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Ideas that pay off.

Monthly Newsletter
September, 2022

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I. WHAT CHANGES IN BUSINESS BOOKS, FINANCIAL STATEMENTS, AND REPORTING OF TAXES AFTER THE EURO INTRODUCTION?

The Republic of Croatia has started with the adjustments related to the euro introduction. Namely, the adaptation of the legislative framework of the Republic of Croatia is inevitable, which includes the adaptation of the national legal framework. This ensures legal certainty after switching to the euro as the official currency.

CHANGES IN BUSINESS BOOKS

Bookkeeping is inevitable in every type of business. The euro introduction as the official currency in Croatia brings changes related to bookkeeping. Namely, it is important to mention that business events, which refers to the period after the day of the euro introduction, will be recorded in the business books in euros. If necessary, records will be kept in other foreign currencies also.

Balances that were stated in kunas and were carried over to the year in which the euro was introduced are converted into euros with the application of a fixed conversion rate and following the rules for conversion and rounding from the Law. The same applies to accounting documents issued before the day of the euro introduction.

In the accounting documents, as well as invoices and legal instruments that are adopted, drawn up and issued it will be mandatory to indicate prices and other monetary amounts in euros. This also applies to amounts related to the period before the euro introduction, such as, for example, the performance of a certain service.

Due to the application of the rules for recalculation and rounding, there will be differences that must be recorded in the business books following the accounting rules.

For the debtor's debt to the creditor, which due to the application of the fixed conversion rate and the rules for recalculation and rounding from the Act, is less than one cent, the obligations will cease. This claim is written off ex officio.

PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

Those obliged to issue annual financial reports whose business year is equal to the calendar year, state the data in the financial statements for the year preceding the euro introduction in kuna. Those taxpayers whose business year is different from the calendar year, and whose last day of the financial year comes after the day of euro introduction, state the data for the previous business year in euros.

DECLARATION OF TAX RETURNS AND OTHER PUBLIC DUTIES

Declarations of taxes and other public duties for accounting periods that end before the date of euro introduction are submitted in kuna. For tax periods that begin before the date of euro introduction and end after the date of euro introduction, applications and reports are submitted in euros.

I. WHAT CHANGES IN BUSINESS BOOKS, FINANCIAL STATEMENTS, AND REPORTING OF TAXES AFTER THE EURO INTRODUCTION? – CONTINUED

REPORTS IN THE BUDGET SYSTEM AND WITH NON-PROFIT ORGANIZATIONS

It is also important to mentioned the reports that result from the provisions of the regulations governing the budget and by-laws and from the provisions of the regulations governing the financial operations and accounting of non-profit organizations. Such reports that refer to the period ending before the day of the euro introduction are compiled and published so that the values in the reports are expressed in kuna.

In contrast, there are reports refered to the period after the introduction of the euro, and they are compiled and published with values expressed in euros.

CURRENCIES FOR SUBMISSION OF TAX RETURNS AND REPORTING TO THE TAX AUTHORITIES

For the years 2022 and earlier, tax returns must be submitted in kunas, while for the year 2023, they must still be submitted in euros. Corrections are made in the currency in which the application was originally submitted.

VAT refunds in passengers' traffic will be reported in kunas until December 31, 2022, and from 2023 in euros.

Profit tax and income tax returns for 2022, which are submitted in 2023, will be expressed in kunas. Income taxpayers whose tax period begins before and ends after the euro introduction will have to submit their income tax return in euros.

Public authorities must state values in kunas on certificates, extracts and other public documents for the period before the euro introduction. For facts concerning the period after the euro introduction, the values are expressed in euros.

We emphasize that there are many changes and segments. However, with regular monitoring and application of the rules, adjustment to the euro arrival will be simpler than it currently seems.

II. AN AMENDMENT TO THE LABOUR ACT HAS BEEN ANNOUNCED – WE ARE INTRODUCING THE MOST IMPORTANT POTENTIAL CHANGES

In July 2022, the Proposal of the Law on Amendments to the Labour Law was published. Numerous changes have been announced, and Confida introduces an overview of the most important. We mentioned, in one of the previous articles, how important employee satisfaction is and how certain current legal provisions are not enforceable. With this in mind, it is necessary to adjust legal regulations.

THE NUMBER OF FIXED-TERM EMPLOYMENT CONTRACTS IS LIMITED TO THREE CONTRACTS

Many workers had problems with the constant granting of fixed-term employment contracts. This will no longer be possible. The employer will be able to conclude up to three fixed-term employment contracts or annexes with the worker. Also, the break between such contracts will no longer be two months but six months.

Another important change is that if the employer refuses to agree an employment contract for an indefinite period, although the worker has successfully completed the trial work and has been working for longer than six months, then the employer will have to explain in writing why he made such a decision.

This change will lead to a reduction in the number of temporary workers and make it impossible for dishonest employers to transfer their workers from one company to another. There will no longer be an option for workers to be unemployed for two months to wait for the break needed to sign a new contract.

THE TRIAL PERIOD WILL BE EXTENDED IF THE WORKER IS ABSENT

The duration of the trial period remains the same – it will last six months the most. However, if the worker is absent for a certain period of trial period, for example, due to sick leave or other rights, then his trial period will be extended for the period he was absent. This will make possible for the worker to have enough time to prove himself and for the employer to have time to assess the worker's abilities.

II. AN AMENDMENT TO THE LABOUR ACT HAS BEEN ANNOUNCED – WE ARE INTRODUCING THE MOST IMPORTANT POTENTIAL CHANGES – CONTINUED

POSSIBILITY OF EMPLOYMENT IN ADDITIONAL WORKPLACES

For additional work, the worker had to obtain consent from the main employer, which will be changed by the new Act. Namely, only in rare cases will the registered employer be allowed to oppose the worker's additional work. If the employment contract for additional work is concluded for four months or less, then the number of working hours increases from 8 to 16 hours per week. This change will encourage workers for additional employment and earnings.

ABSENCE FROM WORK AND UNPAID LEAVE TO CARE FOR HOUSEHOLD MEMBERS ARE BEING INTRODUCED

According to a completely new provision, the worker would have the right to be absent from work once a year without special justification, at the expense of the employer. An employee can also use unpaid leave to take care of household members. Five working days per year can be used for such needs.

HOME OFFICE – THE EMPLOYER WILL BE ALLOWED TO ENTER INTO THE EMPLOYEE'S HOUSEHOLD

If the worker works from home, it is important to mention that employers will be allowed to enter into their households, under certain conditions that will need to be agreed upon. It will be possible to additionally control the working conditions.

Home office will be possible to contract as permanent or occasional, and if it lasts longer than 15 days continuously, the employer will need to determine the compensation amount for utility costs.

THERE IS NO NOTICE PERIOD OR SEVERANCE PAY FOR WORKERS OVER 65 YEARS AND 15 YEARS OF SERVICE

Workers older than 65 years and with 15 years of service will not have to be paid with severance pay or have to serve a notice period. This change should bring improvement in the segment of employment of the elderly.

III. FUNDS CONVERSION DURING THE EURO INTRODUCTION

CONTINUITY OF LEGAL INSTRUMENTS

At the beginning, it is important to emphasize that the euro introduction will not affect the validity of existing legal instruments in which the kuna is mentioned. This means that any party does not have the right to a valid unilateral termination or cancellation of a legal instrument and modification of its provisions, unless otherwise agreed/regulated by a decree, the Law or a special regulation.

If there is an action contrary to the above, the provisions of the regulations governing mandatory relations will be applied, to the parties' responsibility.

Another important item refers to a legal instrument that is contracted in kuna with a currency clause in a currency other than the euro. In that case, a legal instrument is considered one that is contracted in the euro with a currency clause in a currency other than the euro.

The most important thing is, after the euro introduction, consumers must not be placed in a less favorable position compared to the time before the euro introduction.

HOW WILL THE FUNDS ON THE ACCOUNT AND IN THE PAYMENT ORDER BE RECALCULATED?

Amounts on deposit, savings and transaction accounts and other payment accounts, payment instruments, and other records that are expressed in kuna will be converted into amounts in euros without charge. For the conversion, a fixed conversion rate will be applied according to the conversion and rounding rules. It is important to note that there will be no change to the unique account number.

In the case order payment denominated in kuna, the payment service provider executes payment transactions exclusively in euros from the date of introduction of the euro. Payment orders specified in kuna that the payee prepared and delivered to the payer, and which the payer submitted to the bank for execution after the date of euro introduction, must be executed by the bank in euros within six months of the date of euro introduction.

THE CONTINUITY PRINCIPLE IN THE FINANCIAL SECTOR

Regarding the financial sector, we note that the Law also contains rules for recalculation in credit agreements and leasing contracts, as well as provisions on the adjustment of interest rates, with the obligation to inform clients about the performed recalculation.

All credit agreements that have been agreed upon with a variable interest rate will also continue to be valid. However, instead of the kuna parameter, the interest rates will be linked to the corresponding euro parameter.

RECALCULATION OF CREDIT AGREEMENTS AND LEASING AGREEMENTS IN KUNA

The mentioned fixed conversion rate and the rules for conversion and rounding from the Law for loan contracts in kuna and leasing contracts in kuna will be applied to the following:

- overdue principal amount in kuna,
- due to be calculated and unpaid principal amount in kuna,
- other overdue amounts in kuna resulting from the contractual relationship and
- other accrued and unpaid amounts in kuna resulting from the contractual relationship.

Amounts resulting from the contractual relationship, and expressed in euros after the date of euro introduction, remain in euros in the manner agreed before the date of euro introduction with:

- loan agreement in kuna with currency clause in euro,
- leasing contract in kuna with currency clause in euro and
- insurance contract in kuna with currency clause in euro.

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III. FUNDS CONVERSION DURING THE EURO INTRODUCTION – CONTINUED

HOW WILL VARIABLE INTEREST RATES BE ADJUSTED?

For a contract in which a variable interest rate is agreed upon, the rule applies that the parameter with which the variable interest rate is agreed after the date of euro introduction remains the same as it was before the euro introduction. Exceptions are cases in which the parameter NRS (National Reference Rate) was used for kuna, the yield on the treasury bill of the ministry responsible for finance, and the average interest rate on citizens' deposits in kuna.

CLIENT NOTIFICATION

All credit institutions and unions, as well as payment and electronic money institutions and other creditors, are obliged to inform clients through at least one communication channel, either in writing or electronically. The notice must contain all essential recalculation elements. Also, credit institutions, unions and other creditors must send clients an individual notice with all the necessary information.

SALARY RECALCULATION, PENSION BENEFITS, AND OTHER BENEFITS

When recalculating salary and other benefits amount, nothing changes. The employer must convert the salary amount and other compensation determined by the employment contracts and other acts in kuna into euros with the application of a fixed conversion rate and following the rules for conversion and rounding from the Act.

Pensions and other benefits from pension insurance and social benefits and other benefits that are paid are also converted into euros with the application of a fixed conversion rate and following the rules for conversion and rounding.

IV. THE RIGHT FOR EXCISE DUTY REFUND WHICH WERE PAID FOR DIESEL FUEL IN COMMERCIAL TRANSPORT OF GOODS AND PASSENGERS

Persons registered for the commercial transport of goods and passengers based in the European Union and those registered in the register of beneficiaries of the right to a refund of paid excise duty have the right to a refund of paid excise duty.

WHAT IS CONSIDERED AS COMMERCIAL TRANSPORT?

Commercial transport is considered to be:

- transportation of goods for others or for your own account, with your own or hired truck or a truck with a trailer or semi-trailer that are registered and intended exclusively for road transportation of goods and have a maximum permissible total weight of not less than 7.5 tons,
- regular or occasional transportation of passengers by road vehicles of categories M2 and M3 by special regulations on vehicle homologation.

SUBMITTING A REQUEST

The right to a refund of part of the excise duty paid is realized on the basis of submitted request by:

- Beneficiaries with headquarters or residence in the Republic of Croatia and the competent Customs office according to the headquarters or residence on Form 1 from Annex 1 of this rulebook, which is an integral part of it.
- Beneficiaries based in other Member States of the European Union, namely the Regional Customs Office of the city of Zagreb.

Then:

- The beneficiary for refund must be the owner, lessee or person who rented a truck or a truck with a trailer or semi-trailer and road vehicles of categories M2 and M3;
- The competent Customs office registers the beneficiary in the register of beneficiaries when submitting the first application for excise duty refund;
- A request for excise duty refund in the name and on behalf of the user of the right can be submitted by a person authorized for financial handling by the user of the right.

The request can be submitted monthly, or quarterly (January – March, April – June, July – September, and October – December), or yearly.

IV. THE RIGHT FOR EXCISE DUTY REFUND WHICH WERE PAID FOR DIESEL FUEL IN COMMERCIAL TRANSPORT OF GOODS AND PASSENGERS – CONTINUED

NECESSARY ATTACHMENTS TO BE SUBMITTED WITH THE APPLICATION

Several attachments must be attached together with the refund request:

- invoice or specification in the original or copy for the purchase of diesel fuel in the territory of the Republic of Croatia, which contains all necessary information: invoice number, date of purchase, name, and address of the point of sale, name and OIB of the buyer, a quantity of fuel purchased, registration number of the vehicle and information about cashless payment method,
- a copy of the registration data with proof that the applicant is the owner of the vehicle, the leasing user, or the person who rent the vehicle,
- records on the internal supply of diesel fuel,
- for road vehicles of category M2 and M3, registered in another Member State of the European Union, proof that the taxpayer who performs occasional international road transport of passengers on the territory of the Republic of Croatia is registered for VAT purposes in the Republic of Croatia,
- proof that the taxpayer who performs occasional international road transport of passengers on the territory of the Republic of Croatia is registered for VAT purposes in the Republic of Croatia, has submitted a monthly VAT return by the regulations on value added tax,
- power of attorney for representation if the request is submitted by an attorney for financial representation,
- other evidence that the Customs Administration deems necessary depending on the circumstances of the case.

After submitting the necessary request and attachments, the Customs Administration ex officio determines whether the user is entitled to unpaid due obligations.

CALCULATION OF THE AMOUNT OF THE EXCISE DUTY PAID REFUND

The refund of the excise duty is determined in the amount of the difference between the excise duty valid on the date of purchase of diesel fuel and the minimum prescribed amount of excise duty on diesel fuel which is 330 euros. The amount is calculated by applying the exchange rate of the European Central Bank (ECB) published in the Official Journal of the European Union valid on the first working day of October in such way that it starts to be applied from January 1 of the following calendar year.

THE MOST IMPORTANT DATA	KN/1000 L	RATES HRK/€	€/1000 L
Amount of the excise duty on diesel fuel in Croatia	**3.060,00**	**7,4980**	**408,1**
The minimum amount of the excise duty prescribed by Directive 2003 / 96 EC	**2.474,34**	**7,4980**	**300,00**
Difference (Art. 104 of the Law)	**585,66**	**7,4980**	**78,11**

V. ISSUANCE OF DOCUMENTS, CERTIFICATES, AND DATA EXCHANGE BY PUBLIC AUTHORITIES AFTER THE EURO INTRODUCTION

The arrival of the euro as the official currency in the Republic of Croatia will bring changes in numerous business segments. The day-to-day issuance of documents, certificates and data exchange by public authorities will undergo several changes that should be noted.

CHANGES IN THE ISSUANCE OF DOCUMENTS, CERTIFICATES, AND DATA EXCHANGE

In certificates, extracts, and other public documents with facts for which the public authorities keep the official records, the values are expressed in kunas, in the period before the euro introduction. For facts concerning the period after the euro introduction, the amounts are stated in euros.

Such documents are not expressed double because they are about payments/disbursements that have already been made. Such documents do not result in obligations for future payments/disbursements, so there is no need for double expression.

If a situation arises where a certificate, extract or other public document is requested, which at the same time should contain data for the period before and after the euro introduction, then two documents will be issued. These documents will be equal in all parts except for the part of the monetary value. In one document, the monetary amount will be expressed in kunas, and in the other in euros, with a fixed conversion rate.

Amounts from certificates that are exchanged with other public authorities will be exchanged as standard without changing the WEB service. From the official records, the exchange of data is done in the currency in which it is stated in the tax returns and forms.

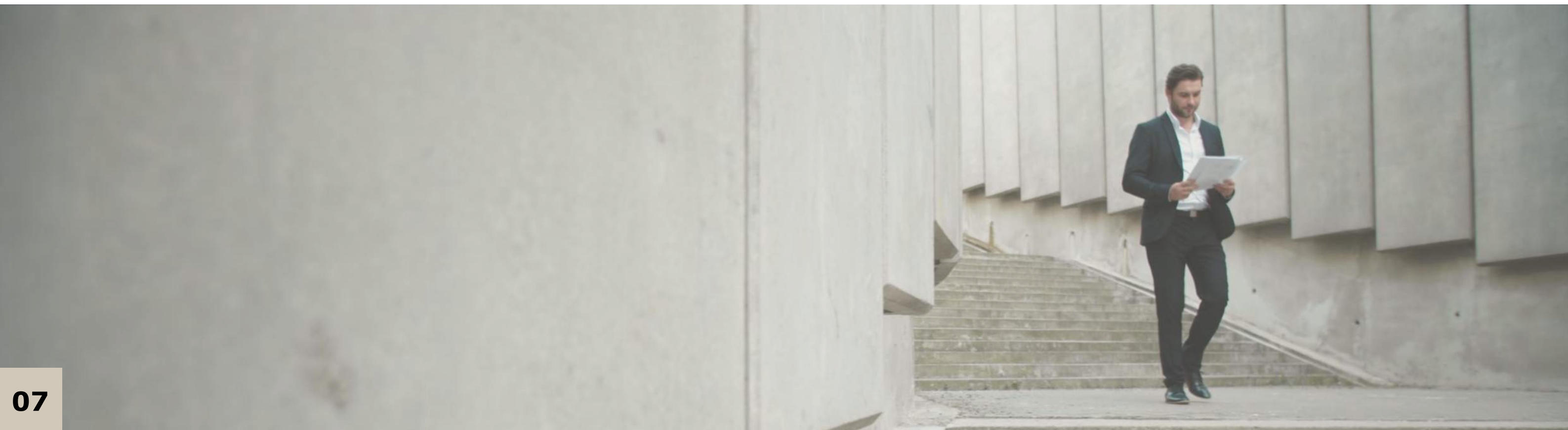
A DOUBLE STATEMENT OF THE AMOUNT IS REQUIRED ON THE ACTS OF THE TAX AUTHORITIES

Administrative, judicial, and other individual acts issued by public authorities during the period of double expressing have the obligation of double expressing. The statement will be executed so that the total monetary amount of the determined obligation or right on the act based on which the payment or payment obligation arises is expressed double in kunas and euros with the indication of the fixed conversion rate. The rule of double expressing does not apply to other monetary values on the individual act.

Via ePorezna, in the period of double expressing, taxpayers will be able to find an overview of the tax accounting card where all items will be expressed in double currency. From that period onwards, it will be possible to view unrelated payment items in the SNU application, which will be expressed in kunas and euros.

CHANGES IN THE ACCOUNTING RECORDS

Changes will also appear in the accounting records. Namely, the accounting balances in the tax records on the last day before the date of euro introduction will be converted into euros with the application of a fixed conversion rate and in accordance with the rules for conversion and rounding. After the date of the euro introduction, the initial balances, as well as all changes in business events after the date of the euro introduction, will have to be recorded in euros.



Tax advice
for entrepreneurs

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