

Doing Business in Croatia

2008



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1. Introduction

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 66 countries throughout the world. Business partners work together through the network to conduct trans-national operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Croatia has been provided by the office of UHY representatives:

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Information in the following pages have been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at April 2008.

We look forward to helping you do business in Croatia.

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2. Business environment

Croatia is a Central European and Mediterranean country, culturally and historically linked to Central and Eastern Europe. Croatia has a good geo-strategic position. It borders with Slovenia, Hungary, Serbia and Montenegro, Bosnia and Herzegovina and has a marine border with Italy.

For the most of the 20th century, Croatia was a part of a state under the name of Yugoslavia, with the communist system and socially owned companies. Croatia became an independent state in 1991 when a democratic, multi-party political system was adopted and political and economic reforms were introduced. Over the past few years Croatia has been making efforts to join European economic and political institutions.

In the last six years Croatia has recorded the highest GDP increase in the region with an average GDP growth of 4.14% per annum. Although achieving only 30% of the EU average GDP per capita in 2006, Croatia has the equivalence level of less advanced EU member countries.

Although in 2006 the service sector generated more than 62% of Croatian GDP, the largest Croatian resource is tourism (19.4%). Trend of fast development in the tourist industry, set by international tourist demand, provides opportunities for various entrepreneurial initiatives and investments in a continuously growing sector.

Hotel capacities in Croatia are mainly on the Adriatic coast. In 2007, the annual income from tourism was approximately EUR 6.8 billion. The largest number of overnight stays is by Germans, followed by Italians and Slovenians. The privatisation of the hotel industry is still in process and investments in high-quality tourist facilities that provide new jobs are the priority.

Although export has been increasing rapidly, it is still two times lower than the import. The export commodity structure shows that Croatia exports mostly ships and boats, oil derivatives, textiles, chemical products, food and drinks. The structure of Croatian imports shows a high percentage of consumer goods such as food and drinks, motor vehicles, furniture etc. However, in the last few years there has been a rapid growth of machinery and industrial equipment import, which indicates that the Croatian industry is modernizing.

At the moment, the Government is making a great effort in reorganization and reform of land registry and judicial system, with the goal of making it

efficient and reliable. The first electronic Land Register started operating in 2005, providing data for 43 land registries (see www.pravosudje.hr).

The government plan for further development includes strengthening entrepreneurship, stimulating exports and foreign investment, increasing employment and competitiveness, and reducing the costs of state administration.

In 2005 the “One Stop Shop” project was introduced. It is a service for entrepreneurs which aims to centralize and simplify all procedures necessary to establish new business entities in Croatia. It is designed to reduce time and cost of such procedures.

Official statistics

	2003.	2004.	2005.	2006.
GDP, current prices (million EUR)	26.232	28.681	31.263	34.220
GDP per capita (EUR)	5.905	6.461	7.038	7.706
GDP growth (%)	5,3	4,3	4,3	4,8
Inflation rate	1,8	2,1	3,3	3,2
Budget Deficit (as % of GDP)	-6,2	-4,8	-4,0	-3,0
Central Bank interest rate (at end of period) (%)	4,5	4,5	4,5	4,5
Direct capital investments in Croatia (million EUR)	949,6	1.467,9	2.746,6	2.716,1
Direct Croatian capital investments abroad (million EUR)	278,8	192,1	163,4	204,9
Consumer Price Index (Previous year=100.0)	102,4	102,1	103,3	103,2
Export sales price index	116,8	129,7	109,3	118,3
Unemployment rate (%)	14,3	13,8	12,7	11,2
Employment rate (%)	43,1	43,5	43,3	43,6

Area

56,538 km² of land and 31,067 km² of territorial waters

Population

4,441 mil (December 31, 2006)

Language

Croatian, with ethnic minorities using their own language locally

Political system

Parliamentary democracy

Capital

Zagreb (population of 770,000)

Currency

Croatian Kuna (HRK), made of 100 Lipa

Exchange rate

HRK 7.32 per 1 EUR (as at December 31, 2007)

External trade

Export (in mil. EUR): 17,007 (2006)

Import (in mil. EUR): 19,642 (2006)

Major external trading partner countries (2005)

Export: Italy, Germany, Slovenia, Bosnia and Herzegovina

Import: Italy, Germany, Slovenia, Austria

3. Foreign investment

There is no difference between domestic and foreign investors regarding the legal status of foreign investment in Croatia. When foreign investors found or participate in founding companies in Croatia, they gain rights and take on responsibilities under the same conditions and have the same status as domestic investors. Everything that is possible in relationships between domestic investors is also possible when foreigners invest capital.

Foreign legal entities in Croatia are allowed to invest capital in a company, bank or insurance company, start up as a sole trader or craftsman, and obtain a concession to exploit natural resources or other assets of interest to Croatia.

Foreign persons are allowed to acquire shares and ownership stakes in existing public and private limited companies.

Croatia recognizes the importance of attracting foreign investors, valuing the management, the commercial know-how, and the fresh capital that they bring. That is why foreign investors are entitled to additional guarantees that are not extended to domestic investors. For example, the rights gained through capital investment will not be reduced by any law or other regulation.

Investment incentives

The Investment Incentives Act offers a wide variety of tax incentives for foreign and domestic investors. Corporate tax incentives are related to capital investments and depend on the size, number of employees and/ or location of the investment project. The tax benefits cannot exceed the amount of the investment. Non-tax incentives take the form of grants or interest subsidies and are given on a case to case basis following a detailed application.

Sectorial restrictions

The investments in Croatia are welcome and encouraged. However, some areas of investment are limited and subject to special conditions of approval procedure by competent authorities. The major exceptions are in the areas of foreign ownership of real estate, particularly forests and agricultural land, as well as industries connected with national defence and security. Otherwise, the regulatory framework for the establishment and operation of businesses in Croatia by foreign investors is relatively straightforward and in line with the basic standards of the EU.

Specific permits or licenses are only required for certain activities, such as banking, insurance, stock brokerage and similar financial services.

Immovable property ownership

The most complicated aspect of foreign investment in Croatia is the acquisition of land, registration and site development. In general, foreign entities and individuals may only acquire property with prior approval of the Ministry of Foreign Affairs, based on opinion of the Ministry of Justice on the basis of reciprocity.

These restrictions on the foreign ownership of property can be avoided indirectly. Companies registered in Croatia are considered domestic legal entities and can acquire ownership rights over real estate without any restrictions.

The practical problems that foreign investors meet in Croatia are related to the difficulty of ascertaining the ownership of land and property. Efforts are being made to update and computerize both the land title register and the land use register (“cadastre”), as well as administrative procedures.

Repatriation of profits and capital

There are no restrictions imposed on the repatriation of profits or capital investments. Foreign investors can transfer abroad the profits earned from capital invested in Croatia, the proceeds from the sale of stocks or stakes, after settling outstanding liabilities, and they can transfer the capital upon divestment. The profit earned by a foreign contractor engaged in capital projects in Croatia may also be transferred abroad.

4. Setting up a Business

The Croatian legal system provides a range of entities common in other legal systems. There are no restrictions on establishment of business entities by foreign investors.

The procedures for establishing, registering and operating a company in Croatia are relatively straightforward. There are three basic types of entities available under the Company Law:

1. Limited liability company - d.o.o.
2. Joint stock company - d.d.
3. Partnerships - limited, unlimited and silent

The Croatian Company Law also recognizes business associations. Alternatively, foreign investors may opt for a branch office or a representative office as the most effective way of conducting business operations in Croatia.

Company Registration procedure

The registration of a company is relatively straightforward. In general, there are several stages in the process of establishing and registering a business in Croatia.

This process includes:

- company name availability check,
- verification of documents by public notary,
- settling the share capital,
- registering with the Commercial Court the location of the company's headquarters,
- registering with the Central Bureau of Statistics,
- opening a business account so that the initial capital could be transferred to the company account, and
- registering with the Tax Authorities.

When establishing a limited liability company or a joint stock company, a foreign investor may invest money, goods and rights. The minimum capital required when establishing a limited liability company is the domestic currency equivalent of 2,500 EUR and the minimum of 25,000 EUR when establishing a joint-stock company.

Registration procedures upon the authorisation of the agreement on incorporation take approximately up to two weeks.

The compulsory documents required to register a company by a legal entity / Individual are:

- registration certificate of the founding company translated by the Croatian court interpreter;
- the founding company's letter of attorney issued to a person signing the foundation statement of the new company certified and translated by the Croatian court interpreter;
- a copy of an identification document of the appointed company representative or proxy; (I)
- statement of acceptance of appointment by authorized company representatives authenticated by public notary; (I)
- the authentication of director's or proxy's signature by public notary; (I)
- incorporation document – articles or statement of incorporation; (I)
- company name explanation (if the company has a foreign name). (I)

Concessions and Free Zones

As foreign persons cannot become owners of certain types of real estate the Concessions Rights Act regulates rights to concessions. Concession may be granted for exploitation of natural resources and other wealth that is of interest to Croatia or doing activities that are of interest to Croatia. A concession may be granted for a period of up to 99 years (40 years for agricultural land).

Free Zone may be established based on a concession granted by the Government. Domestic and foreign legal entities or foreign natural persons cannot found a zone but can be zone users. They may carry out all activities within the zone (production and refinement of goods, wholesale trade, trade intermediation, services, banking transactions, insurance services etc.) except retail trade, based on an agreement made with the domestic founder of the zone.

The Free Zone stipulates following benefits:

- all forms of foreign trade may be carried out within a zone, and the limitations of the Trade Act and the Foreign Exchange Act do not apply to such operations,
- goods may be freely imported or exported, or remain within the zone for an unlimited period of time,
- no customs duties or taxes are levied on goods stored in the zone,
- zone users pay profit tax reduced to 50% of the standard rate (i.e. 10%)

There are 15 well known Free Zones established in Croatia.

5. Labour

Croatia has a highly skilled, well-educated workforce. Croatia's labour market is changing rapidly with the entry of new professionals who have a good understanding of foreign languages, particularly English, German and Italian. The transition towards a market economy and the war in Croatia has had a direct and negative impact on the labour market.

Unemployment is relatively high and according to official sources by the end of 2006 amounted to 15.9% of the workforce. Despite government efforts to stimulate employment with various programs of incentives for employers, the level of unemployment remains a significant social and economic burden.

Employment contracts

The Labour Law is the main instrument that regulates the relationship between employers and employees in Croatia through employment contracts and a number of institutions which protect worker's rights.

Employment contracts must be concluded in writing, regardless of the duration of the employment. The contract must include the location of the employment, job description, basic salary and fringe benefits. An employer and employee are entitled to agree on terms more favourable to the employee than specified in law.

The Labour Law defines full-time employment as a 40-hour week. Employees are entitled to a minimum of 18 working days' paid annual vacation. Vacation days must be granted in the year in which they are due. The salary paid during the annual vacation must be at least the average salary of the three preceding months.

Termination of employment

Employment may be terminated by mutual agreement, with retirement, dismissal, the death of the employee or expiry of the term for which the employment contract was concluded. The Labour Law prescribes notice periods of two weeks to three months, depending on the length of the employment.

As a rule, a permanent employment contract cannot be terminated without sufficient justification, unless the employment contract is terminated on the grounds of misconduct on the part of the employee. The severance payment is determined on the basis of the duration of the employment. The minimum severance payment is calculated as one third of the average

monthly salary, paid out in the last three months before the termination, for each year of employment with the respective employer.

In addition, there are certain protections for employees in cases where a company files for bankruptcy, such as priority in receiving salaries for three months before the start of proceedings, compensation for annual vacation and severance pay.

If the employee's contract is temporary, then the employer may dismiss the employee before the contract expires and pay the wages for the remainder of the term.

When the employer and the employee terminate the employment by mutual agreement, they are free to decide the relevant terms.

Social security

The Croatian social security system includes regulations covering pension, health care and unemployment insurance.

Croatia introduced crucial changes to its pay-as-you-go pension system in 1998, enacting legislation for a funded 'two-pillar' pension system along the lines of reforms in Hungary and Poland. These reforms raised the retirement age and gradually lowered replacement rates. The reform started on 1 January 2002 and has introduced three pillars into the pension insurance system.

Health insurance in Croatia includes basic, additional and private health insurance. Basic health insurance is mandatory and consists of the right to health care and the right to financial benefits. The right to various financial benefits includes compensation of salary during sick leave (including maternity leave) and transport costs incurred when using the health services. The additional and private health insurance are voluntary insurances with a beneficiary contributing a monthly insurance premium.

The contribution table is shown below.

	Employer (%)	Employee (%)
Pension contributions		15+5
Health insurance	15	
Special health insurance against work-related accidents	0,5	
Employment contributions	1,7	
Total contributions	17,2	20

Employment of foreigners

The law stipulates that foreign nationals are required to obtain a “Work permit” or a “Business Permit” to work in Croatia. The application for either type of permit should be made at the local office of the Croatian Ministry of Interior.

An application for Work Permit must be made by foreign nationals seeking employment in Croatia and is submitted by the Croatian company. Once a work permit has been obtained, a foreign national should apply for a Temporary Residence Permit.

An application for a Business Permit must be submitted in person by individuals who are self-employed or are majority owners or seconded by foreign employers to work in Croatian enterprises. A business permit is valid both as a work permit and as a residence permit.

Both permits are usually granted for 1 year.

The Croatian Government sets an annual quota for Croatian work permits. However, business permits and work permits for certain types of employees are not subject to the annual quota.

Foreign nationals who are required to obtain temporary residence or business permits are also required to have health cover in Croatia. This requirement is imposed on all individuals applying for Croatian permits and any accompanying family members unless there is a social security agreement in place between the two countries. Foreign nationals who are covered by their home country’s social security system, and submit the prescribed certificate, are exempt from contributions for health insurance in Croatia.

6. Taxation

Tax Authorities

Croatian Tax Administration is the administrative organization within the Ministry of Finance.

Tax administration consists of the central office is in Zagreb and 20 regional offices that are situated in county capitals. Their basic duty is to implement tax regulations and regulations concerning the payment of obligatory contributions. All residents are obliged to participate in the settlement of public expenses in accordance with their economic abilities.

The tax system is based on the principles of equality and equity.

The Tax Administration performs administrative and other professional duties.

The Tax Administration is responsible for the control of the calculations and collection and execution in order to collect obligatory contributions and to filing and pursuing cases of misbehaviour due to the violation of regulations on the payment of obligatory contributions.

The Tax Administration collects and processes data on defined and collected taxes and obligatory contributions and proposes changes in tax policy and tax regulations and other regulations in order to improve the tax system and collect taxes and obligatory contributions in a more efficient way.

The Tax Administration can perform duties relating to the recording, determining, controlling, collecting and seizure of assets in order to collect taxes that entirely belong to local and regional government, other public taxes and other taxes stipulated by the law.

General tax law

General tax law prescribes processes and the relations between taxpayers and tax authorities.

The General Tax Law is covering the broad issues relating to taxation procedure, notably completion, payment, reimbursement, postponement, forced payment, evidencing and dispute resolution. This law also defines the main taxation principles, such as the equal attention principle, the

principle of no retroactive application of tax regulation, the principle of established fact declaration, tax secrecy, the bona fide principle, and the economic substance principle.

The provisions of this law define the rights of taxpayers, clearly defining the relationship between debtors, creditors, and successors in the payment, disbursement, guarantee, compensation and calculation of tax obligations or claims proceedings. It also clearly defines the relationship in proceedings of pledging, ceding and impounding assets or rights.

Value Added Tax (VAT)

The Value added tax is paid on the delivery of all kinds of goods and all services rendered inland for compensation, on own consumption, on the delivery of goods and services rendered without compensation and with a personal discount. VAT is also paid on the import of goods inland and on the services that a foreign entity performs for domestic entity inland.

Business transactions are taxed at 22%, 10% and 0%.

The 0% rate applies to the following:

- All kinds of bread and milk (except for fermented and certain other milk products);
- books with professional, scientific, artistic, cultural and educational character and school textbooks (primary, secondary and tertiary education, including printed paper and other media, such as CD-ROMs, video cassettes and audio tapes);
- medicines determined by the Decision to determine the List of Medicines of the Croatian Institute for Health Insurance;
- scientific and scholarly journals;
- services rendered by cinemas.

The rate of 10% applies on the services of accommodation with/without breakfast, accommodation in all kinds of commercial hospitality facilities and on services of organised tourist stays.

Exports, temporary imports and import of donated goods are not subject to tax.

Free of tax in inland:

- lease or rent of housing space
- bank services, savings – bank, credit – saving organisations and insurance companies

Tax calculation periods of VAT are the calendar months.

An entrepreneur of whom the annual value of taxable goods delivered and services rendered in the previous calendar year was not higher than 85.000,00 HRK does not pay VAT, does not have the right to display tax on invoices issued and cannot deduct the tax that other entrepreneurs charge him.

Individual income tax

The income tax law stipulates that every person who acquires an income is the taxpayer. The income tax is making the difference between residents and non-residents.

A resident is a person who has domicile residence in Croatia. Individuals who are considered tax residents in Croatia are taxed on their worldwide income. Non-resident taxpayers are taxed only on their income earned in Croatia.

Income itself is the difference between the receipts obtained in the tax period and the expenses occurred in the same period, reduced by losses made in Croatia and personal tax benefits.

The Croatian tax laws recognize six income categories:

- income from employment;
- income from independent personal activities (self-employment);
- income from property and property rights;
- income from capital;
- income from insurance;
- other income.

The Croatian personal income tax law recognises basic personal tax allowance and tax allowances for dependent family members, determined as a percentage of basic personal tax allowances.

Basic personal allowance is HRK 1,600.00 and it isn't taxable.

The income tax base can be reduced by the amount of insurance premium paid (life insurance, supplementary health insurance and voluntary pension insurance) but up to a maximum of 1,000,00 HRK per month.

Personal income tax is paid at the following rates:

- 15% on taxable income up to HRK 3,200 per month;
- 25% on taxable income between HRK 3,200 and 8,000 per month;
- 35% on taxable income between HRK 8,000 and 22,400 per month;
- 45% on taxable income over HRK 22,400 per month.

In Croatia there is an obligation to pay the Surtax on income tax. The tax base for the surtax on income tax is the amount of income tax.

Cities, depending on their size of population can prescribe surtax on personal income. According to this possibility the following major cities have charged local taxes:

- Zagreb 18%
- Split 10%
- Rijeka 6.25%
- Osijek 13%
- Pula 7.50 %
- Varaždin 10%
- Dubrovnik 15%

Corporate Income Tax

The corporate income tax is the principal tax levied on business profits. The corporate profit tax law imposes taxes on all enterprises that carry out activities for the purpose of making a profit.

The relevant consideration that foreign investors need to take into account when determining the nature of their investments or the legal form of establishing business operations in Croatia, include the tax burdens from the investor's original obligation, in conjunction with the provisions of any relevant double taxation treaty.

The taxpayer is a company or another legal or natural person resident in the Croatia, who is permanently and independently engaged in an economic activity for the purpose of making profit, an income or other economic benefits.

The tax period is calendar year, exceptionally, at the request of the taxpayer that the tax period should not correspond with the calendar year, where the tax period may not exceed 12 month. The chosen period can't be changed for 5 years.

The tax base is defined as profit determined as the difference between income and expenditure before the profit tax assessment, increased and

reduced in accordance with the provisions of The Profit Tax Law. The tax base of a resident taxpayer is the profit earned in Croatia and abroad, and the tax base for non-resident is the profit earned in Croatia assessed in accordance with the provisions of The Profit Tax Law.

Tax rate on corporate income is 20%.

Profit transfer in foreign countries is free after paying tax obligations.
Tax losses can be carried over into the next year for up to five years.

Tax exemptions, relieves and incentives:

- Taxpayers who perform their activities in areas of special state concern are exempt from paying profit tax
- The profit tax rate for free zone users is 10%
- The tax rate on profits resulting from new investments has been reduced (between 0 and 7%), depending on the amount of investment and on the number of new employees

Withholding tax

Withholding tax is the tax that shall be paid on the profit derived by a non-resident in the Croatia. The tax rate on withholding tax is 15%.

The taxpayer liable to pay withholding tax is:

- A Croatian entity that pays to foreign entities who are not natural persons,
- The permanent establishment of a non-resident company, when they pay to the parent company interest or royalties and other intellectual property rights.

Withholding tax shall not be paid if considerations are recognised as revenues of a resident permanent establishment of a non-resident company.

The withholding taxes are paid on the following:

- royalties and other intellectual property rights for which considerations are paid to non-residents who are not natural persons;
- market research services, tax and business consulting and auditors services paid to non-residents and
- interests.

Withholding tax is not payable on dividends resulting from profit.

Double taxation

Croatia has signed double taxation treaties (DTTs) that may reduce or eliminate withholding taxes.

The payment of withholding tax requires the submission of a separate summarised report on the withholding tax paid. If the proper form is not submitted, the taxpayer has to pay the withholding tax calculated at the rate of 15%. If there is a difference in the percentage of the withholding tax paid and the percentage preset by the DTT, a request for a refund of the overpaid tax can be submitted within 3 years of the year in which the payment was made.

Real estate transfer tax

The taxpayer is the person or entity acquiring the real estate (purchase and sale, exchange, inheritance, donation, merger or withdrawal of property from a company, property purchase in the process of liquidation or bankruptcy and on the basis of a court decision).

The tax is payable by both domestic and foreign legal entities and individuals, unless an international treaty provides otherwise.

Real estate transfer tax is paid at the rate of 5%.

The tax base is calculated as the market value of property at the moment of the acquisition.

The Real estate transfer tax Law provides for general tax relieves, tax relieves on the contribution to a company in the form of real estate and tax relieves on inheritance, gifts and other acquisitions of real estate without charge.

According to the Law on Commercial Companies, real estate transfer tax is not payable when real property is contributed as share capital into a company as well as when immovable property is acquired in the process of merger of companies or of disassociation of the company into several companies.

The acquisition of newly built real estate that is taxed according to the VAT Law is not considered to be the transfer of real estate.

Inheritance and gift tax

Inheritance tax is generally chargeable on inheritances of property located in Croatia. The tax base of the inheritance is generally the market value of

the property less expenses and debts encumbering the property. There are a number of exemptions from inheritance tax available.

The tax rate is 5%.

Gift tax is payable where a gift of property is given to another individual who receives the gift (i.e. the beneficiary). The taxable base of the gift is usually the net value of the gift. The gift tax due is usually at a rate of 5%. Again, depending on the circumstances surrounding the gift, there are a number of exemptions from gift tax available.

Special taxes (Excises)

There are special taxes (excises) in Croatia that are imposed on coffee, mineral oils, alcohol, beer, non-alcoholic beverages, tobacco products, cars and other motor vehicles and luxury products. Persons required to pay excise duty are producers and importers.

Other taxes

There are some other not so relevant taxes such as tax on road motor vehicles, tax on vessels (boats), tax on holiday houses, tax on coin-operated machines for games and amusement.

7. Accounting & reporting

Companies that exist and perform their work in Croatia are obliged to keep their records and prepare annual financial statements in accordance with the Croatian Financial Reporting Standards (CFRS) issued by the National Committee for Financial Standards and large or listed companies in accordance with International Financial Reporting Standards.

The size of the company is determined according to the criteria disclosed in the Croatian Accounting Law.

Small companies are those that don't exceed the two of following limits:

- Total assets over 32,500,000.00 HRK
- Total turnover over 65,000,000.00 HRK
- Average number of employees during the year over 50

Medium sized companies are those that exceed the two of the above mentioned limits but don't exceed the two of the limits that follows:

- Total assets over 130,000,000.00 HRK
- Total turnover over 260,000,000.00 HRK
- Average number of employees over 250

Large companies are those that exceed the two of the above mentioned limits.

According to Croatian Auditing Law, companies that are obliged to have an annual external audit are:

- Large and medium- sized public limited companies,
- Larger and medium limited liability companies,
- Listed companies and companies that are going to be listed,
- Companies that must have annual audit because of a nature of their business (banks, insurance companies, investment funds etc.)
- Small companies that exceed total turnover of 30,000,000.00 HRK (this obligation for small companies will be terminated at the moment Croatia joins the EU)

Croatian auditors are working according to International Standards of Auditing and according to IFRS and IAS. Their main organisation is Croatian Auditors Chamber seeded in Zagreb.

Reporting

Annual financial statements must include these basic statements:

- Balance of payment
- Profit and loss account
- Cash flow statement
- Structure of capital
- Notes

All companies are obliged to deliver their Annual financial statements and Auditor's report to the Financial Agency (FINA) for purpose of public disclosure.

Company is obliged to deliver Annual financial statements and Auditor's within 6 months after the end of the year and Annual consolidated financial statements have to be delivered within 9 months after the year end.

Corporate and personal income tax returns have to be handed in to the tax authority (Croatian Tax Administration) not later than February 28th of the current year. Fiscal year equals the calendar year. When the fiscal year equals the calendar year, the corporate income tax returns have to be delivered to the tax authority by not later than April 30th of the current year.

8. UHY firms in Croatia

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About HB-ekonom d.o.o. (Ltd.)

HB-ekonom d.o.o. has been established in 1995 and specialises in accounting, auditing and business consulting services. The company was entered in the Register of Auditors by the Croatian Auditor Chamber No: 100001870.

Clients include small to medium sized Croatian companies as well as affiliates of international companies from various sectors: construction, manufacturing, trade, food, tourism, furniture and many others.

The company currently employs 7 professionals, 2 of them are certified auditors, and 2 are certified accountants. A wide network of external associates i.e. lawyers, public notaries, certified consultants, certified estimators, and court interpreters are at client's disposal.

The main business of our practice is auditing of financial statements and tax consulting services. Other fields of our expertise are business advisory services and accounting. Our broad accountant client base allows us global insight into various business sectors.

The company conducted audits for private companies, building societies, non-profit organizations, founding audits, merger and separation audits, stock capital increase and decrease audits, audits of business contracts and due diligence. For foreign investors we provided tax and business consulting services, financial analysis, reconstruction and investment advices, making of business plans and manager reports.

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About Rudan d.o.o. (Ltd.)

Rudan d.o.o. for tax consulting and auditing has been established in 1994. Company is registered for auditing, accounting and tax or business consulting services. Company headquarters is in Zagreb, Ilica 213. The Croatian Auditors Chamber entered the company in the Register of Auditors under No.100001550.

The main business of our Company is auditing and tax consulting. The company also conducts audits of private companies and public companies, forensic audits, merger and separation audits, capital increase audits and due diligence. We are also competent in making all kinds of business or investment plans.

Company currently employs 8 professionals out of whom there are 2 certified auditors, 1 certified tax consultant and 1 certified estimator. Our company is in the position to provide services in English and in German language. In cooperation with several lawyers, public notaries, judicial and other experts we are in position to provide full service to our clients.

Our employees have long experience in providing consulting services to domestic and foreign clients. In resolving the problems of our clients we are always trying to find the best, innovative and most suitable solution for our clients.

9. UHY offices worldwide

For contact details of UHY offices worldwide, or for details on how to contact the UHY executive office, please visit www.uhy.com

