this Article.

(5) The overall amount of tax incentives to which the incentive measures recipient is entitled during the whole period of use of tax incentives shall be determined in absolute amount resulting from the difference between the due amount of profit tax calculated pursuant to the Profit Tax Act and the amount calculated pursuant to this Act, taking thereby into account the maximum aid ceilings for the cumulation of aid as laid down in Article 6 item 8 of this Act.

(6) The recipient of incentive measures must retain the investment project during a minimum period of five years in case of large enterprises or three years in case of
small and medium enterprises; however the period shall not be shorter than the period in which he uses the incentive measures provided for by this Act.

(7) If the recipient of incentive measures during the period in which he uses the incentive measures pursuant to this Act ceases to be liable to profit tax, he shall be revoked tax incentives in respect of the remaining period for which they have been granted, however he shall be liable to maintain the new jobs and the investment project.

(8) If the recipient of incentive measures reduces the number of new jobs provided for by the provisions of this Article he shall be revoked tax incentives in respect of the whole period for which they have been granted and he shall be liable to reimburse funds derived from the use of granted incentives, increased by the amount of statutory interest on arrears.

3. Customs incentives

Article 10

The equipment which is imported and constitutes a part of eligible costs of the investment projects shall not be subject to payment of customs duties in respect of goods specified in the Chapter 84-90 of Customs Tariff pursuant to the Customs Tariff Act.

4. Aid to cover eligible costs of job creating linked to an investment

Article 11

(1) The recipient of incentive measures who provides for the creation of new jobs linked to an investment project in the counties of the Republic of Croatia where the registered unemployment rate according to the data of the Central Bureau of Statistics for the preceding year does not exceed 10%, shall be authorised a non-repayable aid in respect of the eligible costs of new job creation linked to an investment amounting to 10% of the eligible costs of new job creation in maximum amount not exceeding EUR 3,000 in HRK equivalent per job created.

(2) The recipient of incentive measures who provides for the creation of new jobs linked to an investment project in the counties of the Republic of Croatia where the registered unemployment rate according to the data of the Central Bureau of Statistics for the preceding year ranges from 10% to 20%, shall be authorised a non-repayable aid in respect of the eligible costs of new job creation linked to an investment amounting to 20% of the eligible costs of new employment in maximum amount not exceeding EUR 6,000 in HRK equivalent per job created.
(3) The recipient of incentive measures who provides for the creation of new jobs linked to an investment project in the counties of the Republic of Croatia where the registered unemployment rate according to the data of the Central Bureau of Statistics for the preceding year exceeds 20%, shall be authorised a non-repayable aid in respect of the eligible costs of new job creation linked to an investment amounting to 30% of the eligible costs of new job creation in maximum amount not exceeding EUR 9,000 in HRK equivalent per job created.

(4) If the recipient of the incentive measures fails to retain the jobs provided for by the provisions of this Article for the minimum period of five years from their creation, the right to use the non repayable aid for the new job and training shall expire, and the recipient shall be liable to repay the funds derived from the approved aid increased by the amount of the statutory interest on arrears.

(5) The overall amount of non repayable aid pursuant to this Article, tax and other incentives to which the incentive measures recipient is entitled to during the whole period of use of incentives shall be determined in absolute amount taking into account the maximum aid ceilings for the cumulation of aid as laid down in Article 6 item 8 of this Act.

5. Aid to cover eligible costs of training linked to an investment project

Article 12

(1) The recipient of incentive measures shall be granted a non-repayable aid for training of employees in respect of new job creation linked to an investment project.

(2) The non-repayable aid for eligible costs of training linked to an investment shall be allocated in line with the rules on state aid for training

(3) The aid for eligible costs of training linked to investment may be granted in the form of:

a. Aid for general training: general training shall mean training intended for acquiring general knowledge applicable to the present or future position of an employee employed with the incentive measures recipient who is state aid recipient, which provides qualifications that are transferable to other enterprises or activities and thereby substantially improves the employability of the employee.

Training shall be considered general if:
i. It is jointly organised by several independent enterprises, or if employees of different enterprises may avail themselves of the training:

ii. It is recognised, authorised and certified by state administration bodies or other authorized bodies or institutions of the Republic of Croatia:

b. Aid for specific training: specific training shall mean training intended for acquiring of theoretical and practical knowledge applicable to the employee's present or future position with the incentive measures recipient who is state aid recipient, which is non-transferable or only to a limited extent transferable to other enterprises or activities.

(4) The eligible costs of training shall be:

a. Trainers' personnel costs,
b. Trainers' and trainees' travel expenses,
c. Depreciation of tools and equipment, to the extent that they are used for the training project,
d. Trainees’ costs up to the amount of the overall eligible costs referred to in items (a) to (c) of this Article.

Only the hours during which the trainees actually participate in the training, after deduction of any productive hours or their equivalent, shall be taken into account.

(5) The aid for eligible costs of training shall not exceed the maximum intensities as follows:

a. For aid in case of special training the aid intensity shall not exceed 25% in case of large enterprises, i.e. 35% for medium and 45% for small enterprises,
b. For aid in case of general training the aid intensity shall not exceed 60% in case of large enterprises, i.e. 70% for medium and 80% for small enterprises,
c. In cases where the aid comprises both forms of training; special and general – which are not separable in terms of aid intensity calculation, i.e. in cases where the special or general feature of training is not determinable and separable, the calculation of maximum intensity for special training shall apply.
d. The aid intensity, together with the investment aid, i.e. aid for creating of new jobs shall not exceed 50% of the eligible investment costs.
6. Incentive measures for development-innovation activities, business support activities and high added value service activities

Article 13

(1) For investments in development-innovation activities, business support activities and high added value service activities additional incentive measures shall be granted for the following investment projects:

A. DEVELOPMENT-INNOVATION ACTIVITIES – conducive to enhancement and modernization of:

– products,
– production series,
– production processes, and
– production technologies.

B. BUSINESS SUPPORT SERVICES

  1. Customer/Client contact centres

all types of call-centres, multi-media contact centres and other types of customer/client contact centres focused on technical support and customers’ or clients’ problem solving.

  2. Shared services centres

focused on outsourcing and pooling of business activities such as finances, accounting, marketing, product design, and audio-visual activity, development of human resources and IT development.

  3. Logistics and distribution centres

focused on establishment and construction of high-technology logistics and distribution centres providing for intermodal transportation of goods, warehousing, goods packaging and handling with a view to significantly improving logistics and distribution activities within business process and delivery of goods.

  4. ICT and software development centres

- development and application of information systems,
- outsourcing of information system management,
- development of telecommunication-network operation centres,
- development and application of new software solutions.

C. HIGH VALUE ADDED SERVICE ACTIVITIES

1. Activities of creative services:

activities in the field of architecture, design, various forms of media communication, promotion, publishing, culture, creative industry and other activities in the field of arts.

2. Activities of tourist services:

activities in the field of high added value tourist services, as for instance the projects of accommodation facilities like four plus star hotels, apart-hotels and tourist settlements – four plus stars tourist apartments within the tourist settlements, four plus stars camps, hotel-heritage, other types of accommodation facilities created by reconstruction of cultural-historic facilities, ancillary facilities, health tourism, congress tourism, nautical tourism, cultural tourism, amusement and/or recreation centres and parks, tourist-ecological projects.

3. Activities of management, counselling, educational services,

4. Activities of industrial engineering services.

(2) For investments in development-innovation activities the incentive measures recipient shall be granted, apart from the incentive measures provided for by this Act, the increase in aid for the costs for creating of new jobs linked to an investment project amounting to 50% of the amounts provided for by Article 11 of this Act.

(3) For investments in business support activities and high added value service activities the incentive measures recipient shall be granted, apart from the incentive measures provided for by this Act, the increase in aid for the costs for creating of new jobs linked to an investment project amounting to 25% of the amounts provided for by Article 11 of this Act.

(4) For investments in development-innovation activities the non repayable aid shall be granted for purchasing of equipment/machinery amounting to 20% of the actual eligible costs of purchasing equipment/machinery in maximum amount of EUR 0.5 million in HRK equivalent, provided the purchased equipment/machinery presents high-tech equipment/machinery.

(5) The overall amount of non repayable grants pursuant to this Article, tax and other incentives to which the incentive measures recipient is entitled during the whole period of use of incentives, shall be determined in absolute amount taking into account the maximum aid ceilings for the cumulation of aid as laid down in Article 6 item 8 of this Act.
7. Incentive measures for capital expenditures of an investment project

Article 14

(1) Investment project eligible for incentive measures for capital expenditures of an investment project shall mean an investment in fixed assets of the incentive measures recipient amounting to EUR 5 million in HRK equivalent, provided that a minimum of 50 new jobs linked to an investment project are created within the period of three years following the commencement of investment.

(2) The incentive measures recipient realizing an investment project referred to in paragraph 1 of this Article in counties where the registered unemployment rate according to the data of Central Bureau of Statistics for the proceeding year ranges between 10% and 20% shall, apart from the incentive measures provided for by this Act, be granted the investment incentives for capital expenditures:

Non repayable grant amounting to 10% of actual eligible investment costs in fixed assets for:

– costs of construction of the new plant, industrial facility or tourist service providing facility,

– costs of purchasing new machines, i.e. production equipment.

in total maximum amount up to EUR 0.5 million in HRK equivalent, provided that at least 40% of the total investment value is apportioned to the machinery or manufacturing equipment and at least 50% of the purchased machinery or manufacturing equipment constitutes high-tech equipment.

(3) The incentive measures recipient realizing an investment project referred to in paragraph 1 of this Article in counties where the registered unemployment rate according to the data of Central Bureau of Statistics for the proceeding year exceeds 20%, shall, apart from the incentive measures provided for by this Act, be granted the investment incentives for capital expenditures:

Non repayable grant amounting to 20% of actual eligible investment costs in fixed assets for:

– the costs of construction of the new plant, industrial facility or tourist service providing facility,

– costs of purchasing new machines, i.e. production equipment.

in total maximum amount up to EUR 1 million in HRK equivalent, provided that at least 40% of the total investment value is apportioned to the machinery or manufacturing equipment and at least 50% of the purchased machinery or manufacturing equipment constitutes high-tech equipment.
(4) If the recipient of incentive measures fails to meet the condition of creation of new jobs or if he reduces the number of new jobs created referred to in paragraph 1 of this Article, the right to use the incentive measures for capital expenditures of an investment project expires in respect of the overall approved period and he shall be liable to reimburse funds derived from the use of the incentives, increased by the statutory default interest.

(5) The overall amount of non repayable grants, tax and other incentives to which the incentive measures recipient is entitled to during the whole period of use of incentive measures shall be determined in absolute amount taking into account the maximum aid ceilings for total amount of incentives referred to in Article 6 item 8 of this Act.

8. Incentive measures for labour intensive investment projects

Article 15

(1) Investment project for which incentive measures for labour intensive investment projects are granted shall mean investment in fixed assets of the incentive measures recipient, which provides for creation of at least 100 new jobs linked to an investment project within the three years period following the investment commencement.

(2) The incentive measures recipient implementing the investment project referred to in paragraph 1 of this Article shall be entitled to increase in aid to cover costs of job creation linked to an investment project, amounting to 25% of the amounts provided for by Article 11 of this Act.

(3) The incentive measures recipient implementing the investment project providing for creation of at least 300 new jobs linked to an investment project shall be entitled to increase in aid to cover cost of creation of new jobs linked to an investment project amounting to 50% of the amount provided for by Article 11 of this Act.

(4) The incentive measures recipient implementing the investment project providing for creation of at least 500 new jobs linked to an investment project shall be entitled to an increased aid to cover cost of creation of new jobs linked to an investment project amounting to 100% of the amounts provided for by Article 11 of this Act.

(5) The overall amount of non repayable grants, tax and other incentives which can be used by the incentive measures recipient during the whole period of use of incentive measures, shall be determined in absolute amount taking into account the maximum aid ceilings for the cumulation of aid provided for by Article 6 item 8 of this Act.
Incentive funds

Article 16

(1) Non-repayable grants for investment promotion provided for by this Act shall be allocated from the State Budget of the Republic of Croatia according to the relevant positions of the competent ministries.

(2) The competent ministry shall maintain a record of authorised non repayable grants intended for investment promotion, creating of the new jobs and other types of aid.

(3) Upon EU accession of the Republic of Croatia the funds for non repayable grants intended for investment promotion shall be provided for, apart from the State Budget of the Republic of Croatia, from the EU Structural Funds as well, in line with the EU *acquis communautaire* and the corresponding national legislation.

Authorisation and monitoring

Article 17

(1) The enterprises which intend to benefit from the incentive measures within the meaning of this Act shall submit the notification to acquire the status of eligible recipient of incentive measures, i.e. the application for utilization of incentive measures. The subject application shall be submitted to the competent ministry prior to the commencement of investment project.

(2) On the basis of the submitted application, the competent ministry shall, in cooperation with the Ministry of Finance and other competent ministries in charge of the subject investment and the other competent authorities in charge of investment promotion, establish whether the submitted application complies with the provisions of this Act and shall inform the notifying party thereof and issue a certificate on the eligibility status of the recipient of incentive measures not later than 60 days from the day of the receipt of the subject application in line with the provisions of this Act.

(3) The enterprises intending to use the incentives measures pursuant to this Act shall be provided administrative, professional and technical support in respect to the completion of the application referred to in paragraph 1 of this Article by the Croatian Agency for Investments and Competitiveness (hereinafter referred to as AIC), Croatian Agency for Small Business and Investments HAMAG INVEST (hereinafter referred to as HAMAG INVEST), county development agencies and other legal persons competent for investment promotion on local and regional level.

(4) During the period in which incentive measures are used, the recipients of incentive measures shall submit written annual reports to the competent ministry and the Ministry of Finance – Tax Administration, on the implementation of the investment
project, use of incentive measures and retention of the subject investment and new jobs linked with this investment.

(5) The annual reports referred to in paragraph 4 of this Article shall be submitted together with the profit tax return in line with the time limits provided for by the Profit Tax Act.

(6) If the incentive measures recipient from unjustified reasons fails to submit the report within the time limit referred to in paragraph 5 of this Article he shall be revoked the granted incentive measures and the status of an incentive measures recipient shall be withdrawn.

(7) The statutory contents of the application for approval of the status of a recipient of incentive measures, with the corresponding standardized forms, procedure of application, approval and use of the incentive measures provided for by this Act, as well as the contents of the report on the use of incentive measures referred to in paragraphs 1 and 4 of this Article shall be stipulated by the regulation of the Government of the Republic of Croatia.

(8) The competent ministries shall in co-operation with the Ministry of Finance and other competent ministries within the scope of their competence in respect to investment project, monitor the use of incentive measures by the recipient of incentive measures in order to detect and penalise the possible irregularities and unlawful use.

Reimbursement of funds of incentives in case of bankruptcy or liquidation of recipient of incentive measures

Article 18

In case of bankruptcy or liquidation of enterprise or crafts, liable to profit tax, the recipient of incentive measures shall, prior the expiry of the period of use of incentive measures, i.e. the liability of retaining the subject investment and employment, refund the used incentives, increased by statutory interest on arrears.

Monitoring and determining the maximum intensity of investment promotion aid

Article 19

(1) For the purpose of monitoring and determining the maximum intensity of granted aid, the competent ministry shall request from the other ministries and bodies in charge of granting aid the data and information on entire state aid granted.

(2) The competent ministry is obliged to determine the gross grant equivalent for investment promotion and aid to cover the costs of creation of new jobs; it shall monitor the total aid for investment promotion, including also the aid from other sources and determine the utilization of maximum intensity of aid for investment promotion pursuant to this Act.
The competent ministry shall for each respective recipient of incentive measures who has used the maximum intensity of aid for investment promotion notify correspondingly in writing the recipient of incentive measures and the Ministry of Finance – Tax Administration.

III. PROMOTION OF DEVELOPMENT OF INVESTMENT- ENTREPRENEURIAL CLIMATE

Article 20

Investment climate

(1) The investment climate in wider sense of this Act shall mean the overall pre-investment, investment and post-investment activities at national, regional and local level, conducive to the performance and target completion date of investment project in the territory of the Republic of Croatia.

(2) For the purpose of this Act the investment climate shall mean the activities referred to in paragraph 1 of this Act, comprising: issuing acts for licensing/permitting the building and use of facilities, concession, building rights and other permits for building by the local self government units or by the competent ministries and other competent bodies, construction of infrastructure and issuing of preliminary energy or infrastructural approval linked to an investment project, physical planning and entry of tenant ownership by the local or regional self government units or by the competent ministries, as well as the regulations on procedures and requirements for construction with a view to promoting the investment projects, activities of reallocation of land, activation of inactive assets in public ownership with a view to realizing investment projects.

(3) Apart from the activities referred to in paragraph 2 of this Article, for the purpose of this Act the investment climate shall also mean the activities of issuing decisions, approvals and other statutory acts at local, regional and national level, conducive to performance and target completion date of an investment project.

Article 21

The Government of the Republic of Croatia may declare a certain investment project to be of interest for the Republic of Croatia. The criteria for declaring the project to be of interest for the Republic of Croatia, the methods of implementation of such projects, as well as the methods of attracting the potential investors within the meaning of this Article shall be stipulated by the regulation of the Government of the Republic of Croatia.

Promotion of development of investment climate
(1) For the purpose of promotion of development of investment climate in the Republic of Croatia AIC and HAMAG INVEST shall coordinate the activities of implementation of an investment project in cooperation with the investors and the competent state administration bodies, units of local and regional self government and other legal entities involved in implementation of the investment project in the territory of the Republic of Croatia.

(2) AIC and HAMAG INVEST shall, in coordination with the county development agencies, provide active support to investors in all stages and activities of an investment project which are conducive to performance and target completion date of the investment project in the Republic of Croatia.

(3) For the purpose of efficient implementation of the investment project in line with the time schedule HAMAG INVEST, i.e. AIC and the county development agency with the local self-government in which territory the investment project is implemented, shall establish joint proactive “ad hoc” body for each respective investment project – “investment project support team”, comprising at least one representative of local self-government, one representative of county development agency responsible for promotion and attraction of investments and one representative of AIC, i.e. HAMAG INVEST, responsible for investment attraction and promotion.

(4) The investment project support team shall provide technical assistance to the investor of the project with a view to timely realizing all activities referred to in Article 20, paragraphs 2 and 3 of this Act, cooperating directly with the competent bodies in charge of the subject activities at local, regional and national level; they submit quarterly reports to the AIC i.e. HAMAG INVEST management council.

(5) The quarterly report of the investment project support team for each respective projects shall involve, apart from the information on the implementation status of investment project, also the information on identified administrative barriers in investment environment, which prevent the timely implementation of the investment projects, as well as the proposal of solution, i.e. elimination of the identified administrative barriers with a view to promote the investment climate.

(6) Upon adoption of the quarterly report the AIC management council, i.e. HAMAG INVEST management board shall submit the report, together with the proposed solutions for eliminating the identified barriers providing for timely implementation of the investment project, to the competent ministry. The ministry shall notifies correspondingly the Government of the Republic of Croatia.

(7) Based on the submitted report and the proposed solutions for eliminating the identified administrative barriers providing for timely implementation of the investment project, the Government of the Republic of Croatia shall issue decision entrusting thus the competent ministry with the task to prepare, in cooperation with the competent state administration bodies, i.e. local and regional self-government units,
the final draft of solution for eliminating the identified administrative barriers obstructing the timely implementation of the investment project, i.e. solution contributing to development of investment climate in the Republic of Croatia.

IV. PENAL PROVISIONS

Penal provisions

Article 23

(1) The recipient of incentive measures shall be fined an amount ranging from HRK 100,000.00 to 1,000,000.00 for the infringement if he fails to submit the written annual report on the use of the incentive measures to the competent ministry and the Ministry of Finances – Tax Administration pursuant to the provision of Article 17, paragraphs 4 and 5 of this Act.

(2) For the infringement referred to in paragraph 1 of this Article the responsible person of the recipient of incentive measures in question shall also be fined an amount ranging from HRK 10,000 to 50,000.

V. TRANSITIONAL AND FINAL PROVISIONS

Article 24

(1) The Government of the Republic of Croatia shall adopt the regulation referred to in Article 17, paragraph 7 of this Act within the period of 60 days following the date of entry into force of this Act.

(2) The Government of the Republic of Croatia shall adopt the regulation referred to in Article 21 of this Act within the period of 30 days following the date of entry into force of this Act.

Article 25

On the day of entry into force of this Act, the Investment Promotion Act (Official Gazette No. 138/06 and 61/11) shall cease to be in effect.

Article 26

The tax incentives for investment projects referred to in Article 10 of this Act shall cease to be in effect as of the date of accession of the Republic of Croatia to the European Union.

Article 27
The enterprises and crafts, liable to profit tax, which are recipients of incentive measures, tax and tariff incentives for investments pursuant to the Investment Promotion Act (Official Gazette No. 73/00) and the Investment Promotion Act (Official Gazette 138/06 and 61/11) shall retain the right to use the granted incentive measures, tax and tariff incentives until the expiry of the period in respect of which they have been granted.

Article 28

The enterprises which have submitted the Application to utilize incentive measures and the recipients of incentive measures according to the Investment Promotion Act (Official Gazette 138/06 and 61/11) which have not used the incentive measures and are still in the period of investment project implementation, can qualify to utilize incentive measures according to the relevant regulations of this Act, provided the recipient of incentive measures submits written notification within the period of 60 days following the date of entry into force of this Act.

Article 29

This Act shall enter into force on the day of its publication in the Official Gazette.

Class: 404-01/12-01/02

Zagreb, 21 September 2012

THE CROATIAN PARLIAMENT

The Deputy Speaker of the Croatian Parliament

Josip Leko, m.p.