

CONFIDA

Ideas that pay off.

Monthly Newsletter

July, 2022

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I. CROATIA IN THE BUYERS AND INVESTORS FOCUS ON LUXURY REAL ESTATE

The focus of buyers and investors of luxury real estate is increasingly turned to Croatia. The most deserving of such a change is the arrival of global real estate companies, but also the coronavirus pandemic.

HOW HAS THE PANDEMIC AFFECTED THE RISE IN DEMAND?

Although the coronavirus pandemic has brought many negatives in business terms, we must emphasize that it has contributed a lot in terms of demand for luxury real estate in Croatia.

Namely, regardless of the increase in real estate prices, Croatia is still cheaper compared to, for example, Germany, Austria, and Slovenia. Also, luxury real estate is selling easier than before, there are more and more such buyers and the growth is increasing every year.

Work from home, intimacy, and isolation are the consequences of a pandemic that has contributed to the greater demand for such real estate that will separate individuals from large numbers of people. Foreign buyers are looking for special locations with more privacy with amenities such as sea views, yacht connections, and the modern design of the property itself. They are moving away from mass tourism and are increasingly environmentally aware.

Looking at the stable epidemiological situation, Croatia has become safe for the arrival of foreigners, but also more easily accessible than other European Union countries. Even in this extraordinary situation, it has been shown that the demand for luxury real estate is not endangered. On the contrary, demand is higher than before.

DEMAND IS GREATER THAN SUPPLY

The global market brings new trends and challenges for this type of business, both for buyers and sellers. Customers who used to be based in countries like Spain, Italy, and France have now turned to Croatia.

Croatia is in a good position due to its natural resources, geographical location, local diversity, and lower prices. The problem is that in our country the demand is higher than the supply. There is room for improvement. We have not yet used our full potential, but it is important to note that a large number of customers have been registered who have the financial means to make larger investments and purchases.

CUSTOMER EXPECTATIONS AND DEMANDS

Customers certainly have new expectations and standards – they want a safe purchase and a quality product. They are taught to a higher level when looking at urbanism, infrastructure, and content. In Croatia, it is still in development, and we still cannot offer it to them.

It is important to note that our offer is significantly better than in previous years, but the problem is to prevent the construction of separate residential areas without tourist purposes. Our legislation does not allow the development of new housing estates but only tourist zones intended for commercial activities.

I. CROATIA IN THE BUYERS AND INVESTORS FOCUS ON LUXURY REAL ESTATE – CONTINUED

PROFESSIONALIZATION IS NEEDED

Buyers and investors in luxury real estate will be attracted and retained by conditions such as safe buying and a reliable intermediary. We certainly have places for professionalization, such as profession, designers, and architects' engagement. In any case, the offer is better than before.

Due to urban and spatial constraints, but also the lack of quality infrastructure, the development of this area is minimal. This is because urban planning is planned based on existing land ownership, and should be planned strategically.

The model we should strive for is designing settlements and drawing plots, as well as building infrastructure. In this way, we could offer investors a concrete solution. We have great potential for the luxury residential market that could attract many buyers.

FOREIGN NATIONALS AND BUYING REAL ESTATE

The first and most important information refers to the status of natural and legal persons when buying real estate in Croatia. Namely, from February 2009, citizens and legal entities from the EU Member States can acquire the right to own real estate in the Republic of Croatia. This means that citizens of EU member states are free to acquire real estate in Croatia for private and business purposes under the same conditions as Croatian citizens. There are exceptions such as agricultural land, protected cultural assets, and natural assets that cannot be acquired by people from the other EU Member States.

Citizens and legal entities from non-EU countries may, under the presumption of reciprocity, unless otherwise provided by law, acquire ownership of the real estate in the Republic of Croatia, but subject to the consent of the Minister of Justice of the Republic of Croatia.

To purchase real estate, the buyer must have a tax number as well as a personal identification number (OIB). The buyer can request the personal identification number from the Croatian Tax Administration or an authorized person such as a tax advisor.

Real estate can be taxed with VAT at the rate of 25% or real estate transfer tax at the rate of 3%. Taxation of real estate located in Croatia will depend on:

- Tax position of the real estate supplier/recipient;
- Status of the property (unused or used); and
- Types of land (agricultural or construction).

Delivery of real estate before the first occupancy or use or delivery in which no more than 2 years have elapsed from the date of first use to the next delivery, will be subject to VAT at the rate of 25%.

The first occupancy or use will be considered the moment of putting the real estate into use, about which the taxpayer must have the appropriate documentation.

Deliveries of real estate where more than 2 years have passed since the day of the first settlement or use will be exempt from VAT and taxable with real estate transfer tax. If such real estate is sold by a taxpayer who is in the VAT system, he will have the right to opt for taxation.

When the buyer does not pay VAT on real estate at the rate of 25%, then the buyer should pay real estate tax at the rate of 3%.

RIGHT NEXT TO THE BEACH

The greatest demand is related to the first row to the sea. We are looking for villas ready to move in, but also empty land. In Croatia, such a market has only just begun to develop compared to the surrounding countries. To look at Croatia as a luxury destination, we need luxury hotel brands. For example, Montenegro is working on such a plan. Luxury hotel brands have raised prices so the square is selling for an average of 8,000 euros.

It is necessary to change the pattern of market development and mechanisms that will bring luxury and high-quality content to a higher level. It is important to encourage investors by arranging land registers, speeding up procedures for obtaining various permits, and concessions, greater integration between local communities and relevant ministries, adopting adequate spatial plans and care for the destination, environmental impact studies, and punishing violators and the like.

II. NEW PRICE HIGHLIGHTING ACCORDING TO THE CONSUMER PROTECTION ACT

On May 28, 2022, the new Consumer Protection Act came into force. The 2014 Act of the same name has been replaced by a new one, due to the transposition of Directive (EU) 2019/2161 of the European Parliament and of the Council of 27 November 2019. The main goal is to regulate consumer protection.

The most important change concerns the way in which product prices are expressed over the life of a particular form of sale (eg promotional sales). The new rules concern retailers, but also consumers who need to cope with the new presentation of prices. We are aware of the unfair business practices of retailers, which are additionally regulated by this Act in the area of price highlighting during seasonal discounts and misleading advertising.

RETAIL PRICE HIGHLIGHTING

The basic rule of highlighting prices states that retailers must indicate retail prices and unit prices of products, which the new Act has not changed. The final price for an individual product or service expressed in HRK, including taxes and other public levies, is considered the retail price. In contrast, we have the final price in kuna for one kilogram, one liter, one meter, one square meter, or one cubic meter of product or some other unit of quantity that is generally used in the sale of products in certain areas of Croatia (eg piece, dozen, measure, dose, etc.), and is called the unit price.

HIGHLIGHTING PRICES FOR SPECIAL FORMS OF SALES

The new Consumer Protection Act requires retailers that during special forms of sale, such as sales at lower than regular prices (promotional sales, sales, seasonal discounts, sales of defective products, and sales of expired products), they must highlight the following prices:

- reduced price and
- the lowest price of that same product recorded in the last 30 days before the special form of sale.

From this, it can be concluded that in the case of a special form of sale it is no longer possible to express the regular price of the product but a new reduced price and the lowest price of the same product in the last 30 days.

This obligation applies to sales in physical stores, but also in the case of online sales. Ultimately, this approach will prevent retailers from raising prices a few days before the discount to make the discount bigger than it is.

If the promotion only applies to a specific card during payment, then the merchant does not have to show the lowest price in the last 30 days. In this case, it is best to point out the percentage discount on the use of a particular card without showing the amount of the price.

Also, in the case of the sale of digital content, related offers, and value programs, the obligation to display the lowest price does not apply.

DURING SPECIAL FORMS OF SALE (PRICES LOWER THAN REGULAR ONES):

EXAMPLE:	IT DOES NOT HAVE TO BE EXPRESSED		IT MUST BE EXPRESSED	IT MUST BE EXPRESSED
	Regular price	➤	Discount price	➤ The lowest price in the last 30 days before the special sale
Sunflower oil 1L	18,99 HRK	➤	16,99 HRK	➤ 17,99 HRK

II. NEW PRICE HIGHLIGHTING ACCORDING TO THE CONSUMER PROTECTION ACT – CONTINUED

HOW WILL PRICES STAND OUT WITH THE INTRODUCTION OF THE EURO?

The Republic of Croatia should soon begin the process of adjusting the introduction of the euro as its official currency. The double presentation of prices of goods and services in kuna and euros is planned for 5 September 2022 until 31 December 2023. After that date, prices will be expressed only in euros.

With the introduction of the euro, traders and buyers will find as many as four prices. Namely, in physical and online stores in the case of special promotions or discounts, it will be necessary to highlight as many as four prices, as follows:

- action price expressed in HRK,
- action price expressed in euros,
- the lowest price in the last 30 days in HRK and
- the lowest price in the last 30 days in euros.

The initial confusion of retailers and consumers will be alleviated by a well-prescribed visual of dual pricing. The primary price will be in euros and will be displayed on the left or above, and the price in HRK will be displayed on the right or below. Behind the price for euros will certainly be the sign for the euro.

PROHIBITION OF ADVERTISING AND SALE OF PRODUCTS OF THE SAME NAME, BUT DIFFERENT QUALITIES

The new law further emphasizes that it is forbidden to place goods on the market and to advertise that they are identical goods on the markets of other countries, although they differ in characteristics and composition. It is important to note that on the Croatian market as much as a third of the products are of poorer quality than the German versions of the same products.

COMPLAINT PROCESS

The treatment of customer complaints so far has proved to be lengthy and complicated. The new Act obliges the trader to respond to the consumer's complaint with specific information whether he accepts the complaint or not. So far, the answers of traders have often been unclear and the process has often been unnecessarily lengthy. The novelty is that from the day of receiving the complaint, the trader must respond within 15 days with an answer to the question of whether he accepts the complaint or not.

ADVANTAGES OF THE NEW CONSUMER PROTECTION ACT

The new law will effectively prevent unfair business practices of traders. In addition, it will respond to the new challenges and crisis times of the coronavirus pandemic, which has brought with it greater demand for online shopping and rising prices.

These legal measures belong to the protection of consumer rights and have been adopted to make the presentation of prices as transparent as possible.



III. GRANTS FOR GREEN AND DIGITAL JOBS

The Croatian Employment Fund has adopted the Criteria for determining green and digital jobs and the Grant Manual in which you can find out if you are entitled to a grant in process of hiring a new member of your team.

In the year 2022, in addition to the “Support for Self-Employment”, the Croatian Employment Fund has decided to give a chance to employers who plan to support green and digital businesses.

WHAT ARE GREEN JOBS?

Green jobs are engaged in environmentally sustainable activities. Such jobs are responsible for the production of green products and/or the provision of green services and can significantly contribute to economic growth and increase life quality.

Those economic operators whose activities contribute to one or more of the environmental objectives set out in Regulation (EU) 2020/852 establishing a framework to facilitate sustainable investment without harming environmental objectives, are environmentally sustainable activities, i.e., green jobs. The same category includes jobs that assess compliance and regulations of environmental standards and those that educate and train in addition to green technologies and practices. Such jobs aim to increase the general level of public awareness of environmental issues.

The environmental objectives of Regulation (EU) 2020/852 are climate change mitigation, adaptation to climate change, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

This refers to jobs that include activities for the production of goods and services that limit, prevent, or correct damage to the environment, water, air, and soil, but also shortcomings that occur in the production of waste, noise, and ecosystems.

WHAT ARE DIGITAL JOBS?

To perform jobs in digital workplaces, a person must have advanced knowledge and skills in the field of information and communication technologies.

This applies to programming, application development, digital business analysis, digital marketing and content creation, digital design and data visualization, digital product management, data science, user experience design, robotics, development of algorithms and/or products using artificial intelligence, Internet of Things solutions (IoT), etc.

TO WHOM CAN THE GRANTS BE ALLOCATED?

Grants can be allocated to the entrepreneurs we mentioned in the section on green jobs. These are entities engaged in an activity that is considered environmentally sustainable under Regulation (EU) 2020/852 establishing a framework to facilitate sustainable investment.

Several economic activities are excluded from the grant, namely, activities related to fossil fuels, including further use, activities within the EU Emissions Trading Scheme that achieve projected greenhouse gas emissions that are not lower than the relevant benchmarks, activities related to landfills, incinerators, mechanical biological treatment plants, and activities in which long-term waste disposal can cause damage to the environment.

The employer must determine whether the job is related to the production of green products/provision of green services or directly related to the environmentally friendly production processes and practices. To receive support, a job must meet one of two definitions.

- A job that is directly related to the production of green products/provision of green services must be confirmed by the employer with a clear and concise description of the overall business, an indication of the products and/or services from which the economic operator generates revenue, which is considered green, with a clear and concise description of how they can be classified under one or more than 4 categories, estimation of income from the sale of green products/services at the level of the economic entity, inclusion of a link on the official website of the economic operator (if created), and a job description from which the connection with the introduced environmentally friendly production processes and practices can be established.

III. GRANTS FOR GREEN AND DIGITAL JOBS – CONTINUED

- The position that is directly related to the introduction of environmentally friendly production processes and practices is confirmed by the employer with a clear and concise description of the business process from which the economic entity generates revenue, and within which an environmentally friendly technology or practice has been introduced, a clear and concise description of the introduced environmentally friendly production technologies and practices and an explanation of how they can be classified under one of 3 categories, and a job description from which the connection with the introduced environmentally friendly production processes and practices can be established.

As far as a grant for digital jobs is concerned, this grant can be allocated to all economic operators, regardless of the activity they perform. They must meet the criterion of belonging to a digital workplace. For a digital job, the employer must provide a clear and concise description of the overall business and a job description from which it can be established that to perform tasks a person must possess highly specialized, advanced ICT skills.

OBJECTIVE AND AMOUNT OF GRANT

The main goal of support for green and digital jobs is to employ disadvantaged and disabled people. The cost of the gross 1 salary amount is co-financed.

There are two target groups:

- disadvantaged persons registered in the register of unemployed persons kept by the Croatian Employment Fund – the measure lasts 12 months,
- persons with disabilities registered in the register of unemployed persons kept by the Croatian Employment Fund – the measure lasts for 24 months.

In the following, you can find the monthly lump sum amount of support that is independent of the employer's cost but depends on the level of education and the possibility of using the tax relief for the co-financed person.

A person without completed primary school and acquired qualifications

- Monthly lump sum – with the tax credit
 - ⌚ Target group 1 – 2.100,00 HRK
 - ⌚ Target group 2 – 3.280,00 HRK
- Monthly lump sum – without the tax credit
 - ⌚ Target group 1 – 2.450,00 HRK
 - ⌚ Target group 2 – 3.820,00 HRK
- Lowest monthly gross 1 salary amount based on an employment contract for the co-financed person
 - ⌚ 4.687,50 HRK gross 1 amount of salary

A person with a high school education

- Monthly lump sum – with the tax credit
 - ⌚ Target group 1 – 2.570,00 HRK
 - ⌚ Target group 2 – 4.000,00 HRK
- Monthly lump sum – without the tax credit
 - ⌚ Target group 1 – 2.990,00 HRK
 - ⌚ Target group 2 – 4.660,00 HRK
- Lowest monthly gross 1 salary amount based on an employment contract for the co-financed person
 - ⌚ 5.722,20 HRK gross 1 amount of salary

A person with titles acquired under higher education programs

- Monthly lump sum – with the tax credit
 - ⌚ Target group 1 – 3.210,00 HRK
 - ⌚ Target group 2 – 5.000,00 HRK
- Monthly lump sum – without the tax credit
 - ⌚ Target group 1 – 3.740,00 HRK
 - ⌚ Target group 2 – 5.830,00 HRK
- Lowest monthly gross 1 salary amount based on an employment contract for the co-financed person
 - ⌚ 7.152,75 HRK gross 1 amount of salary

IV. CHANGE RELATED TO THE OPERATIONS OF REVOLUT BANK UAB IN CROATIA – POSSIBILITY OF SALARY PAYMENT

In November 2021, we presented a brief report on the business opportunities of Revolut Bank UAB and Revolut Payments UAB in the Republic of Croatia. Namely, from the day when the Republic of Croatia became a member of the European Union (EU), it was confirmed that payment service providers in the Republic of Croatia can also be electronic money institutions established in another EU Member State.

At that time, Revolut Bank UAB from Lithuania started providing mutually recognized services in the Republic of Croatia, but only those from Directive 2013/36/EU related to the receipt of deposits and other repayable funds, while other services of the same directive that included payment services were not allowed to be provided.

However, on 7 June 2022, the Tax Authority issued an official opinion on the Change related to the operations of the credit institutions of Revolut Bank UAB. Namely, the Tax Authority received a notice from the Croatian National Bank (CNB) that as of 1 June 2022, Revolut Bank UAB received approval for expansion of the service providers in the Republic of Croatia.

WHAT SERVICES ARE INVOLVED?

In addition to providing deposits and other services, Revolut Bank UAB will also be able to start providing payment services, which means opening and maintaining payment accounts such as regular and giro accounts.

Considering the above, it is stated that there is no obstacle to payment of receipts to the accounts that will be opened in that bank. This means that Revolut customers will be able to receive a salary through the Revolut account.

The citizens of the Republic of Croatia are interested in Revolut due to the reduction of costs. Namely, Revolut does not charge for the account management service in the basic package and has lower transaction costs compared to banks based in Croatia.

This change brings with it many more questions. Namely, the exact procedure for calculating and paying salaries, submitting JOPPD forms, conversion costs after the arrival of the Euro in Croatia, enforcement procedures, etc. is still unknown. It is expected that due to the same there will be some legal and procedural changes.



V. CALL FOR GRANTS FOR DIGITALIZATION PUBLISHED

The Ministry of Economy and Sustainable Development announced a call for "Grants for digitalization" intended for micro, small and medium-sized enterprises.

According to a statement from the Ministry, the call provides funds for the introduction of digital solutions in business through investments in digital tools and equipment for the introduction of a new way of doing business, or new or significantly improved production procedures, delivery of services or organizational practices and strengthening digital skills.

A total of HRK 206 million was provided for the call, with the lowest individual grant amount of HRK 150,000 and the highest of HRK 750,000.

WHEN AND HOW ARE APPLICATIONS RECEIVED?

Applications are accepted from July 1 at 11 a.m. to August 12, 2022, until 11 a.m. in the "temporary call" modality.

This means that the call does not close before the last day of application, regardless of the number of registered projects.

Project proposals are submitted electronically, through the eNPOO system on which all information and call documentation are published.

WHO ARE THE ELIGIBLE APPLICANTS?

Eligible applicants are micro, small, and medium enterprises with at least 3 full-time employees in the previous calendar year. SMEs must be established by 2021 at the latest and were not allowed to end the previous financial year with a loss.

In the project proposal, the applicant must state its capacities for project implementation, ie explain the financial, human, technical, and/or technological resources required for the organization of the subject activity, as well as for the implementation of post-project activities.

The total available amount of grants for the award under this Call of 206,000,000.00 HRK (27,340,898.53 euros), is provided in the State Budget of the Republic of Croatia at source 581 Mechanism for Recovery and Resilience.

The lowest or highest amount of grants that can be awarded to an individual project is:

- **lowest amount – 150,000.00 HRK (19,908.42 euros)**
- **highest amount – 750,000.00 HRK (99,542.11 euros)**

Activities that will be eligible for funding under the call are the development, development, or procurement of digital solutions and technologies for the digital transformation of business processes or production, implementation, adaptation, or integration of digital solutions and technologies, and strengthening digital skills of employees related to the above activities.

It is important to note that the applicant has the right to submit only one project proposal under the said Call.

WHAT IS THE INTENSITY OF THE SUPPORT?

The maximum aid intensity depends on the unit of regional self-government in whose territory the applicant has its registered office, ie on the group in which the respective POE (R) S is classified by the Decision on the classification of local and regional self-government units according to the level of development (OG 132 / 17):

- Up to 70% of eligible costs for applicants based in the area of POE (R) S classified in the I. development group
- Up to 65% of eligible costs for applicants based in the area of POE (R) S classified in the I. development group
- Up to 60% of eligible costs for applicants based in the area of POE (R) S classified in the I. development group
- Up to 55% of eligible costs for applicants based in the area of POE (R) S classified in the I. development group

WHAT ARE THE ELIGIBLE PROJECT ACTIVITIES?

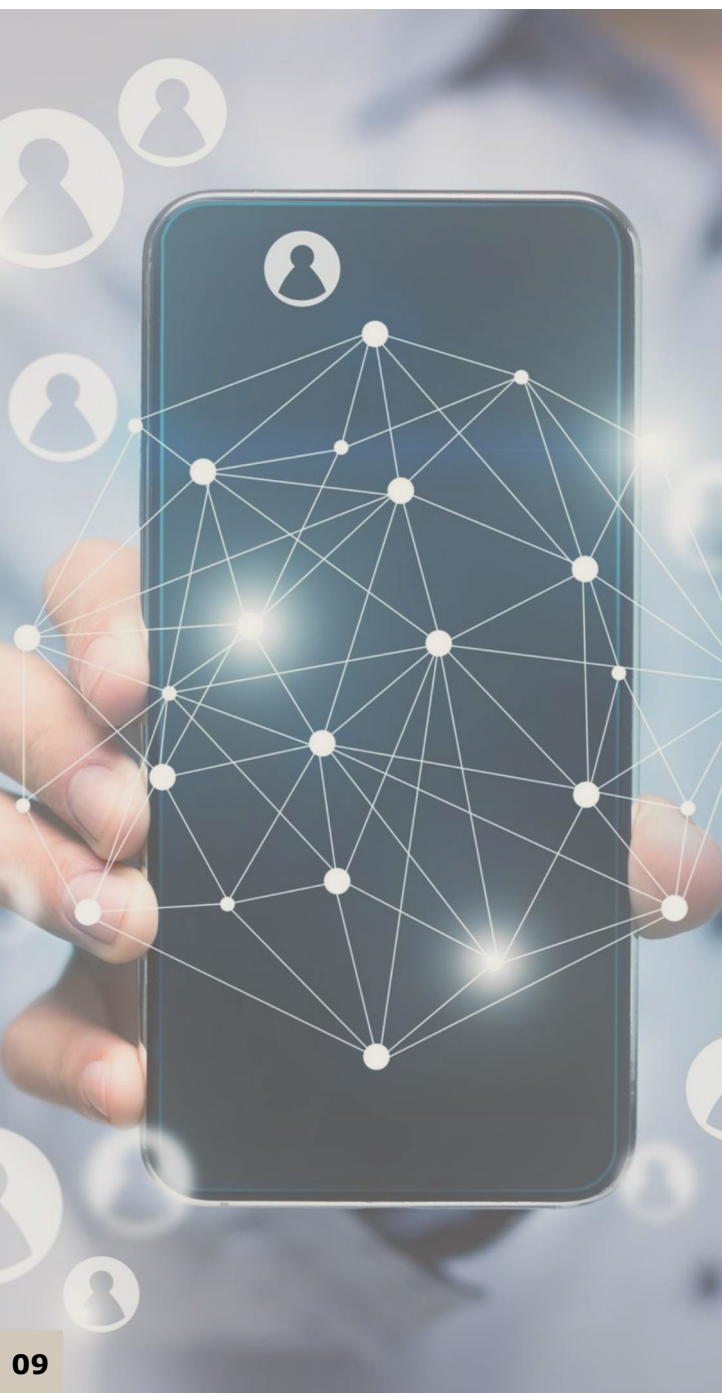
Eligible activities that can be funded under this Call include the introduction of new or significantly improved production processes, service delivery methods, or organizational practices through development/development/procurement of digital solutions and technologies intended for the improvement of digitalization for the digital transformation of business/processes/production implementation, adaptation, and integration of digital solutions and technologies with existing/new internal/external systems that contribute to digitalization for digital business transformation, and strengthening the digital skills of employees, including skills related to cloud technologies, related to the activities.

V. CALL FOR GRANTS FOR DIGITALIZATION PUBLISHED – CONTINUED

Another very important piece of information is those project activities should be completed within 24 months.

Detailed instructions around the entire Call, such as eligible and unacceptable cost categories, can be found in the Ministry's Instructions, which are available by clicking the button below.

DETAILED INSTRUCTIONS



DIGITALIZATION VOUCHERS – ANNOUNCED

We wrote about digitalization vouchers in March, and below we provide a section of short information.

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.

Announced vouchers:

- Digital Transformation Voucher
 - ⊗ The maximum amount of vouchers per project proposal: HRK 76,000
- Digital Skills Voucher
 - ⊗ The maximum amount of vouchers per project proposal: HRK 75,000
- Digital Marketing Voucher
 - ⊗ The maximum amount of vouchers per project proposal: HRK 75,000
- Cyber Resistance Voucher
 - ⊗ The maximum amount of vouchers per project proposal: HRK 110,000
- Voucher for the development or application of complex digital products and services
 - ⊗ The maximum amount of vouchers per project proposal: HRK 150,000

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