

Ideas that pay off.

Monthly Newsletter

January, 2022

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CHANGES IN THE PAYMENT OF MEMBERSHIP FEES TO THE CROATIAN CHAMBER OF COMMERCE

Following the recent amendments to the Croatian Chamber of Commerce Act and the abolition of the obligation to pay membership fees, the Assembly of the Croatian Chamber of Commerce (Croatian Chamber of Commerce) announced the first financial plan. The plan states that the number of membership fees after January 1, 2022, will not change for medium and large companies, but only for micro and small entrepreneurs who decide to pay the monthly membership fee of the Croatian Chamber of Commerce. Thus, medium-sized companies will continue to pay HRK 1,083 per month, while large companies will continue to pay HRK 3,973. What is changing for large and medium-sized companies is the offer of packages in proportion to the paid membership fee, ie the right to a large amount of available services.

CHANGES FOR MICRO AND SMALL ENTREPRENEURS

The previous 42 kunas paid by small and micro-entrepreneurs is a thing of the past. Changes related to the category of micro and small entrepreneurs envisage a monthly amount of 150 kunas for those entrepreneurs that generate revenues of up to HRK 7.5 million, and 300 kunas for those entrepreneurs that earn more than that. How much interest there will be in paying membership fees remains to be seen.

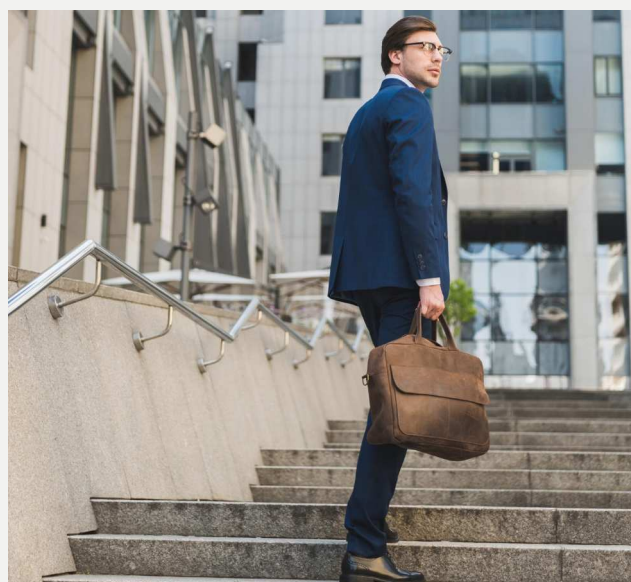
SERVICE PACKAGES

Entrepreneurs who decide to pay membership fees will have an assigned employee (Business Manager) at their disposal, and they will also be offered service packages. Entrepreneurs in the category of membership fees of HRK 150 will be able to use services worth HRK 5,000, and those entrepreneurs who will pay a membership fee of HRK 300 will be able to use a package worth HRK 7,000.

The services included in the packages include the preparation of credit reports and various data processing, thematic education, legal consultations, professional conferences, business plan development, mediation in connection with foreign business partners, and the like.

WHAT ABOUT THOSE WHO DO NOT WANT TO PAY MEMBERSHIP FEES?

Micro and small entrepreneurs who choose not to pay membership fees will remain members and will have access to the chamber system in the public services segment; for example, the right to use the Digital Chamber, advocacy of sectoral interests, drafting legislative proposals, and the like. Other services included in the above-mentioned packages, they will pay at full price from the price list adopted by the Assembly and which will be published soon.



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NEW INTEREST RATE BETWEEN RELATED PARTIES

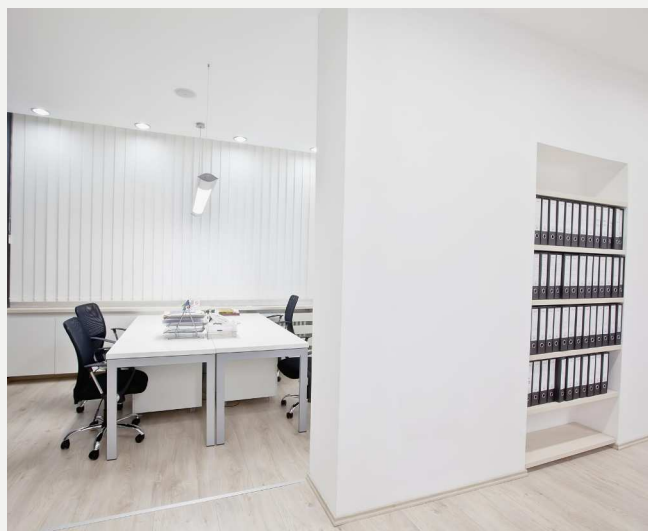
The provisions of Art. 37 of the Ordinance on Income Tax stipulates that when determining the interest rate on loans between related parties, the starting point is the average interest rate on loans granted for a period longer than one year to non-financial companies. The CNB publishes the interest rate in the current calendar year and is decided by the Minister of Finance before the beginning of the tax period in which it is applied.

The interest rate on loans between related parties for 2022 is 2.68%.

The Income Tax Act stipulates that the tax base is increased by the amount of interest that is not a taxable expense, which includes interest on loans received from related parties calculated at a rate higher than the interest rate that would be realized between unrelated parties at the time of approval loan. Also, the Income Tax Act stipulates that when determining interest income on loans granted between related parties, interest is calculated at least up to the interest rate that would be realized between unrelated parties at the time of loan approval.

This means that interest is calculated at the rate of 2.68% of the minimum required tax revenue for 2022 when a domestic company gives a loan to a foreign affiliate.

When determining interest expense on loans received from related parties, they recognize accrued interest up to the amount of the interest rate that would be realized between unrelated parties at the time of loan approval. Interest up to a maximum of 2.68% is recognized as a tax expense of the domestic taxpayer for 2022.



TAXATION OF CAPITAL GAINS AND REPORTING THROUGH THE JOPPD FORM

The Tax Administration of the Ministry of Finance has published news related to the taxation of capital gains and reporting via the JOPPD Form.

“Regarding the implementation of the provision of Article 70, paragraph 4 of the Income Tax Act (NN. 115/16, 106/18, 121/19, 32/20 and 138/20; hereinafter: the Act) which prescribes that the taxpayer – holder of financial assets is liable to capital gains tax based on capital gains referred to in Article 67, paragraphs 1 and 2 of the Act, except for capital gains based on alienation of shares in the company's capital that are not transferable in the capital market by a special regulation, calculate, suspend and pay [by the last day of February of the current year for all capital gains realized in the previous year](#) fewer capital losses from Article 67, paragraph 11 of the Act at the rate of 10%.

Taxpayers who earned total income from capital in the country through financial intermediaries, based on capital gains in 2021 and received a notice to their home address, and the realized capital gain according to the submitted notice is less than 134.00 HRK and the income tax liability on the basis of capital gains, applying the average surtax rate of 12%, would amount to a total of HRK 15.00, [are not obliged to submit the JOPPD Form by 28 February 2022](#), and no later than the next working day or 1 .March 2022, in accordance with Article 77, paragraph 11 of the Ordinance on income tax (NN 10/17, 128/17, 106/18, 01/19, 80/19, 1/20, 74/20 and 1/21) which stipulates that if the cost of submitting the JOPPD Form would be disproportionate to the collected income tax and surtax on income tax, the application may be considered the delivery of data at the request of the Tax Administration, in accordance with Article 79, paragraph 1 of the General Tax law (NN 115/16, 106/18, 121/19, 32/20 and 42/20), based on an individual notification of the Tax Administration or publication via the official website.

The application, in this case, shall be deemed to have been submitted, the submission of data by financial intermediaries (issuers of the notice), under the provisions of Article 79, paragraph 1 of the General Tax Act.”

Read the original text on the website of the Tax Administration.

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REPORTING IN ESEF FORMAT MANDATORY FROM JANUARY 2022

The new obligation will enter into force on January 1 2022 for all listed companies. Annual financial statements will be required to be prepared in a European single electronic format (ESEF), and the obligation includes marking financial statements with appropriate XBRL codes using Inline XBRL technology. The new obligation was prescribed by the European Commission and the European Securities and Capital Market Authority, and the purpose of applying these international financial reporting standards is to guarantee a high level of transparency and comparability of financial statements.

WHAT IS XBRL FORMAT?

XBRL is an open international standard for digital business reporting controlled by XBRL International, a global nonprofit partnership. XBRL is used in more than 50 countries around the world. Millions of XBRL documents are created each year, replacing obsolete reports on paper with more usable, efficient, and accurate digital equivalents.

XBRL provides a unique reporting language. From the presentation of the content of financial statements or other types of compliance reports to the presentation of business performance. Also, XBRL technology enables easier, faster, and more secure transmission of reporting data through organizations digitally. Because information is well-defined, platform-independent, tested, and digital, this format makes it easier to use, share, analyze, and add value to data.

WHO USES XBRL?

REGULATORS

- Financial regulators that require a large amount of complex information on the performance and risks of the institutions they oversee,
- Securities and exchange regulators who must analyze the performance and compliance of listed companies and securities and ensure that this data is available for consumption and analysis by market,
- Business registers are responsible for receiving and publishing various corporate data concerning private and public companies, including annual financial statements,
- Companies that need to provide financial statements and other compliance information to tax authorities for their reports to be processed and reviewed.

COMPANIES

- Companies that have to share information with one or more of the above regulators,
- Companies that require accurate information flow within a complex organization,
- Supply chains that must share information to control risk and monitor activities.

GOVERNMENT

- State entities that reduce bureaucracy and simplify the process of reporting to the government by harmonizing data or consolidating reporting obligations,
- Government agencies that improve government reporting by standardizing the way consolidated or transactional reports are created, used within government agencies, and/or published to the public.

DATA PROVIDERS

- Specialized data providers that use publicly available performance and risk information to develop comparisons, ratings, and other value-added information products for other market participants.

ANALYSTS AND INVESTORS

- Analysts who need to understand relative risk and impact,
- Investors which need to compare potential investments and understand the fundamental impact of current investments.

ACCOUNTANTS

- To meet their clients' reporting needs, they are often involved in creating XBRL reports.



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REPORTING IN ESEF FORMAT MANDATORY FROM JANUARY 2022 – CONTINUED

WHAT ARE THE MOST IMPORTANT FEATURES OF XBRL?

Precise Definitions

XBRL allows the creation of multiple, authoritative definitions, known as taxonomies, that encompass the meaning contained in all reporting terms used in a business report. Regulators, those in charge of accounting standards, government agencies, and other groups that need to clearly describe the information they need to report create taxonomies. Likewise, XBRL is a language that can be used indefinitely and extended as needed.

Verifiable Business Rules

XBRL allows you to create business rules that limit what can be reported. Business rules can be logical or mathematical, or both. These rules can be used throughout a range of business processes, and can also prevent unwanted dissemination of unfinished information to the regulator or third party. One of the features of XBRL is certainly the automatic tagging of suspicious or substandard material to allow for quick tracking and correction.

Multilingual support

What many will love is multilingual support. Third-party translations and definitions may also be added. This means that it is possible to present different reports in a language in which they have not been prepared, all without additional effort. XBRL will do this for the user.

OBLIGATION TO MARK FINANCIAL STATEMENTS WITH XBRL MARKS

The obligation to mark financial statements with XBRL marks begins with periods beginning on or after January 1, 2022. Until this period, issuers display notes to the financial statements in xHTML format as an integral part of the annual report but do not mark them with XBRL tags.

The ESEF REPORTING MANUAL is available on the ESMA website, which provides detailed explanations and instructions on how issuers should prepare their financial statements in XBRL format. There, users can also find suggestions for developers on how to include their tools to make XBRL reports compliant with RTS ESEF requirements. It should be noted that ESMA regularly updates the ESEF Manual in light of relevant ESEF-related market developments.



ESEF REPORTING MANUAL



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CHANGES IN TAX REGULATIONS IN 2022

NEW AMOUNT OF MINIMUM GROSS SALARY

We have already written about the new amount of the minimum gross wage, where a new Decree on the amount of the minimum wage for 2022 was adopted. (OG 117/2021) was adopted. The new Minimum Wage Regulation applies to about 51,000 employees with a minimum wage. This Regulation applies to full-time workers, while the minimum wage for part-time work is set in proportion to the minimum wage for full-time work, as well as the hours of work for which the worker is registered. The new amount of the minimum gross wage increased by 10.3% and starting at 2022 amounts to HRK 4,687.50 in gross amount, or HRK 3,750.00 in net amount, which is an increase in the amount of the minimum wage for 2022 compared to the 2021 year of HRK 437.50 in gross amount, or HRK 350.00 in net amount.

In the construction industry, the application of the Collective Agreement for Construction has been expanded, where the minimum wage will be determined according to the complexity of the work on which the employee works. These are ten levels of complexity, so the minimum gross salary in construction will range from HRK 4,200.00 to HRK 11,130.00 per month.

Also, as of December 1, the number of allowances that increase the minimum wage has been increased and the powers of the labor inspectorate to monitor the application of the Minimum Wage Act have been expanded. Employers are required to reconcile employment contracts with workers entitled to a minimum wage by February 1, 2022.

NEW AMOUNT OF BASIS FOR CALCULATION AND PAYMENT OF SOCIAL SECURITY CONTRIBUTIONS

As of January 1, the basis for calculating and paying social security contributions for all compulsorily insured persons has also changed. The new amount of the base for calculating and paying social security contributions for employed members of the Management Board is HRK 6,199.05 per month, for craftsmen subject to income tax it is HRK 6,199.05 per month, and for free professions HRK 10,490.70 per month. It is important to note that the new bases will be applied when paying contributions for January 2022 due in February 2022.

NEW MAXIMUM AMOUNT OF SALARY PROTECTED AGAINST ENFORCEMENT

The new maximum amount of salary protected from foreclosure will be visible already when the salary for December, which is paid in January, is paid. It amounts to HRK 4,724.00 net.

CHANGES IN LABOR LAW

You can read more about the novelties that await us regarding the change of the Labor Law in our article on remote work, and it will mostly concern the work of platform workers, part-time work, and remote work. Thus, according to the proposal of the legislator, written contracts would be concluded for remote working, and the worker would be entitled to reimbursement of overhead costs. Likewise, the new law should better protect workers from precarious contracts and unclear working conditions. According to the proposal, a worker should be able to work for one employer for a maximum of 3 years with a fixed-term contract, and employers should clearly explain the reasons for concluding this type of contract.

Also, unions are advocating for better-regulated rights to paid annual leave, parental leave, sick leave, weekends, and eight-hour working hours. The new Labor Law should be adopted in the first part of this year, and it will incorporate the provisions of the European directive on work-life balance. This directive provides for mandatory ten days of paid paternity leave for fathers, as well as two months of non-transferable paid parental leave.

The novelties also concern the Ordinance on covid certificates, which clearly states that every employer who keeps records of covid certificates should have an appropriate ordinance, harmonized with the GDPR.

NEW AMOUNT OF COMPENSATION FOR NOT COMPLYING WITH THE MANDATORY EMPLOYMENT QUOTA OF PERSONS WITH DISABILITIES

With the entry into the new year, the amount of compensation for non-compliance with the mandatory quota for the employment of persons with disabilities also changes. Since the minimum amount of gross salary has changed, the amount of compensation for non-employment of people with disabilities also changes. Recall, employers who employ 20 or more workers are required to hire 3% of workers who have the status of a person with a disability. If they do not meet this quota, they must pay a monthly allowance of 20% of the minimum wage, which means that from 1 January they will pay an allowance of HRK 937.50 per month. It should be noted that the first payment of the new amount will be mandatory when paying the commitment for January 2022, which is due in February 2022.

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CHANGES IN TAX REGULATIONS IN 2022 - CONTINUED

NEW DEFAULT INTEREST AND LAW ABOUT EXCISE DUTIES

In the first part of 2022, new default interest rates are expected, which for all trade contracts from 1 January to 30 June 2022 amounts to 7.49%, while in other respects it amounts to 5.49% per year.

Attention should also be paid to the Law on Excise Duties, which is in line with EU directives. This means that some provisions come into force on January 1, 2022, while some later. See the consolidated text of the law.

CHANGES IN PAYMENT OF HGK MEMBERSHIP FEES

From 4 January 2022, membership in the Croatian Chamber of Commerce is still mandatory for all legal entities engaged in economic activity. The financial plan of the Chamber states that the membership fee will not change for medium and large companies, but only for micro and small entrepreneurs who decide to pay the monthly membership fee of the Croatian Chamber of Commerce. Thus, medium-sized companies will continue to pay HRK 1,083.00 per month, while large companies will continue to pay HRK 3,973.00. What is changing for large and medium-sized companies is the offer of packages in proportion to the paid membership fee, ie the right to a larger amount of available services.

Micro and small entrepreneurs who decide to pay membership fees will have 2 packages of services at their disposal. Entrepreneurs in the category of membership fees of HRK 150.00 will be able to use services worth HRK 5,000.00, and those entrepreneurs who will pay a membership fee of HRK 300.00 will be able to use the package worth HRK 7,000.00.

Micro and small entrepreneurs who choose not to pay membership fees will remain members and will have access to the chamber system in the public services segment.

NEW AMOUNT OF MINIMUM INTEREST RATE ON LOANS BETWEEN RELATED PARTIES

Related parties are also expecting new rules, so the amount of the minimum interest rate on loans between related parties is also changing. Taking into account that when determining interest expenses on loans received from related parties, accrued interest is recognized up to the interest rate that would be realized between unrelated parties at the time of loan approval, as a tax payer's income tax expense for 2022 is recognized for tax purposes, interest up to 2.68%. Thus, the new interest rate on loans between related parties is 2.68%, while we wrote in more detail about the new interest rate recently.

TAX RATE CHANGES

The representative body of local self-government units may prescribe the payment of income tax and additional tax, which we call surtax, to the taxpayers of income tax from their area. Surtax belongs to the unit of local self-government in the area of residence or usual residence of the person liable to pay a surtax on income tax. For some municipalities and cities, the surtax rate changes on January 1, so Karlovac reduced the surtax from 12 % to 9%, Rijeka from 15% to 14%, Varaždin from 10% to 7.5%, and you can find a detailed overview of the surtax rate on the website of the Tax Administration.

EXTENDED PERIOD FOR NON-TAXABLE DONATIONS FOR ELIMINATION OF EARTHQUAKE DISASTER

According to the amendments to the Ordinance on the implementation of the General Tax Act (Official Gazette, No. 144/21), the period for non-taxable donations to help persons from the area declared a disaster caused by the earthquake (Sisak-Moslavina, Zagreb, and Karlovac counties) has been extended, this means that value-added taxpayers are exempt from VAT on supplies of goods and services, made without compensation or countermeasures to help disaster-stricken areas, for all supplies to be made by the end of 2022.

These provisions apply to the filing of income tax returns and income tax returns for 2020, 2021, and 2022, for donations given until 31 December 2022. You can read more in our recent article on non-taxable donations to eliminate the catastrophe caused by the earthquake.

NEWS IN FISCALIZATION PROCEDURES

The Ordinance on cash fiscalization prescribes the procedure for correcting invoices if the seller (obligator of fiscalization) needs to change the information on the method of payment of a previously issued invoice. You can read more in the Law on Fiscalization and Cash Transactions.

NEW BUDGET LAW

Finally, a new Budget Law has been adopted, the purpose of which is to increase transparency in the planning and use of budget funds. According to the new law, budget costs must be presented transparently, clearly, and understandably.

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TAX OBLIGATIONS OF INFLUENCERS

Influencers have the power to influence the decisions of customers, or people who follow them. They have an impact on their followers and therefore more and more brands and companies approach them to be more visible to as many potential customers as possible. Some influencers have contracts with companies where their main goal is to sell a product or service, and some sponsor only products and services that they use and trust. No matter what type of influencer they are, they all have their tax liabilities.

TAX LIABILITY FOR SERVICES PROVIDED

Many influencers have contracts with companies whose products and services they advertise. They unobtrusively do advertising, that is, they publish situations from everyday life on social networks, through a story, a description of an event, and the like. For example, he can tell this story through an event he attended and along the way advertise a product for a company with which he has a contract. But not every post is related to advertising, but its status should attract followers and make them believe in it, for example by sharing some life views. If an influencer talks about a life event, while consuming a highlighted product of a company, he becomes a taxpayer for advertising revenue received by him on that basis.

Since no clearly defined law applies exclusively to influencers, he may choose to determine the tax liability for advertising services provided as income from self-employment or as other income. If he has chosen to determine income according to the rules of income from self-employment, he is obliged to register in the register of taxpayers, record all receipts received in cash and kind, keep tax books, and also record expenditures directly related to income.

If the influencer is not insured on another basis, he is obliged to insure himself on pension and health insurance as a free profession and pay contributions on a prescribed monthly basis. He is also obliged to file an annual income tax return, and after the first annual return, he is obliged to pay monthly income tax advances calculated based on income earned in the previous tax year.

OBLIGATION OF THE PAYER

If an influencer wishes to opt for a flat-rate income tax payment, he must first register an advertising business with the relevant economic office, with the additional condition that he is not liable for value-added tax. If the influencer does not keep books of income from advertising services, his receipts are taxed as other income.

The domestic payer, on the other hand, is obliged to withhold income tax at the rate of 20%, pension insurance contributions at the rate of 10%, health insurance contribution at the rate of 7.5%, and surtax (if any).

If the influencer is paid a receipt in the form of services received (accommodation, food, products ...) it is a receipt in kind, which is also taxed as other income so that the market price of the receipt is valid at the place of supply together with VAT on converted into gross other income. We can also look at this as a set-off where the advertising service is replaced by the service of accommodation, food, products, etc.

IF HEADQUARTERS OF INFLUENCER IS ABROAD

Natural persons can similarly earn money by posting certain content on social networks if their headquarters are abroad. It could be said that the earnings, in this case, depending on the number of views of that content. Based on the number of views, the ISP determines the fee for the published content. For example, for up to 10 thousand views, there is no fee, from 10 thousand to 50 thousand views the fee is a certain amount, from 50 thousand to 100 thousand a certain amount, and so on. The ISP then earns money from advertisements that it places in parallel with the published content, and leaves the part of the earnings to the influencer whose content has attracted visitors.

A natural person who is a Croatian taxpayer, and receives income from a foreign payer who has not withheld income tax, is obliged to pay tax at the rate of 20 %, plus surtax and pension insurance contribution at the rate of 10 %.

If the published content is subject to the author's part, which should be defined by a written contract, it is reduced by 30 % of flat-rate recognized expenses when calculating the base fee. Pension contributions and income tax should be paid within 30 days of receipt and the JOPPD form submitted to the Tax Administration within the same period. Also, a natural person (in this case an influencer) is obliged to register in the register of taxpayers as an acquirer of foreign income within 8 days of the first receipt.

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