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Monthly Newsletter

April, 2022

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GRANT MEASURE OF SUPPORT FOR REDUCED WORKING HOURS FOR YEAR 2022

In the year 2022, the Croatian Employment Service will continue to pay grants to employers who reduce their working hours due to business difficulties. During this year, employers will be able to reduce working hours to a maximum of 50%, which means that the amount of support per employee will be reduced from a maximum of HRK 4,000.00 to HRK 2,000.00.

In the measure Support for job preservation – reduction of working hours, the target group are employers who perform economic activity, while non-profit organizations that are not in the corporate income tax system cannot use the measure.

The grant is granted for the temporary introduction of full-time employees for a period shorter than the monthly fund of hours, up to a maximum of 50% of working hours according to the working time calendar. As for the annual level of employees and/or employers, in the measure of reduced working hours, on average it cannot be more than 50% of the annual fund of working hours.

Employers can apply for the measure in the current month for the following month. Those interested can find the Application Form with the corresponding tables on the Croatian Employment Service measures website in the section Documentation for submitting applications. All employers who apply for the support are obliged to submit a Statement on the accuracy of the data and the reason for using the support. The request can be submitted through the web application only.

The basic criterion for applying for this support is the expected decline in the total monthly fund of working hours of all employees employed by the employer full-time by at least 10% in the month for which support is requested.

If the work process is defined by business units, the decline in the total monthly fund of working hours in a particular business unit can be recognized. However, in that case, the measure can be used only for employees who perform activities in the specified business unit. The minimum drop per business unit must be a minimum of 20%.

The decline in the total monthly fund of working hours must be associated with certain temporary disturbances in the production and business process. Employers can prove this by a drop in income, i.e., receipts for each month for which support is requested, by at least 20% compared to the same month in the year 2019.

In addition to the decline in income or receipts, the employer is obliged to prove one of the following in comparable periods:

- temporary inability to contract new jobs;
- impossibility of new orders of raw materials, tools, and machines necessary for work;
- drop in orders by terminating or amending the contract with the customer(s), a written statement from customers on the drop in orders for the month for which support is requested;
- temporary inability to deliver finished products or contracted and paid raw materials, intermediate goods, machinery, tools.

Thus, an entrepreneur can prove a drop in income or receipts by submitting VAT forms to the Tax Administration. Then, based on the submitted VAT forms (at the request of the Bureau), the Tax Administration submits data on the actual percentage of decline in revenues/receipts for a certain period. Other reasons can be proven by the entrepreneur through reasoned credible documentation that he submits to the Croatian Employment Service every month for which he seeks support.

If the employer operates for less than a year, it is necessary to prove a decrease in income or receipts by at least 20% in the month for which he seeks support compared to the month preceding the month of application based on the submission of the VAT form for the month for which he seeks support Tax Administration.

OECD PUBLISHED LATEST EDITION OF THE TRANSFER PRICING GUIDELINES FOR 2022

On January 20, 2022, the Organization for Economic Co-operation and Development (OECD) published the 2022 edition of the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations ([OECD TP Guidelines](#)). The new guidelines represent an international consensus in establishing and applying the arm's length principle, and in determining the marketability of cross-border transactions between affiliates.

The release of the OECD TP Guidelines for 2022 thus reflects the consolidation of several reports from the OECD / G20 Base Erosion And Profit Shifting (BEPS) Action Plan, and includes three revisions of the 2017 edition:

- revised guidelines on the transactional profits split method (approved by the OECD/Inclusive Framework on BEPS in 2018);
- guidelines for Tax Administrations on the application of the approach to hard-to-value intangibles;
- transfer pricing guidelines for financial transactions adopted in 2020; and
- other OECD transfer pricing guidelines setting out alignment with a view to increasing consistency.

Multinational companies are playing an increasingly important role in today's economy, and transfer pricing remains highly ranked on the scale of liabilities of Tax Administrations and taxpayers. Governments are obliged to ensure that the taxable profits of multinational companies are not transferred from their jurisdiction and that multinational companies declare the tax base in the country where the economic activity takes place. Taxpayers who need clear guidance on the proper application of the arm's length principle should also be borne in mind.

A PACKAGE OF MEASURES TO HELP CITIZENS AND COMPANIES AFTER RAISING ENERGY PRICES

A new package of measures to help citizens and companies has been adopted following the rise in energy prices. The package is worth HRK 4.8 billion and will be implemented from April 1, 2022.

The package of measures will limit the growth of electricity prices to 9.6%, while the growth of gas prices will be limited to a maximum of 20%. In addition to limiting the growth of energy prices, the measures include reduced VAT rates on gas and selected agricultural products. The package also includes subsidies on the price of gas for households, one-time benefits for retirees, changes in the system of benefits for the socially disadvantaged, and more.

Read a detailed package of measures to mitigate rising prices due to rising energy prices below.



A PACKAGE OF MEASURES TO MITIGATE RISING PRICES

REDUCTION OF VAT ON GAS AND THERMAL ENERGY

VAT on gas and thermal energy is reduced from 25% to 13%. This means that VAT on electricity, gas and thermal energy will be equalized. From 1 April 2022 to 31 March 2023, the VAT rate on gas supplies is reduced from 25% to 5%. VAT on briquettes, wood chips, and firewood is also reduced from 25% to 13%.

A PACKAGE OF MEASURES TO HELP ENTREPRENEURS, FARMERS, AND FISHERMEN

Entrepreneurs will receive subsidies for the cost of gas from April 1, all customers will be able to mitigate the increase in electricity prices (HEP), and farmers and fishermen will receive a low-value aid program for the purchase of fertilizers.



A PACKAGE OF MEASURES TO HELP CITIZENS AND COMPANIES AFTER RAISING ENERGY PRICES - CONTINUED

Despite the strong global rise in prices, limiting the increase in electricity bills will relieve households of around HRK 460 million. This will significantly mitigate the growth of electricity prices in Croatia.

Support for the cost of gas to entrepreneurs refers to micro, small and medium-sized enterprises with an average annual consumption of up to 10 GWh. The amount of support is 15 lipa / kWh, or about 22% of the projected price of 89 EUR / MWh. Entrepreneurs will be able to receive aid with a voucher for the amount of small value aid. Entrepreneurs will apply for support through the HAMAG-BICRO application, which generates a Grant Decision and a voucher for the total amount of support estimated based on individual reference annual consumption. Each month, the subsidized amount will be deducted from the voucher for entrepreneurs until they spend it, or until the end of March 2023. The total amount of this measure is HRK 600 million.

The low-value aid scheme for farmers includes the purchase of fertilizers; field crops, vegetables, and permanent crops. The support covers 88 thousand agricultural holdings, and the estimated amount of the measure is HRK 200 million. Aid amounts to 450 HRK/ha of agricultural land for the first 10 ha and 250 HRK/ha for the next 10 ha to a total of the first 20 ha.

REDUCTION OF VAT ON FOOD AND DAILY NECESSITIES

The package of measures to mitigate the growth of prices due to higher energy prices also includes changes related to the reduction of VAT rates on food and daily necessities, namely:

- on fresh meat and fish, eggs, fruits, vegetables, edible oils and fats, baby food, agricultural costs, seedlings, fertilizers, and pesticides
 - ⊗ **from 13% to 5%**
- for butter and margarine
 - ⊗ **from 25% to 5%**
- tickets for sports, cultural and other events
 - ⊗ **from 25% and 13% to 5%**

GRANTS FOR DIGITALIZATION AND DIGITALIZATION VOUCHERS

For the year 2022 many grants and various digitalization vouchers have been announced for the digital transformation of small and medium-sized enterprises (SMEs) in Croatia. Tenders are announced based on the National Recovery and Resilience Plan worth EUR 9.9 million. Digitalization has long been knocking on the door, and that is why this opportunity is great for SMEs to start their digital revolution. Below is an overview of grants and vouchers for digitalization.

DIGITALIZATION GRANTS

The goal of the grants for digitalization is to support the digital transformation of Croatian companies by providing financial support for the introduction of digital solutions in the business. Through grants, entrepreneurs can finance the purchase of equipment and software, employee training, salary costs for the period in which employees work on the project, the costs of external service providers, additional overhead costs, and other operating expenses.

The total available budget is HRK 206,000,000. The program includes 275 small and medium enterprises in three calls or 92 SMEs per call.

Amount of aid:

- The maximum amount of grants per project proposal: HRK 750,000
- Aid intensity: up to 85%

An acceptable business digitalization project includes:

- introduction of a new way of doing business,
- improvement in terms of new production capabilities, delivery capabilities or business practices,
- a certain level of innovation and risk,
- should not focus on routine operational changes/adjustments to business due to regulatory changes.

Companies that will receive support will need to prove that they will not use it to increase greenhouse gas emissions if they invest in server capacity or any other type of equipment that consumes more energy. Ex-post monitoring has also been announced, and entrepreneurs can prove this, for example, with plans to purchase renewable energy sources.

GRANTS FOR DIGITALIZATION AND DIGITALIZATION VOUCHERS - CONTINUED

The digitalization voucher aims to strengthen the capacity of SMEs to implement digitalization and start the process of digital transformation. It has been announced for the first half of 2022 and will be funded based on investment vouchers in the development of digital transformation strategies, digital marketing, complex digital products and services, digital skills, and cyber resilience.

The target group is SMEs who want to develop their digital business model with an emphasis on innovative projects. It is important to note that using one voucher is not a prerequisite for using another. SMEs can use a maximum of two vouchers per tender.

Amount of aid:

- Total available budget: HRK 75,000,000
- Eligible beneficiaries: SMEs in collaboration with large companies and research institutions

VOUCHERS, GOALS AND PURPOSE

AMOUNT OF AID

Digital Transformation Voucher:

This voucher aims to help SMEs test the potential for digitalization, examine the viability of the idea and design a strategy for digital transformation. The total available budget is HRK 9,000,000. The program includes 110 small and medium-sized enterprises in three calls or 37 SMEs per call.



The maximum amount of vouchers per project proposal: HRK 76,000

Eligible costs: development of digital transformation strategy, general costs, external services

Digital Skills Voucher:

The purpose of this voucher is to assist employees in acquiring the skills needed to carry out digital transformation, which may include one or more education and training programs. The total available budget is HRK 14,500,000. The program includes up to 190 SMEs in three calls or 63 SMEs per call.



The maximum amount of vouchers per project proposal: HRK 75,000

Eligible costs: artificial intelligence and security, training of software design experts, training of data management experts, and development of new digital skills related to cloud computing

Digital Marketing Voucher:

This voucher aims to enable the development and implementation of digital marketing strategies for SMEs following the relevant factors necessary for the digitalization of their businesses. The funds can also be used to support, develop, and strengthen the capacity of the Internet using it as an effective channel for business development. The total available budget is HRK 15,000,000. The program includes up to 200 SMEs in three calls or 66 SMEs per call.



The maximum amount of vouchers per project proposal: HRK 75,000

Eligible costs: website development, development, and testing of mobile applications, development of online stores and booking platforms, use of data to improve interaction with customers

GRANTS FOR DIGITALIZATION AND DIGITALIZATION VOUCHERS - CONTINUED

VOUCHERS, GOALS AND PURPOSE

AMOUNT OF AID

Voucher for the development or application of complex digital products and services:

This voucher aims to support research and development pilot projects for the introduction of complex digital products and services. This includes a wide range of services, and some of them are the Internet of Things (IoT), smart services, automation, projects involving Big Data, virtual and augmented realities, and the like.

The total available budget is HRK 14,500,000. The program includes up to 95 SMEs in three calls or 30 SMEs per call.

The maximum amount of vouchers per project proposal: HRK 150,000



Eligible costs: services of research and development entities that may include material costs incurred as part of development services, (eg prototyping)

Cyber Resistance Voucher:

The goal of the voucher is to increase cyber security by introducing system security checks. The total available budget is HRK 22,000,000. The program includes up to 210 SMEs in three calls or 70 SMEs per call.

The maximum amount of vouchers per project proposal: HRK 110,000



Eligible costs: preparation of safety and technical reports, data security checks, penetration tests

EMPLOYMENT OF UKRAINIAN CITIZENS

Given the current situation, refugees from Ukraine have easier access to the Croatian labour market with the aim of better integration into society. If you want to hire a Ukrainian citizen, you can do it easier than you think.

According to the decision of the Government of the Republic of Croatia on the introduction of temporary protection in the Republic of Croatia for displaced persons from Ukraine of 7 March 2022, citizens of Ukraine were granted temporary protection under the Law on International and Temporary Protection, which allows a number of rights and inclusion in everyday life in Croatia.

The status of temporary protection in the Republic of Croatia includes: the right to residence, ID card, basic means of living and accommodation, health care, primary and secondary education, work, family reunification, and freedom of religion.

Utilization of the right to accommodation, if the foreigner under temporary protection does not have his/her own funds, is achieved by submitting a request to the competent social welfare centre according to the place of residence. A foreigner shall utilize the right to accommodation for a maximum of two years from the date of delivery of the decision on the approval of international protection.

A foreigner under temporary protection can utilize the right to health care following the regulations governing health insurance and health care of foreigners in the Republic of Croatia.

In order that foreigner utilizes the right to the status of temporary protection in the Republic of Croatia, it is necessary to apply for a residence permit in the police administration, i.e., police station according to the place of residence. A residence permit for a foreigner under temporary protection is issued for a period of three years.

EMPLOYMENT OF UKRAINIAN CITIZENS - CONTINUED

During the period of temporary protection, citizens of Ukraine can work in Croatia without a residence and work permit or a certificate of registration of work.

Citizens of Ukraine are thus equal in rights and duties with Croatian citizens and have the right on:

- registration in the register of unemployed persons of the Croatian Employment Service;
- use of the services of the Croatian Employment Service, especially employment mediation to find a job;
- information on the labour market in the Republic of Croatia;
- involvement in active employment policy measures, in particular traineeships and employment support measures;
- involvement in job search workshops, including writing a CV, presenting to the employer at a job interview;

- exercising the right to financial assistance for the duration of education or training at the workplace with reimbursement of travel expenses;
- exercising the right to one-time financial assistance and reimbursement of travel and removal expenses in the case of employment outside the place of residence;
- upon the termination of employment, acquisition of the right to cash benefits during unemployment.

All Ukrainian citizens who express interest in enrolling in the Croatian Employment Service unemployment register, together with the advisor, will determine in which profession they can and want to work, which languages they use and whether they have any other special knowledge. Therefore, the advisor will refer them to the jobs of potential employers.

If you want to explore all the ways you can help, visit the Global Shapers Hubs.



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