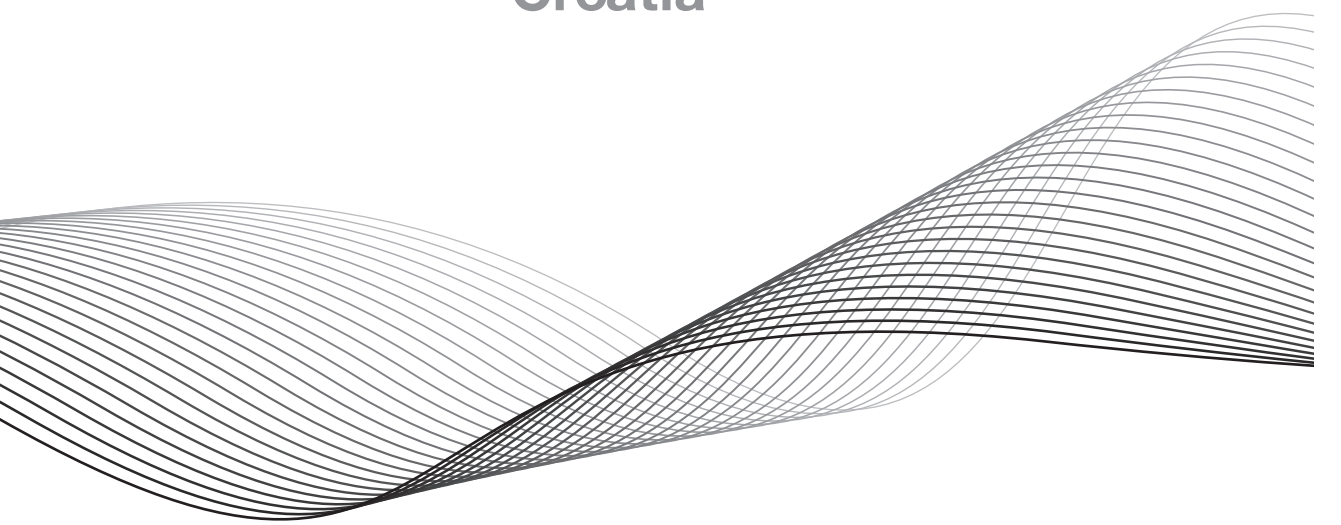
Doing Business

Croatia



BABIĆ & PARTNERS

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We hope the readers of this publication will find it of interest, and we welcome any comments.

Babić & Partners
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TABLE OF CONTENTS:

1 GENERAL OVERVIEW

1.1 Geography and Population

Croatia is situated in Central Europe along the eastern coast of the Adriatic, bordering Slovenia, Hungary, Serbia, Montenegro and Bosnia and Herzegovina. It has a maritime border with Italy.

The total area of Croatia is 87,661 m^2, comprising 56,594 m^2 of land and 31,067 m^2 of territorial waters. Croatia has a coastal line of 1,778 km in length and 1,185 islands. According to the results of the 2011 census, Croatia had a population of 4.28 million[1]. The capital of Croatia is Zagreb, which has a population of about 800,000. Other major cities are Split, Rijeka, Osijek, Zadar, Šibenik and Dubrovnik.

1.2 Political System

The Republic of Croatia is a parliamentary democracy. The core principles of the Croatian Constitution are freedom, equal rights, national equality, peace, social justice, respect for human rights, the inviolability of ownership, the preservation of nature and the human environment, the rule of law and a democratic multiparty system.

Legislative powers are vested with the Croatian Parliament ("*Sabor*"), the body of people's representatives elected for a term of four years. Executive powers are vested with the Government, which is responsible to the Parliament. Judicial powers are vested in the judiciary, with the Supreme Court of Croatia ultimately ensuring uniform application of law and equality of all citizens. The President of the Republic, who is elected for the term of five years, is the chief of state who represents Croatia at home and abroad. The Constitutional Court supervises the constitutionality of laws and protects the constitutional rights of the citizens.

Croatia is a unitary republic divided into 20 counties ("*županije*") and the City of Zagreb, which constitutes a separate administrative unit.

1.3 Economic Indicators

The national currency of Croatia is the Croatian Kuna (HRK). Kuna is a relatively stable currency, with the annual level of deflation of about -0.5%. The current exchange rates are: 1 EUR = 7.49 HRK; 1 USD = 6.59 HRK; 1 GBP = 9.50 HRK; 1 CHF = 6.85 HRK[2].

[1] Source: Central Bureau of Statistics (http://www.dzs.hr/default_e.htm); results of 2011 census
[2] Croatian National Bank's middle exchange rates applicable on 21 April 2016.

Certain economic indicators for 2015 are set out in the table below[3]:

GDP, billion EUR	43.9
GDP per capita, EUR	10.364
Inflation rate (%)	-0.5
Unemployment rate (%)	17.8%
Export, billion EUR	11.53
Import, billion EUR	18.48
Current account balance (million EUR)	2,293
Current account balance (as % of GDP)	5,2
Average monthly net salary, EUR (January 2015)	770
Gross international reserves (million EUR, end of year)	13,707
Number of active companies (30 September 2014)	185,297
Number of banks	27
Persons in employment	1,584,000

1.4 Membership in International Organizations

Croatia is a member of a number of international and regional organizations, including the European Union (EU), the United Nations (UN), the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank and the European Bank for Reconstruction and Development (EBRD). As of 1 July 2013, Croatia is no longer a member of the Central European Free Trade Association (CEFTA).

1.5 Foreign Investments and Related Requirements

Croatian corporate law affords national treatment to foreign investors. Foreign investors may establish partnerships, companies or branch offices under conditions applicable to domestic persons. Foreign persons may invest freely under condition of reciprocity, which is presumed. The reciprocity requirement is not applied with respect to investors domiciled in a member state of WTO.

For almost all industries, the Croatian law imposes no restrictions of foreign ownership. Foreign investors are guaranteed free transfer and repatriation of profits and repatriation of the capital invested under the Croatian Constitution. The Constitution stipulates that rights acquired through investment may not be diminished by law or any other legal act.

Transactions having a character of foreign investment and satisfying certain thresholds (e.g. acquisition of more than 10% of shares of domestic company) have to be reported to the Croatian National Bank. Reporting obligations are placed on the Croatian entities (companies whose shares have been acquired by the foreign investor or Croatian branch office of the foreign investor). The Croatian National Bank may also request such domestic companies or branch offices to fill out a survey form related to foreign investments.

[3] Source: Central Bureau of Statistics (http://www.dzs.hr), Croatian Chamber of Economy (http://www.investincroatia.hr/croatia-in-numbers-2/#), Croatian National Bank (http://www.hnb.hr/statistika/e_ekonomski_indikatori.pdf), Ministry of Finance (http://www.mfin.hr/en)

Generally, there are no requirements as to nationality or residence for Croatian company directors or members of other corporate bodies concerning their appointment. There are exemptions to the above rule for particular industries, such as banking.

2 ESTABLISHING LEGAL PRESENCE IN CROATIA

2.1 Forms of Business Entities

The principal law governing business organizations in Croatia is the Commercial Companies Act (CCA). It was enacted in 1993, entered into force in 1995 and later amended on several occasions. The statute is modelled on German and Austrian laws.

The CCA introduces five types of commercial entities:

- general commercial partnership;
- limited partnership;
- joint stock company;
- limited liability company; and
- economic interest grouping.

There are two principle types of business organizations - commercial partnerships and corporations. Both commercial partnerships and corporations are legal entities. Among commercial partnerships the law distinguishes between general commercial partnership and limited partnership. The two types of corporations are the joint stock company and the limited liability company.

CCA also recognizes economic interest groupings. The rules on economic interest groupings implement European Community law (EC Directive on European Economic Interest Groupings). It defines an 'economic interest grouping' as a legal person set up by two or more natural persons or legal entities for the purpose of (i) facilitating or promoting their business activities and (ii) promoting or increasing the effect of these activities. An economic interest grouping may not retain profits.

Investors can generally choose between these types of business entities. However, certain enterprises must take on a particular form. Banks, for example, can only be organized as joint stock companies.

CCA also contains rules on silent partnerships, although these are not considered legal entities. A silent partnership is established by contract. One person (the silent partner) contributes value to the enterprise of another person (the entrepreneur) and on the basis of this contribution participates in the division of profits or losses. Relations between the silent partner and the entrepreneur are regulated by contract. The contract does not affect third parties. With relation to third parties, only the entrepreneur can represent the silent partnership.

Croatian law also recognizes civil partnerships. Civil partnership does not fall under the general discipline of company law. It is a contractual relationship between persons who pursue a common goal. It has no legal personality of its own. There are no formal requirements for the formation of a civil partnership so the agreement between the partners can be deemed to be formed by implication. Given that civil partnership has limited importance in Croatian practice of business law, this overview will only discuss commercial partnerships.

In October 2007 Croatian Parliament enacted the Act on Introduction of the European Company and European Economic Interest Grouping. This statute implements the Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Statute for a European company (SE) and the Council Regulation (EEC) No. 2137/85 of 25 July 1985 on the European Economic Interest Groping (EEIG) thus creating possibility for incorporation of these two types of legal entities in the spectrum of recognized corporate vehicles. The statute entered

into force on 1 July 2013, the day of Croatia's accession to the European Union. As of the same date, the abovementioned regulations are applicable in Croatia.

2.2 Liability

2.2.1 PARTNERSHIPS

In a general commercial partnership, partners are jointly and severally liable to creditors of the partnership. In a limited partnership, at least one partner is personally liable for the obligations of the partnership (the general partner) and at least one partner is not liable for the debts of the partnership if he/she has paid in a contribution (the limited partner). The limited partner may be held liable for the partnership's debts incurred before registration.

2.2.2 CORPORATIONS

In neither the limited liability company nor the joint stock company are shareholders liable for the company's debts. There are exceptions to this general rule:

- a shareholder may be held liable for the company's debts in cases of abuse;
- company's promoters are liable for debts incurred before the company's registration; and
- statutory rules may lead to a shareholder's liability for the company's debts (in the context of groups of companies).

2.3 Formation

2.3.1 PARTNERSHIPS

General commercial partnerships and limited partnerships are established on the basis of a partnership agreement. A partnership is not established until it is registered in the register of relevant local commercial court. Registration is made upon filing the application containing particulars required by law together with the partnership agreement.

There are no minimum capital requirements for the formation of a general commercial partnership. If not otherwise provided by the partnership agreement, partners are obliged to make equal contributions. Contributions may be made in cash, kind, labour or services. Registration is not conditional upon partners having made their contributions. Failure to make a contribution can lead to a liability for partnership debts.

The same applies to the general partners of limited partnerships. Limited partners are not obliged to pay in their contribution before the company is registered. The limited partner is not liable for the partnership's obligation if he/she fully paid the contribution undertaken in the partnership agreement. However, failure to pay the contribution in full gives rise to the limited partner's joint and several liability along with the general partners for the debts of the partnership, but only up to the outstanding amount of the contribution.

2.3.2 CORPORATIONS

A limited liability company is established on the basis of notarized Articles of Association. The company may be established by one shareholder on the basis of a notarized Deed of Incorporation. The company is established by registration in the court register upon application to the competent local court.

The minimum share capital of a limited liability company is HRK 20,000 (approximately EUR 2,630). Contributions to the share capital may be made in cash or in kind. Prior to registration, each founder must pay in (i) 100% of its contribution in kind; and/or (ii) at least

25% of his/her cash contribution, provided that the total amount of all cash contributions paid in before registration is no less than HRK 10,000 (approximately EUR 1,315).

In addition, 2012 amendments to CCA provide for a possibility of establishing a "simple limited liability company" with a minimum share capital of HRK 10 (approximately EUR 1,30) and not more than three shareholders. Contributions to the share capital of such company may be made only in cash and have to be paid in full prior to registration. The procedure for establishment of a simple limited liability company is based on specific prescribed forms.

A joint stock company is established on the basis of notarized Articles of Association which the promoters adopt. The company may be established by one shareholder on the basis of a Deed of Incorporation. A joint stock company may be established by way of simultaneous incorporation or successive incorporation. In the former, promoters undertake all shares, adopt and execute the Articles of Association and declare the establishment of the company. In the latter, promoters adopt the Articles of Association, undertake a part of the shares and issue a public prospectus for the subscription of shares. In both simultaneous and successive incorporation the company is established by registration with the court upon application by the members of the management board and the supervisory board.

The minimum share capital of the joint stock company is HRK 200,000 (approximately EUR 26,300). Rules for contributions are similar to those applicable to limited liability companies. But unlike the formation of a limited liability company, promoters must submit to the court a report on company's incorporation. In addition, the members of the management board and of the supervisory board, or executive directors and members of the Board of Directors, must audit company's formation. In certain cases, the formation of the company must also be audited by independent auditors appointed by the court.

2.4 Corporate Governance

2.4.1 PARTNERSHIPS

Partnerships do not have bodies entrusted with management or representative authorities. Each partner of a general commercial partnership is authorized and obliged to manage the partnership unless otherwise provided by the partnership agreement. The authority to manage the partnership extends to all actions normally taken in the course of conducting business. An action cannot be taken if a partner authorized to manage the partnership objects to the action. Actions outside normal business can only be taken with the consent of all partners.

The same rules apply to general partners in a limited partnership. Limited partners are excluded from management. They can only object to decisions made and actions taken by general partners outside the normal course of business.

Each partner of a general commercial partnership is authorized to represent the partnership, except where the partnership agreement states otherwise. Such restrictions have no effect on third parties. The same applies to general partners of limited partnerships. Limited partners are excluded from representation.

2.4.2 CORPORATIONS

The mandatory governing bodies of a limited liability company are the shareholders' meeting and the management board. The Articles of Association can include a supervisory board. However, a supervisory board is a mandatory body in a limited liability company, *inter alia,* (i) if the average number of employees in one year exceeds 200 (ii) if specific statutes provide that a company carrying out certain activities must have a supervisory board, or (iii) if the share capital of the company is larger than HRK 600,000 (approximately EUR 78,850) and the company has more than 50 shareholders.

Joint stock companies can opt for two tier corporate governance structure (comprising of management board and supervisory board) or one tier corporate governance structure (comprising of only board of directors which appoints one or more executive directors).

2.4.2.1 Management Board

The management board of a limited liability or joint stock company consists of one or more directors (with the exception of simple limited liability company which may only have one director). In a limited liability company management board members are appointed by the shareholders' meeting, unless Articles of Association provide otherwise. They can be changed at any time. Management decisions are taken jointly by directors, unless otherwise stated by the Articles of Association.

Only directors are authorized to represent the company. Articles of Association may restrict the representative powers of directors, but such restrictions are only internal and are ineffective towards third parties.

In a joint stock company, management board members and the chairman of the board are appointed by a supervisory board for a term of office not exceeding five years. Appointments may be renewed. Management board members can only be changed by the supervisory board for material cause, including:

- a gross breach of duty;
- the inability to conduct company business; or
- a vote of no-confidence at the shareholders' meeting, unless such vote was made for manifestly arbitrary reasons.

Management board members can only take management decisions jointly, unless Articles of Association state otherwise. A decision based on a minority vote is not valid. Any restrictions to the representative powers provided in the Articles of Association are of internal nature and are ineffective towards third parties.

Only the management board is authorized to represent the company. The management board represents the company jointly, unless the Articles of Association state otherwise.

There are no restrictions on the nationality of the directors of a limited liability or a joint stock company.

2.4.2.2 Supervisory Board (two tier system)

In a joint stock company, members of the supervisory board are elected by the shareholders' meeting. However, Articles of Association may provide that certain shareholders have the right to appoint members of the supervisory board directly. This right can only be granted to specific shareholders or holders of specific shares if transfer of such shares requires the company’s consent. Only one third of the supervisory board may be appointed in this manner. Supervisory board members are elected or appointed for a term of office not exceeding four years and all may be elected or appointed repeatedly.

The shareholders' meeting may remove an elected member of the supervisory board before expiration of his/her term of office. This resolution requires a majority vote of not less than 75% of the votes cast unless Articles of Association provide for a larger majority or for additional requirements. If a shareholder made the appointment directly, he/she can revoke the appointed member of the supervisory board.

The supervisory board supervises management of the company. It may inspect the business books and records of the company, treasury, securities and other matters. The board submits a written supervisory report to the shareholders' meeting. In addition, the board can call a shareholders' meeting, and must do so whenever it is in the interest of the company.

The rules governing supervisory board of a joint stock company apply analogously to the supervisory board of a limited liability company.

2.4.2.3 Board of Directors (one tier system)

The choice of one tier system of corporate governance should be expressly stated in the company's Articles of Association. Articles of Association should also determine the number of members of the board of directors.

Members of the board of directors are elected by shareholders' meeting and duration of their mandate is determined by Articles of Association (it cannot exceed 6 years). Articles of Association may provide that certain shareholders have the right to appoint members of the board of directors directly. Appointment, revocation, resignation and liabilities of the members of the board of directors as well as internal structure of the board of directors (e.g. the existence of the particular committees) comply with rules on the supervisory board in the two tier system.

The board of directors is competent for (i) steering the company; (ii) laying foundations for performance of the company's activities; (iii) supervising management of the company; and (iv) representing company towards executive directors. The board of directors is obliged (i) to convene shareholders' meeting whenever necessary for the benefit of the company and (ii) to file for bankruptcy in cases of insolvency and over-indebtedness. It is also responsible to ensure due keeping of the company's business books. The board of directors also has an important role in adoption of company's financial statements.

The board of directors appoints one or more executive directors of the company for a term defined in Articles of Association which cannot exceed 6 years. If there are several executive directors one shall be appointed as the chief executive director. Executive directors can be elected among members of the board of directors. However, members of the board of directors which are not appointed as the executive directors shall always remain in majority within the board of directors. Executive director can be revoked by decision of the board of directors at any time. The revocation does not affect contract entered into by and between the company and the executive director.

Executive directors manage and represent the company. Default rule is that the executive directors manage and represent the company collectively, but a different solution can be prescribed in the Articles of Association. The statutory competences of the board of directors cannot be delegated to the executive directors. Provisions regulating status and duties of the executive directors (e.g. their responsibilities and liabilities) generally refer to the rules governing management board in the two tier system.

2.4.2.4 Shareholders' Meeting

In a limited liability company shareholders adopt resolutions at the shareholders' meeting. This is unless all shareholders agree to vote in writing or resolve in writing on a resolution.

The shareholders' meeting decides in particular on:

- the financial reports of the company, the use of realized profits and the covering of losses,
- the ratification of the acts of the members of the management board and supervisory board, if such exist;
- the calls for payments of original contributions and return of additional payments to shareholders;
- the appointment and revocation of members of the management board;
- the election and removal of members of the supervisory board if such exists;

- the division and redemption of shares;
- any measures to check and supervise business affairs; and
- any amendments to the Articles of Association.

The responsibilities of the shareholders' meeting may be extended or reduced as set out in the Articles of Association. Nevertheless, certain responsibilities, such as adoption of resolutions relating to the company's financial reports, the use of profits and covering of losses, as well as resolutions on election and removal of members of the supervisory board, must remain the responsibility of the shareholders' meeting.

In a joint stock company the shareholders exercise their rights at the shareholders' meeting in particular on the following issues:

- the election and revocation of members of the supervisory board, or board of directors, unless they are appointed by particular shareholders directly;
- the allocation of profits;
- the ratification of the acts of the members of the management board and supervisory board or board of directors;
- the appointment of the company's auditor;
- the adoption of amendments to the Articles of Association;
- the decision on the increase or reduction of the company's share capital;
- the appointment of auditors for examination of matters in connection with formation of the company or with the business conduct of the company and determining the auditors' remuneration;
- the decision on listing/delisting of company’s shares; and
- the decision on the dissolution of the company.

2.5 Affiliated Companies

CCA contains extensive rules on affiliated enterprises. The aim of these provisions is the protection of creditors, minority shareholders and the interests of the company.

2.6 Branch and Representative Offices

The branch office is the minimal form of presence that allows parent entity to conduct permanent business in Croatia. Branch offices may conduct activities that form part of the registered activities of the parent entity. A branch office is established by entry in the court register of the competent local court. The parent entity must adopt and notarize resolution on establishment of the branch office. Details of this resolution are listed in CCA. A branch office is not a legal entity. Its operations, rights and obligations are acquired by and for the parent entity.

Foreign businesses can establish representative offices in Croatia for purposes of market research, marketing, information and representation activities. A representative office cannot conduct business in Croatia. The establishment of a representative office must be registered with the Ministry of Economy. As of date of accession to the EU, companies domiciled in one of the EU member countries do not have to establish representative offices in Croatia in order to perform above mentioned limited activities.

3 TAXATION

3.1 General

In Croatia, taxes are mainly levied on income, sale and specific transactions. Any business income subjects the business, regardless of its legal form, to the obligation of corporate profit tax. An income earned by individuals is subject to personal income tax. Generally, domestic sales and import are subject to Value Added Tax (VAT), other taxes, excise duties and fees.

In most cases, taxes are self-assessed. The tax return should be filed and payment should be made by the taxpayer within term set by the law. The processing of tax returns, entering tax liabilities in tax records, collecting and refunding taxes are the responsibilities of Tax Administration. The administration of taxes in Croatia is vested in the Ministry of Finance. The institutional structure comprises the central Tax Administration in Zagreb and 20 regional offices with approximately 115 branches in the capitals of Croatian counties.

3.2 Corporate Profit Tax

Corporate profit taxpayers are (a) Croatian resident companies and other legal entities engaged in economic activity for the purpose of earning profit; (b) domestic permanent establishments of non-resident entrepreneurs; and (c) individuals who meet certain statutory criteria. Open-end investment funds are not corporate profit taxpayers, while closed-ended funds are.

According to the law, taxpayer has the obligation to make monthly advance payments based on the previous year's corporate profit tax return. The monthly payments may be adjusted by the Tax Authority. Upon its request, a company may be permitted to set its business/financial year differently than the calendar year.

The tax base is the profit generated in a fiscal year, calculated in accordance with accounting regulations and then adjusted pursuant to the profit tax legislation. The tax return must be submitted to the Tax Administration within four months of the end of the tax period, usually by 30 April. The shortfalls at the end of the year must be self-assessed and paid. On the other hand, in case of surplus, the Tax Authority returns the payments on request or carries the surplus into the next taxable period.

The tax base of resident taxpayers is the profit earned worldwide, while the tax base of permanent establishments of non-resident entrepreneurs is the profit earned in Croatia. Profit earned in the sale, liquidation, change of legal form and the split off /de-merger of a taxpayer is also included in the profit tax base.

The corporate profit tax rate is 20%. Tax losses may be carried forward for a maximum of 5 years. There are no carry back provisions. The Croatian law provides for rules on transfer pricing, thin capitalization and interest deductibility. There are no provisions on group taxation.

A withholding tax is levied on certain payments by Croatian residents to non-resident legal entities, including payments of qualifying interest, dividends, capital gains, payments in respect of the use of intellectual property rights, services of market research, tax and business advisory audit and similar. A withholding tax is levied at the rate of 15%, except with respect to dividends and capital gains where the withholding tax is levied at the rate of 12%. Exceptionally, the rate is set at 20% for all services paid to persons having their permanent establishment or headquarters in the countries, other than the EU member states and countries with double tax treaties with Croatia, which are deemed to be tax havens or offshore financial centres and are included in the list issued by the finance minister.

3.3 Personal Income Tax

Personal income tax is levied on the worldwide income of Croatian resident taxpayers and the Croatian source income of non-resident taxpayers. Tax rates on income from employment are as follows:

Monthly income (HRK)	Tax rate (%)
0 – 2,200.00 (approximately EUR 290)	12
2,200.01 – 13,200.00 (approximately EUR 1,740)	25
13,200.01 –	40

The taxpayer is entitled to a basic personal allowance of HRK 2,600 per month (approximately EUR 350). The allowance may be increased for dependants, spouse, children and disabled family members.

The rates of tax levied on property income and income from proprietary rights are 12% and 25% respectively. Income from interest and income from grant of stock or stock options is taxed at 40% and 25% respectively, while the income from dividends and capital gains is taxed at 12%. Personal income tax is not payable on interest paid by banks and other savings institutions on saving deposits and accounts.

An individual resident taxpayer is obliged to file an annual tax return by the end of February of the year following the year concerned. Generally, an individual receiving an employment income only does not need to file the tax return.

A resident taxpayer may request an annual allowance and entitlement to a tax refund on the basis of his/her annual tax return.

3.4 VAT and Excise Duties

VAT taxpayers are individuals and legal entities providing goods and services on a regular basis. VAT is payable on the supply of goods and services within Croatia (including own consumption) for consideration carried out by a taxable person acting as such, the acquisition of goods within the European Union for consideration in Croatia provided that certain requirements are met, and on the import of goods into Croatia.

A number of exemptions to VAT exist, including: exports of goods and services, supplies of goods to free trade zones, supplies of goods and services to diplomatic missions and goods and services in transit. Certain types of services are VAT exempt, among them the services of banks, savings institutions, insurance companies, games of chance, etc.

VAT is generally levied at 25%. A 13% VAT rate among others applies to services of accommodation and related agency services, catering as well as to daily and periodical newspapers and magazines. A 5% VAT rate applies to certain categories of goods and services (e.g. bread, milk, educational literature and certain medical supplies).

VAT returns must be filed by the last day of the month following the end of the taxpayer's VAT accounting period. VAT accounting periods are normally monthly, but can be quarterly for some taxpayers.

Excise duties are levied on certain products including alcohol and alcoholic beverages, manufactured tobacco, energy products and electricity, coffee and soft drinks, cars, ships, boats and aircrafts.

3.5 Tax Audit and Penalties

Delayed payments of individual income tax or company profit tax are subject to an annual default interest rate (determined on semi-annual basis by increasing the average interest rate on the loans granted for a period longer than one year to non-financial companies determined by the Croatian National Bank by 3%points, for individuals, or 5% points for legal entities).

Other defaults, such as violations of the corporate profit tax law, may be fined up to HRK 200,000 (approximately EUR 26,300). Amendments to the General Tax Act of 2012 introduced broad personal liability of the company's directors and shareholders for the company's tax and similar debts (e.g. customs duties). If the competent tax authority establishes that company's directors or shareholders abused their rights to the detriment of the company, it may initiate appropriate collection proceedings directly against these individuals.

3.6 Investment Incentives

The Act on Investment Incentives came into force on 3 October 2015 and replacing the earlier Act on Investment Incentives and Advancement of Investment Environment. This Act represents a new chapter in the legislative harmonization with the *acquis* and introduces novelties which are aiming to build up a more competitive, transparent and attractive entrepreneurial surrounding for further investments in the Croatian economy. .

The most significant incentives relate to tax relieves. There are several different corporate profit tax relieves which may be granted to eligible beneficiaries, depending on the value of investment, location and the number of newly employed employees. Apart from tax relieves, the Act provides for certain additional incentives which mainly relate to recovery of costs accrued for any of the following: (i) new hires; (ii) investment related training of employees; (iii) incentives for capital expenditures related to investment projects; and (iv) work-intensive investment projects. Furthermore, the Act provides for additional benefits in case of (i) investments related to specific fields (development and innovation, business support, services with high added value) and (ii) high scale investments, for which certain thresholds trigger further incentives.

In addition, Croatian legislation provides for several geographically defined investment areas which are subject to various incentives, such as free trade zones, areas of special state concern, mountain areas, etc.

3.7 Accounting and Audit

3.7.1 ACCOUNTING

The new Accounting Act that entered into force on 1 January 2016 introduced new methodology in the field of accounting implementing provisions of the EU Accounting Directive 2013/34, ,Directive 2012/17/EU of the European Parliament and Council on interconnecting business registers, Directive 2009/101 of the European Parliament and Council on coordination of safeguards, Directive 2006/43 on statutory audits and Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

The accounting methods prescribed in the statute apply to all entrepreneurs operating in Croatia, most notably companies and business entities, as well as business units and subsidiaries of foreign business entities which are operating in Croatia (under certain conditions). Furthermore, some provisions of the statute have a broader scope of application, covering all legal entities and physical persons which are corporate profit taxpayers.. The

accounting methods of various institutions, societies, civil associations and non-profit organizations are not subject to this statute, but are regulated by special laws.

The statute classifies entrepreneurs into four categories: micro, small, medium-size and large companies:

A 'micro' company is a company that does not meet two of the following three conditions: (i) total assets of HRK 2,6 million (approximately EUR 350,000); (ii) gross income of HRK 5,2 million (approximately EUR 700,000); and (iii) average annual number of employees of 10.

A 'small' company is a company that does not meet two of the following three conditions: (i) total assets of HRK 30 million (approximately EUR 4 million); (ii) gross income of HRK 60 million (approximately EUR 8 million); and (iii) average annual number of employees of 50.

A 'medium-size' company is a company that meets two conditions set for small companies, but does not meet two of the following three conditions: (i) total assets of HRK 150 million (approximately EUR 20 million); (ii) gross income of HRK 300 million (approximately EUR 40 million); and (iii) average annual number of employees of 250.

A 'large' company is a company that meets more than two of the three criteria set for medium-size companies. Moreover, the following types of entities are deemed to be large companies: banks, savings banks, building society institutions, electronic money institutions, insurance companies, leasing companies, investment and pension funds and their management companies as well as pension insurance companies.

The statute also provides classification of 'groups of entrepreneurs'. The aim of this classification is to cover situations involving parent companies and subsidiary companies, bearing the same thresholds as the before mentioned.

The new Accounting Act introduced the term 'Public Interest Entity', representing companies established in Croatia whose securities are listed on a regulated Market of any Member State. These are e.g. the Croatian Bank for Reconstruction and Development, investment companies, reinsurance companies etc. The term also encompasses all 'large' companies. In terms of application of standards, micro, small and medium sized companies are required to apply Croatian Financial Reporting Standards which are adopted by local Accounting Standards Board and are largely based on International Financial Reporting Standards (IFRS) while all large companies and public interest entities must apply IFRS fully.

Financial statements include: a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. Micro and small companies must prepare and maintain only a balance sheet, an income statement and notes to financial statements. Financial statements of large companies and public interest entities are subject to further special requirements such as statement of other general gain. Holding companies within a group of companies must prepare and keep consolidated financial statements.

The default accounting period is a calendar year, but based on special laws, or for their own purposes subject to special approval, companies may use alternative accounting periods.

Financial statements must be in the Croatian language and expressed in domestic currency, kunas (HRK). They must be kept up-to-date and must be archived in original on permanent basis.

All companies must deliver their properly adopted financial statements to the Financial Agency within 4 months from the last day of the accounting period. Financial statements are kept in the publicly accessible Registry of Financial Statements.

3.7.2 AUDIT

The Auditing Act is in force as of 20 December 2005. The Act introduced changes to the previous regime with a view of fully complying with IFRS, including the International Standards on Auditing (IAASB - ISA), as well as to increase independence of audit function and enforce the regulation of audit. The Auditing Act was amended in 2008 and 2012 to further harmonize the legislation with the *acquis*. The 2008 amendment introduced Audit Public Oversight Committee, an independent and autonomous body responsible for public oversight of the Croatian Chamber of Auditors, audit firms, independent auditors and certified auditors.

Consolidated financial reports and financial reports of joint stock companies, limited partnerships and limited liability companies with an annual revenue in previous year exceeding HRK 30 million (approximately EUR 4 million) are subject to mandatory yearly audit. Mandatory audit requirements also apply to banks, investment funds, retirement funds, insurance companies and other companies of special character set by law. In addition, mandatory audit is required for other companies regardless of their size, provided that their parent company is subject to audit obligation.

Limited liability companies and limited partnerships that do not meet HRK 30 million (approximately EUR 4 million) thresholds may in their internal documents opt for an obligation of audit.

Presently, Ministry of Finance recognizes the Chamber of Auditors as the only professional association of auditors in Croatia. An audit can be conducted by certified auditors within registered auditing firms as well as individual auditors provided they are licensed by the Chamber of Auditors. On the basis of reciprocity and in compliance with CCA, foreign audit companies may establish their branch offices in Croatia. The Chamber of Auditors is responsible for supervising audit standards and practices. The supervision of the Chamber of Auditors and of the auditors is vested in the Audit Public Oversight Committee.

The State Audit Office conducts an audit of government accounts and operations and promotes sound financial management and accountability in the government, in compliance with the audit standards of the International Organization of Supreme Audit Institutions (INTOSAI). The Croatian Parliament hears a Report of the State Audit Office annually.

4 EMPLOYMENT

4.1 Legislative Structure

The principal piece of legislation governing labour relations in Croatia is the Labour Code. In addition to this core legislation, labour relations are regulated by: (i) additional Croatian statutes such as legislation on work safety, (ii) Collective labour agreements and (iii) Work by-laws adopted by the employer. The Labour Code provides all employees with minimum guarantees that cannot be superseded by any other agreement between the employer and the employee.

4.2 Employment Contract

The employer is bound to establish an employment relationship through an employment contract or through a confirmation of employment status. Both documents must be produced in writing. Preference should be given to the employment contract. Both the contract and the confirmation must contain particular information as mandated by the Labour Code. Failure to comply with this requirement is sanctioned by fines for the employer.

A short form employment contract is possible provided that the short form contract contains references to relevant provisions of applicable statute, regulation, Collective labour agreement or Work by-laws as allowed by the law. The freedom to contract is limited. Any provision that is contrary to mandatory law shall be invalid. In case of discrepancy between different documents governing employment, the document containing rules most favourable for the employee shall prevail.

As a general rule, employment contracts are made for an indefinite period of time. Fixed term contract may not be made for more than 3 years in continuum and must explicitly specify the reason for fixed term employment. By way of derogation from these general rules, the very first fixed term employment contract is not subject to these requirements provided that it is not extended for additional fixed term. Breach of statutory provisions on fixed term employment will result in: (i) the employer's liability for fines and (ii) the employment contract being considered employment contract for an indefinite term. Furthermore, employer is obligated to deliver data on employee to pension insurance fund within 8 days prior to commencement of work (at earliest) and not later than before commencement of work. All changes in status and termination of employment must be delivered to pension insurance fund within 24 hours from the respective change. Breach of these statutory provisions will result in the employer's liability for fines.

The employer has the option to temporarily assign employees whose services are not required to either affiliated Croatian company for up to 6 months, or to an affiliated non-Croatian company for up to 2 years, on the basis of a written agreement between the affiliated companies and employee's written consent.

4.3 Probationary Period

An employer has the right to establish a probationary period for a maximum of six months. The imposition of probationary period must be specifically stated in the employment contract. If, in course of probationary period, the employer determines that the employee does not meet criteria established for job position for which the employee was hired, the employer may dismiss the employee without payment of severance and with only seven days' written notice. The unsuccessful probationary period is a special justifiable reason for termination of an employment contract.

4.4 Temporary Employment Agencies

As possible alternative to regular employment structure, employee may be hired through a temporary employment agency. In such case, temporary employment agency is considered to be the employee's employer, and the employee is assigned to work at the assignee on the basis of a secondment agreement between temporary employment agency and the assignee for which the work is performed. The maximum duration of the term during which an employee of an employment agency may be assigned to (work at) a client/user at same duties is three years (where a break of less than two months shall not be considered as a break of the three-years continuous period). Exceptions to the rule on maximum three-year term are provided in case of hire for replacement of temporarily absent employee (and that the replaced employee is absent for longer than three years) or if allowed by collective labour agreement.

4.5 Working Time

As a default rule, regular working time is set at maximum 40 hours a week. In addition, an employee cannot work more than 6 days a week. Maximum regular working time is inclusive of a mandatory 30-minute daily break. This effectively means that, as a rule, an individual cannot work more than 37.5 hours in a five-day week or 37 hours in a six-day week. Any work in excess of the maximum regular working hours is considered to be overtime work.

As a rule, employee should not work either over 50 hours a week (inclusive of regular and overtime hours) or over 180 overtime hours a year. Employer is not required to notify inspection authorities of overtime work. Overtime work must be explicitly requested from the employee in writing. Exceptionally, if due to urgent or unpredictable necessity, no written request can be provided immediately, employer must confirm its oral request for overtime work in writing within 7 days from the date the overtime work was requested orally.

Also, employer may set working time schedule to provide for unequally allocated working hours per days, weeks or months, however subject to the following limitations (a) employee must not work in a week more than 50 hours (or more than 60 if so allowed by collective labour agreement) inclusive of overtime work; and (b) employee must not work more than 48 hours a week on average in a period of 4 consecutive months. Overtime work must be paid, usually at the rate of 150% of the regular hourly rate.

Contracting of flexible working hours (not subject to rules on overtime work) is possible only in limited number of cases (such as for board member employees) and is subject to specific requirements.

4.6 Holidays, Days Off and Vacation

There are 14 national holidays and non-working days in Croatia, namely: (i) January 1st, (ii) Epiphany (January 6th), (iii) Easter Sunday, (iv) Easter Monday, (v) Labour Day (May 1st), (vi) Corpus Christi (9th Thursday after Easter Sunday), (vii) Anti-Fascist Struggle Day (June 22nd), (viii) Statehood Day (June 25th), (ix) Homeland Thanksgiving Day (August 5th), (x) Assumption of Virgin Mary (August 15th), (xi) Independence Day (October 8th), (xii) All Saints Day (November 1st), (xiii) Christmas day (December 25th), and (xiv) Boxing Day/St. Stephen's Day (December 26th).

The length of days-off (time-off between the work weeks) shall not be less than 24 hours (usually Sunday). Employees working on a Sunday or public holiday are entitled to additional pay as defined by the employment contract, Collective labour agreement and/or Work by-laws.

Employees in Croatia are entitled to the annual leave of at least 4 weeks in a calendar year. An employee is entitled to use his/her annual leave (in full) once he/she has worked for an

employer for at least 6 months. The employer must prepare a schedule of annual leaves no later than 30 June of the relevant calendar year and consult with the Works Council, if any on such a schedule. The Labour Code further requires that the employer notifies employees on the schedule of their annual leaves at least 15 days before the annual leave is to start.

4.7 Salaries

Salaries must be paid to the employees at least once a month. As a default rule, employers must pay the salary and other employment-related payments not later than by the 15th day in a month for the preceding month. The salaries may not be lower than the minimum monthly salary established by applicable Croatian laws.

4.8 Termination of Employment

Generally, an employment relationship may be terminated by: (i) mutual agreement of the parties; (ii) the employer or (iii) the employee. The employer may terminate employment contract only on specific grounds provided in the Labour Code (including staff redundancy for business reasons, employee's repeated failure to fulfil his/her duties or employee's gross breach of duties). An at-will termination of an employment contract by the employer is not allowed.

When terminating an employment for any reason, the employers must strictly comply with specific procedures and requirements provided in the Labour Code (such as for example prior consultation with Works Council or other appropriate body). Save where employment is terminated due to gross breach of employee's duties, when terminating the employment the employer is required to observe applicable notice periods and employee's right to severance. The Labour Code provides for minimum notice periods and minimum severance that will prevail in each case where the employment contract diminishes employee's rights.

The Labour Code gives additional protection to a number of specific categories of employees, including members of Works Council or candidates for that position, employees with diminished working capacity and employees of a certain age. Dismissal of such employees is conditional upon prior consent of the Works Council.

The new Labour Code (came in force in 2014) introduced some novelties related to termination, among others, it provides that the notice period continues to run simultaneously with either vacation, paid leave or sick leave provided that the employer has released the employee from work duties during notice period (garden leave). In addition, sick leave taken outside garden leave will suspend notice period, but for up to maximum 6 months from delivery of termination notice, when the employment will terminate regardless of the sick leave. Finally, under the new Labour Code, the employment contracts of pregnant employee or employee using maternity, paternity, parental or similar leaves may be terminated if the company is being liquidated

4.9 Expatriates Working in Croatia

The Act on Foreigners came into force on 1 January 2012 and was subsequently amended in 2013. Any non-Croatian national ("expatriate") must obtain proper immigration permits in order to reside and work in Croatia. Generally, the immigration procedure in Croatia includes three principle steps as follows: (i) obtaining a visa; (ii) registering local residential address; and (iii) obtaining proper work and/or residence authorisation. Certain actions and even phases in these procedures may run simultaneously.

Nationals of certain countries, including citizens of the EU and US, can travel on business to Croatia without obtaining prior visa, work or residence authorisation if they remain in Croatia for a total period not exceeding 90 days in a single year. Visa nationals will be required to

obtain the entry visa for Croatia. The application for the entry visa should be made by a foreign national in person at the Croatian Embassy or Consulate outside Croatia.

A foreign national is permitted to attend business meetings, business fairs, participate in negotiations with prospective clients without obtaining work or residence authorisation, provided that actions do not include direct sale of goods or services to local population and that any such actions are limited in duration to maximum 90 days.

If a foreign national intends to work in Croatia, depending on his/her nationality, the specifics of the intended work in Croatia he/she must obtain either: (i) a work permit and/or temporary residence permit, or (ii) a police certificate.

5 REAL ESTATE

5.1 General overview

Unique geographical characteristics of Croatia and improved infrastructure connecting the coastal area with the inland as well as recent EU accession make Croatia an interesting area for foreign investors. However, recession trends and overall murky economic outlook resulted in the decrease of real estate prices and decline in number of real estate development projects.

On the other hand, prospective buyers are looking to benefit from such turn of events. At this point, real estate projects available for acquisition and real estate projects that have been stopped due to financing issues by far exceed demand for such projects. Decisively buyer's market benefits the companies looking to expand their business to Croatia as well as the professional real estate investors. This being said, the low supply of large plots of land (due to their limited number and occurrence of problems related to ownership, such as unresolved title) as well as diminished availability of demanded locations by zoning and planning restrictions (frequently in the coastal area) still largely affect the Croatian real estate market.

In Zagreb, demand for business premises has been continuously decreasing, but the prime projects and locations still attract significant interest. The retail space demand has been presently satisfied by opening of several shopping centres in the city as well as on its outskirts.

The current tendency of companies to restructure their operations and move production outside urban areas may offer further opportunities for investors. The companies achieve a premium by selling existing urban sites and transferring to cheaper production locations. Also, it should be noted the Croatian Parliament has adopted the Strategic Investments Act in 2013 (later amended in 2014) with the aim to improve the investment climate introducing the rules on strategically important projects that enjoy special regime (faster process of obtaining necessary approvals for certain investment).

5.2 Regulatory

5.2.1 ACQUISITION OF REAL ESTATE BY FOREIGN NATIONALS

Non-Croatian nationals may acquire real estate in Croatia provided that two conjunctive requirements are met: (i) that reciprocity exists between Croatia and the foreigner's country of citizenship; and (ii) that prior approval of the Croatian Ministry of Justice for the acquisition is obtained. These requirements do not apply in regard to nationals of EU member states who may acquire real estate in Croatia under the same conditions as Croatian nationals, provided that the real estate in question is not: (i) agricultural land or (ii) located in protected nature areas. Also, by way of derogation, a non-Croatian national may acquire real property

in Croatia by inheritance (absent prior Ministry's approval) provided that the reciprocity requirement is met.

In addition, above restrictions do not apply to corporate vehicles established in Croatia, even if they are wholly owned by foreign persons. In any case, corporate investors will most likely establish a special purpose vehicle in Croatia to make their investments. The most common type of vehicle is the limited liability company (d.o.o.).

5.2.2 Registration of Title and Charges

Real estate and rights related to real estate are registered with the Land Registry and the Cadastral Registry.

Under the law, title of ownership over real estate is acquired by entry of the acquirer into the Land Registry. Land Registry is a public record maintained by a Municipal Court competent for the territory where the real estate is located. The entry of acquirer into the Land Registry is made on the basis of appropriate documents, such as a real estate purchase agreement. The title of ownership as well as encumbrances and interests over real estate (such as ownership claims or leases) are entered into the Land Registry.

Data related to surface area, form, use and occupant of a real estate are entered into the Cadastral Registry. Ownership and other rights *in rem* over a plot are not entered into the Cadastral Registry. Therefore, only the Land Registries are competent instances to check the title of ownership and charges over a real estate.

The law provides for legal presumption that the status of the Land Registry is true and accurate, unless there is proof to the contrary. This means that, as a general rule, a person acting in good faith may rely on the accuracy of the Land Registry and no one may claim that the data entered into the Land Registry are not known to them. However, the rule of reliance on the accuracy and completeness of the Land Registry is subject to certain exceptions. This clearly demonstrates the importance of exercising proper due diligence before acquiring a real estate in Croatia.

5.2.3 Construction Permits

As of January 2014, the area of construction is regulated by three separate pieces of legislation: (i) the Construction Act; (ii) the Physical Planning Act and (iii) the Building Inspection Act. This new regulation took place of the former Act on Physical Planning and Construction in order to further harmonize legislation in the area of construction and especially with respect to requirements of energetic efficiency of the buildings and construction materials with the *acquis*. Amendments were also aimed at simplifying construction related administrative procedures and documents.

After entry into force of the new Construction Act, the building permit is the only document required for start of construction works, unlike different permits required by the previous legislation. Formerly required location permit (as a prerequisite for obtaining the building permit) is now required only exceptionally (e.g. for exploitation field, construction in phases, for real estate that needs to be expropriated). Also, the new Construction Act provides for a simplified procedure regarding the issuance of usage permit required for usage and operation of the building. More information on construction requirements is available at http://www.mgipu.hr/default.aspx?id=28520.

5.2.4 Restrictions of Acquisition

In Croatia, foreign nationals may not acquire ownership of real property in excluded areas (e.g. military), on agricultural land, in protected natural areas, forests or on forest land.

Restrictions of acquisition to coastal land ("*pomorsko dobro*") apply regardless of the investor's nationality, but the investors may be entitled to use such protected state-owned land based on concessions.

The administrative practice showed deterrent to all potential purchasers of real estate located in vicinity of coastal land (islands, first line of buildings). Acquisition of real property owned by a local government unit (municipality or a city) is conditional upon duly conducted public tender proceedings.

5.3 Taxes

As of 1 January 2015, the regulations related to taxation of acquisition of real estate have been amended in order to harmonize with EU legislation. Under this new regime, any transfer of construction land plots (without any construction attached to such plot) is taxed by the Value Added Tax ("VAT"). Acquisition of other land plots (i.e. not construction plots) is subject to the Real Estate Transfer Tax ("RETT"). However, the new regime provides option for taxpayer to pay VAT instead of RETT in certain cases (i.e. if the buyer is registered VAT taxpayer having right to deduct input tax).

Also, the transfer of buildings (land plots with attached construction) is subject to either VAT or RETT depending on the duration of usage of the relevant real estate. For acquisition of new buildings or building used for a period of up to two years, VAT shall apply. If a building was used for more than two years, RETT shall apply. However, if the buyer of a building used for more than two years is VAT taxpayer, he has the right to pay VAT instead of RETT.

RETT is levied at the rate of 5% on the tax base calculated as the market value of the real estate at the time of acquisition. RETT is paid by the acquirer, is due after the execution of the contract and is not recoverable.

VAT is assessed at 25% of the tax base calculated as the amount invoiced for the real estate. An acquirer that is VAT registered may recover VAT.

6 EXCHANGE CONTROL

The foreign exchange system in Croatia is regulated by the Foreign Exchange Act and a number of decisions rendered by the Croatian National Bank (*Hrvatska narodna banka;* HNB). Transactions between residents and non-residents in both domestic and foreign currency, transactions between residents in foreign currency and simple transfers of assets to and from Croatia which are not considered transactions, are subject to exchange control regulations.

In general, payments and transfers based on capital transactions are free, provided that the transaction has been duly executed and reported to the competent authorities and that all tax-related obligations in Croatia have been duly settled.

Under Foreign Exchange Act, capital transactions include direct investments, investments in real estate, transactions in securities, transactions in holdings in investment funds, loan transactions, deposit transactions, payments based on insurance contracts and transfers of assets.

Direct investment by non-residents is generally not restricted, and transfer of profits arising from such direct investment is free provided that all taxes have been duly settled. Direct investment in foreign countries by Croatian residents is not restricted either.

Loans given to or received from non-residents may need to be duly reported to HNB.

Non-residents may freely open a bank account in Croatia in both domestic and foreign currency. Residents may freely open a bank account outside Croatia.

Current transactions, i.e. transactions between residents and non-residents which do not fall under the definition of capital transactions, are free.

7 BANKING AND FINANCE

7.1 Operation of Banks

7.1.1 SOURCES OF LAW

The Croatian banking system is governed primarily by the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, the Credit Institutions Act and the Act on the Croatian National Bank (HNB), as well as a number of decisions on banking issued by HNB. Banking services may be provided by (a) a credit institution established in Croatia which has obtained a license from HNB; (b) a credit institution authorised in a member state which has established a branch office in Croatia or is authorised to provide banking services directly; or (c) a branch office of a foreign credit institution which has obtained a license from HNB. A credit institution having its registered seat in the Republic of Croatia may, under conditions laid down by the law be established as a bank, savings bank, or housing savings bank. Banking legislation and HNB decisions establish the rules on outsourcing of business activities, banking secrecy, accounting and financial reporting, public disclosure, audit, internal control system, supervision of credit institutions, reporting requirements, special administration and special management, liquidation and bankruptcy of credit institutions, supervision on a consolidated basis and decision-making methods and procedures of HNB.

7.1.2 LICENSE AND BANKING SERVICES

To provide banking services a Croatian credit institution must obtain a license from HNB. Banking services are defined as acceptance of deposits or other repayable funds from the public and granting of loans for own account from these funds. In addition to the license for banking services, the credit institution may apply to HNB for grant of a license to provide core and additional financial services. Core and additional financial services include such activities as issuing guarantees and other commitments, factoring, financial leasing, extending loans, including consumer loans, trading for own account or account of a client in financial markets, making payments in Croatia and abroad, etc.

7.1.3 CORPORATE FORM AND CAPITAL REQUIREMENTS

A credit institution may be established only in the form of a joint stock company. The initial capital of a bank is HRK 40 million (approximately EUR 5,260,000), the initial capital of a savings bank is HRK 8 million (approximately EUR 1,055,000) and of a housing savings bank is HRK 20 million (approximately EUR 2,630,000). The own funds consists of Tier 1 capital, defined as the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital, and Tier 2 capital. The methods of calculation of the own funds are detailed in the Regulation (EU) No 575/2013.

The capital adequacy ratio of credit institutions is set at 8% minimum. The total capital ratio (capital adequacy ratio) is the own funds of the institution expressed as a percentage of the total risk exposure amount. A credit institution may issue only registered shares. Shares must be paid in full prior to the registration of the establishment or of the share capital increase with the court register. Preference shares may not exceed one fourth of total initial share capital.

7.1.4 MANAGEMENT BOARD REQUIREMENTS

According to the Credit Institutions Act, at least one member of the management board of a credit institution must have command of the Croatian language sufficient for performing this function. All directors must direct the business of the credit institution full time and be

employed with the credit institution. In terms of corporate law, the term of appointment of the management board members is maximum five years with no restrictions on re-appointment.

Banking legislation establishes specific qualification requirements for the members of the management and supervisory boards of banks.

7.1.5 ACQUISITION OF BANKS

HNB must approve acquisition of a qualifying shareholding in a bank, defined as the acquisition of 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of a bank. Any further acquisition of the shares which results in a shareholding equalling or exceeding 20%, 30% or 50% is subject to prior approval of HNB as well. As of the date of Croatia's accession to the EU, Croatian Competition Agency is responsible for the protection of free competition in the banking services and financial services markets when provided by credit institutions. Croatian Competition Agency is responsible for assessing of permissibility of every concentration arising from acquisition of shares of credit institutions, as well as for enforcing the antitrust and merger control rules in the banking sector.

7.1.6 EXPOSURE LIMITS AND RESTRICTIONS OF INVESTMENTS

Institutions must monitor and control their large exposures. Subject to certain limited exceptions, a credit institution's exposure to one person or to a group of affiliated persons may not be higher than 25% of a credit institution's eligible capital after application of credit risk mitigation techniques. Any transaction which may result in large exposure to one person or to a group of affiliated persons, which is defined as 10% or more of a credit institution's eligible capital, as well as any transaction which may increase a large exposure to and over 15% or 20% and for every further 5% of the regulatory capital, as the case may be, must be approved by the credit institution's supervisory board. Transactions which may result in exposure or an increase of exposure to persons in special relationship, and change of terms under which such transaction was made are subject to the prior approval of credit institution's supervisory board except when such transaction is made with a natural person under terms regulated by credit institution's general operating conditions.

Credit institutions are subject to a number of restrictions on investment:

- a credit institution's investment in tangible assets may not exceed 40% of its own funds;
- a credit institution's total investment in the capital of holdings outside the financial sector (every legal person except credit or financial institutions, ancillary services companies and insurance and reinsurance companies) may not exceed 60% of its eligible capital;
- investments in a single non-financial institution may not exceed 15% of its eligible capital.

Investment restrictions indicated above are subject to certain exceptions regulated by the Credit Institutions Act.

Prior approval of HNB is required for a credit institution's (i) establishment of another company or gradual or immediate direct acquisition of a shareholding of 20% or more in another legal person, if the shareholding exceeds 10% of its eligible capital; and (ii) establishment of another company or direct acquisition of majority shareholding or the majority of voting rights in another legal person. Such approval is not required if a credit institution intends to keep directly acquired shares in the trading book.

A credit institution may not extend loans or issue guarantees for the acquisition of its own shares or shares in companies in which it has a shareholding of 20% or more, unless such acquisition is to result in termination of any capital affiliation between the bank and such a company.

7.1.7 RISK MANAGEMENT AND SUPERVISION

Banks are subject to the duty to measure, estimate and manage risks in accordance with criteria defined by the Credit Institutions Act, the Regulation (EU) No 575/2013, and HNB. Received deposits, including deposits received through its branch offices from abroad, must be insured by the credit institution in accordance with special regulations.

Credit Institutions Act provides for rules on the supervision of banks by HNB and establishes various reporting requirements. Methods of bank supervision as well as the types and procedures of imposing supervisory measures and their implementation are specified in HNB's decisions. Special rules on supervision of groups of credit institutions are established in Credit Institutions Act and HNB's Decision on Supervision of Credit Institutions Group on a Consolidated Basis.

7.1.8 ROLE OF THE CROATIAN NATIONAL BANK

HNB is the central banking authority in Croatia. It is the authority responsible for granting the banking license and it has the power to revoke this license in specific circumstances.

The status, organization and activities of HNB are governed by the Act on HNB. The autonomy of HNB is guaranteed by the Constitution. HNB is responsible to the Parliament. Competences of HNB, beyond licensing and supervision of banks, include establishment and implementation of monetary and foreign exchange policies, holding and management of the international reserves of Croatia, issuance of banknotes and coins, maintenance and management of accounts and granting of loans to banks, as well as the regulation and supervision of the payment system, etc. Activities relating to the banking system are governed primarily by the Credit Institutions Act and the related decisions of HNB.

7.2 Operation of Other Financial Institutions[4]

7.2.1 REGULATORY AUTHORITY: HANFA

Croatian Agency for the Supervision of Financial Institutions (*Hrvatska agencija za nadzor financijskih usluga;* HANFA) supervises non-banking financial institutions.[5]

7.2.2 INSURANCE

The insurance business in Croatia is governed by the Insurance Act and by a number of regulations, decisions and by-laws. The new Insurance Act fully came into force on 1 January 2016 with the aim of further harmonization with EU law, especially with the Directive 2014/51 EU (Omnibus II Directive) and the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC..

Insurance services may be conducted by a joint stock insurance company, a European company – Societas Europea (SE), or a mutual insurance company. Insurance services may also be conducted by branch offices of foreign insurance companies and insurance companies from a member state authorised to provide insurance services in the territory of the Republic of Croatia either directly or through a branch office . HANFA licenses and supervises Croatian insurance companies and branches of foreign insurance companies, as

[4] The operation of securities market and related institutions is described in more detail in the chapter on securities (see below chapter 8).

[5] HANFA is responsible for the supervision of: exchanges and regulated public markets, authorized dealers and issuers, brokerage companies, brokers, investment advisors and institutional investors, investment funds, privatization investment funds, pension funds and companies managing such funds, the Central Clearing Depository Company, the Central Register of Pension Insurees, insurance companies, insurance agents and brokers, leasing and factoring companies, to the extent that such activities are not performed by credit institutions.

well as reinsurance companies. In Croatia, Insurance companies may pursue life insurance or non-life insurance operations (there is also a possibility to pursue both, under the condition that there are separate divisions in the company). Life insurance operations include life insurance and annuity insurance. Non-life insurance operations are divided into 18 groups, which are further subdivided into classes. Reinsurance may be provided only by joint stock insurance companies or European companies, which have obtained the necessary licence from HANFA (there is also a possibility for insurance companies to provide reinsurance as well)

The insurance business is commonly conducted through a joint stock insurance company. The minimum capital requirements for the establishment of such a company vary depending on the insurance activity concerned and are, for example: for life insurance: HRK 28,86 million (approximately EUR 3,800,000); for non-life insurance: HRK 19,5 million (approximately EUR 2,560,000) or HRK 28,86 million (approximately EUR 3,800,000), depending on the group of non-life insurance activity; for reinsurance: HRK 28,08 million (approximately EUR 3,690,000). HANFA must approve acquisition of the shares of a joint stock insurance company which results in a shareholding equalling or exceeding 10% of the voting shares or of the capital (a qualifying shareholding). Any further acquisition of shareholding surpassing 20%, 30% or 50% is subject to prior approval of HANFA as well. Insurance companies must, at all times, have a regulatory capital sufficient to meet all obligations arising from insurance contracts. Regulatory capital consists of the share capital, safety reserves and other reserves, retained profit and a portion of the profit of the current year, with certain adjustments. The law sets out different minimum regulatory capital requirements for various types of insurance operations. One must also note that insurance companies carry out reports on their solvency and financial status, which must be publicly available.

Insurance companies must reinsure excess of risk with companies which provide active reinsurance in Croatia or abroad.

7.2.3 INVESTMENT FUNDS

As of the date of Croatia's accession to the EU, investment funds are governed primarily by the Act on Open-Ended Investment Funds with a Public Offering and the Alternative Investment Funds Act. Investment funds may be established as open-ended investment funds with a public offering (UCITS) or alternative investment funds (AIFs), latter either as open-ended or closed-ended alternative investment funds. Whereas closed-ended AIFs may be established as joint stock companies or limited liability companies, open-ended investment funds, established either as UCITS or open-ended AIFs, are separate pools of assets without legal personality. Both UCITS and AIFs are established and managed by fund management companies. The great majority of investment funds in Croatia are established as UCITS. Investment funds and fund management companies are supervised and licensed by HANFA.

Units in investment funds may be traded through public or private offering. Units in AIFs may be traded through public or private offering, unless a closed-ended AIF is established in the form of a limited liability company in which case its units may be traded through private offering only. Units in UCITS may be traded through public offering only. The law provides for stringent limitations on the types of investment allowed to investment funds as well as for limits on the investment in the securities of a single issuer. The law also sets out requirements with respect to the minimum capital, the activities of fund management companies, shareholding in fund management companies, qualification criteria for members of management and supervisory boards in fund management companies, risk management, reporting requirements, etc.

7.2.4 PENSION FUNDS

The Croatian pension system consists of three levels: compulsory pension insurance based on generational solidarity (Level 1), compulsory pension insurance based on individual capitalized savings (Level 2), and voluntary pension insurance based on individual capitalized savings (Level 3).

Croatian Pension Insurance Fund, a public entity, receives compulsory Level 1 contributions from salaries of all insured persons. Within Level 2, employees pay an obligatory contribution to their account held within a private pension fund of their choice. Such funds are managed by companies established specifically for that purpose (compulsory pension companies). Participation in Level 3 is voluntary. Level 3 funds are managed by voluntary pension companies.

Pension companies may be established as joint stock companies or limited liability companies, in accordance with specific legal requirements.

7.2.5 INVESTMENT SERVICES AND INVESTMENT ACTIVITIES

Subject to certain exceptions, investment services and investment activities may be generally provided by: (i) an investment company established in Croatia which obtained licence from HANFA, (ii) an investment company with a registered office in EU member state which has established a branch office in Croatia or is authorised to provide investment services and perform investment activities in Croatia directly, (iii) a branch office established in Croatia of foreign investment company which obtained licence from HANFA, (iv) a credit institution established in Croatia which obtained licence from HNB, (v) a credit institution or financial institution from EU member state which has established a branch office in Croatia or is authorised to provide financial services in the Republic of Croatia directly, (vi) a branch office established in Croatia of foreign credit institution which obtained licence from HNB.

An investment company may be established and operated in the form of a limited-liability company, a joint-stock company or a European company – Societas Europea (SE) with a registered office in Croatia. With certain exceptions, company's management board must consist of at least 2 members and at least one of the members must have knowledge of Croatian language. Depending on the type and scope of investment services and activities in respect of which an investment company applies for licence, minimal share capital of investment company varies from HRK 200,000 (approximately EUR 26,200) and HRK 6 million (approximately EUR 788,000). Acquisition of shareholding in an investment company surpassing 20%, 30% or 50% is subject to prior approval of HANFA.

Company providing investment services must maintain appropriate organizational requirements and undertake all reasonable steps in order to avoid conflict of interests. The clients are classified as retail or professional clients depending on their knowledge, experience, financial situation and investment objectives. Retail clients have to be provided with a treatment involving a higher level of protection. When client orders are executed, all reasonable steps have to be taken to obtain the best possible result for the clients. In addition, there are statutory rules on maintenance of records, reporting to HANFA and publishing of transactions.

7.2.6 OTHER FINANCIAL SERVICES

The operations of housing savings associations functioning within a government housing incentive scheme is governed by a separate law and, in matters not governed by that law, by credit institutions legislation. Separate legislation also governs privatization investment funds and certain other special types of funds as well as leasing activities.

7.3 Money Laundering

As part of the efforts to combat money laundering and to further harmonize local legislation with the Directive 2005/60/EC, in 2008 Croatia has enacted the Act on Prevention of Money Laundering and Terrorism Financing, which was subsequently amended in 2012.

Central authority for reporting is the Anti-Money Laundering Department (the "Department") which is attached to the Ministry of Finance. The task of the Department is to (i) gather, analyze, classify and keep data received from all reporting institutions; (ii) forward relevant data to competent state bodies (such as public prosecutor); and (iii) undertake measures for the prevention of money laundering.

Reporting requirements are imposed on various entities, including (i) banks, (ii) savings banks, (iii) investment and pension funds, (iv) Croatian Post Office, (v) investment funds, (vi) organizers of games of chance. Also, there are certain looser reporting requirements imposed on (i) lawyers, law firms and notaries public, (ii) auditing firms and independent auditors and (iii) accountants and tax advisors.

The law provides for detailed rules on information that reporting entities must obtain from their clients with the purpose of establishing the ultimate, beneficial owner of the client.

8 SECURITIES

8.1 Legislative Structure and Regulatory Authority

The primary source of law regulating securities market in Croatia is the 2008 Capital Market Act amended in 2008, 2009, 2013 and 2015 ("CMA"). CMA implemented various EU legal instruments including, but not limited to the Markets in Financial Instruments Directive (Directive 2004/39/EC of the European Parliament and of the Council), Directive on Investor Compensation Schemes (Directive 97/9/EC of the European Parliament and of the Council) and Market Abuse Directive (European Parliament and Council Directive 2003/6/EC). Other important pieces of legislation include the Act on Open-Ended Investment Funds with a Public Offering, the Alternative Investment Funds Act, the Takeover Act, CCA, and a number of implementing regulations.

Assurance of proper functioning and supervision of securities market in Croatia is entrusted to HANFA. The most important tasks of HANFA with respect to the securities market are: the supervision of fair trading rules with respect to securities, the supervision over conduct of stock exchanges, authorized dealers, investment funds and other market participants or issuing licenses and mandating measures necessary for proper functioning of the securities market.

The Central Clearing and Depository Company (*Sredisnje klirinsko depozitarno drustvo;* SKDD) is a joint stock company, which may also be established as a European company – Societas Europea (SE) with a registered office in Croatia, whose shareholders are the Republic of Croatia and other market participants. SKDD is authorized to manage central depository of non-materialized securities as well as to perform clearance and settlement with respect to transactions with securities executed on or outside of a regulated market or a multilateral trading facility.

8.2 Issuance of Securities

Securities in Croatia may be generally placed on the market only by way of public offering which in turn requires preparation of prospectus. The content of the prospectus is defined in detail by relevant regulations. The prospectus must be presented to HANFA for approval. After obtaining the approval of HANFA, the prospectus must be publicized. There are defined statuary exceptions to this rule which relate to e.g. issuance of securities to limited number of investors or solely to professional investors, issuance in the course of initial formation of joint stock companies or share capital increases, share plans for employees, etc.

Generally, foreign issuers may offer their securities to public in Croatia only through an authorized dealer. HANFA may approve a prospectus which lacks certain requirements mandated by Croatian laws if the authorized dealer proves that (i) such requirements cannot be fulfilled in the country where the issuer is seated and where HANFA decides that this will not reduce the possibility of a potential investor to objectively assess the prospects and risks involved in the investment and to make a decision on investment, or (ii) where the issuer is seated in the member state of the EU and such requirements are not necessary in that member state. Furthermore, when the securities are simultaneously issued through public offering in Croatia and in a member state of the EU, HANFA may approve the publication of the prospectus that is approved by the competent authority of that member state.

8.3 Trading in Securities

Trading in securities as a permanent activity may be performed only by authorized dealers. Authorization is granted by HANFA or HNB and may only be given to investment companies

and credit institutions. Among authorized dealers, trading in securities may be performed only by brokers and investment advisors holding a license issued by HANFA.

Organized trading in securities, as well as matching supply and demand of securities may only be performed on regulated market and on multilateral trading facility ("MTF"), based on the authorization of HANFA. The operation of the regulated market in Croatia can be managed only by a stock exchange with its registered office in Croatia. The operation of MTF may be managed by a stock exchange or an investment company subject to certain conditions. A stock exchange may be established only as a joint stock company or a European company – Societas Europea (SE) with a registered office in Croatia. A regulated market consists of regular market and official market which imposes more stringent listing requirements.

Where a natural person or a legal entity directly or indirectly reaches, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights in an issuer of shares, it shall notify the issuer and HANFA. Moreover, when the shareholding exceeds 25%, in most cases a mandatory tender offer for the remaining shares must be made.

Clearance and settlement of transactions on securities issued in non-materialized form is performed by SKDD, except if stock exchange or MTF operator chooses clearing and settlement system managed by another operator.

8.4 Prohibited Activities

Croatian laws contain provisions prohibiting insider trading (for insiders as well as other persons who obtain this information without authorization), market manipulation and providing false information. Furthermore, it is prohibited for authorized dealers to execute transactions motivated solely by the purpose of charging commission.

9 COMPETITION LAW

9.1 Relevant Legislation

The primary piece of legislation regulating protection of market competition in Croatia is the 2009 Competition Act, subsequently amended in 2013. As part of the endeavours to harmonize Croatian laws with the EU legal system, in addition to the Competition Act, Croatian Government has enacted a number of Decrees implementing EU block exemption regulations and certain notices of the European Commission into the Croatian legal system. As of the date of Croatia's accession, EU competition law is fully applicable to market conducts that may affect trade between EU member states.

Competition Act regulates all three major fields of the competition law: anticompetitive agreements and practices, dominant positions and merger control. The structure and functioning of the Croatian Competition Agency (the "Agency") as well as certain specific features of competition law enforcement are also regulated by the Competition Act.

Antitrust provisions of the Competition Act are closely modelled after the provisions of Articles 101, 102 and 106 of the Treaty on the Functioning of the European Union, and the Agency pushes the enforcement practice more and more in line with the solutions developed in the EU competition law (e.g. by invoking provisions of the European Commission's guidelines or by using constructions created in the case law of the European Courts). With respect to dominant position, it is interesting to note that the Competition Act provides that the undertaking enjoying a market share in excess of 40% may be in dominant position.

As to merger control, an obligation to notify the business combination exists where the contemplated transaction qualifies as a concentration within the meaning of the Competition Act and where transaction satisfies the statutory turnover thresholds. The following turnover thresholds are prescribed: (i) the combined worldwide annual turnover of all the undertakings concerned is at least HRK 1 billion (approximately EUR 132 million) in the financial year preceding the concentration; and (ii) the aggregate Croatian annual turnover of each of at least two undertakings concerned is at least HRK 100 million (approximately EUR 13,2 million) in the financial year preceding concentration worldwide. For worldwide turnover to be met, at least one undertaking participating in the concentration has to have a seat (i.e. subsidiary) or a branch office in Croatia. In media sector mergers have to be notified regardless of turnover figures. Full function joint ventures that meet the threshold requirement are notifiable.

Notification to the Agency has a suspensive effect on the transaction, but exceptionally, the Agency may allow particular completion activities. After an initial assessment, i.e. within one month following the notification, the Agency can either clear the transaction (tacit approval is possible) or initiate second phase proceedings. The final decision on the concentration has to be rendered within three months after the second phase proceedings have been initiated. Additionally, short form merger control proceedings are possible in the exceptional circumstances (e.g. where no horizontal overlap exists).

9.2 Enforcement

The function of competition watchdog is entrusted to the Agency. The Agency is managed by the Competition Council consisting of five members appointed by the Croatian Parliament for a renewable term of five years. Decisions rendered by the Agency are subject to judicial review before the High Administrative Court in Zagreb.

With regard to the procedure of competition law enforcement, the Competition Act contains several provisions regulating the issues of (i) who is entitled to initiate the proceedings, (ii) what documents and information the complaint should contain and (iii) what investigating and

procedural powers the Agency enjoys. The procedural issues not expressly settled by the provisions of the Competition Act are governed by the Act on General Administrative Procedure and the Misdemeanours Act.

Agency may impose fines for violations of substantive (and some procedural) provisions of the Competition Act. The fines are calculated on the basis of aggregate annual profits of an undertaking. For serious offences (e.g. abuse of dominant position) they can be up to 10% of the aggregate annual profits achieved in the last year for which the financial reports have been concluded and up to 1% for less serious violations (e.g. failure to notify the Agency of the intended merger). At the same time, fines for undertakings that are not party to the proceedings may range from HRK 10,000 (approximately EUR 1,300) to HRK 100,000 (approximately EUR 13,200). Croatian rules on calculation of fines and leniency programs largely follow relevant EU instruments.

9.3 State Aid

As of the date of Croatia's accession to EU, the European Commission monitors and controls state aid in Croatia. The new State Aid Act has been enacted in April 2014 with the aim to further harmonize the state aid area with the rules and procedures accepted within the EU. Subsidies in the field of agriculture and fisheries are expressly excluded from its scope and are regulated by the special laws. The competencies of the Agency in respect of state aids which have not been transferred to the European Commission are vested in the Ministry of Finance.

10 INTELLECTUAL PROPERTY

10.1 Overview

Intellectual property legislation has recently been amended and brought in compliance with European rules. Intellectual property legislation is contained in several separate legislative acts, including the Copyright and Related Rights Act, the Trademark Act, the Patent Act, the Industrial Design Act, the Act on Geographical Indications and Designations of Origin of Products and Services and the Act on the Protection of Topographies of Semiconductor Products.

Croatia is a member of WIPO and a party to major international treaties relating to intellectual property, such as the Paris Convention for the Protection of Industrial Property.

The Croatian State Intellectual Property Office (*Drzavni zavod za intelektualno vlasnistvo;* DZIV) is vested with the registration and other related proceedings of industrial property rights. However, in case of violation of these rights, commercial courts will have competence.

10.2 Trademarks

Croatian law provides for protection of all marks capable of graphic representation, provided that they are sufficiently distinctive. Protection is obtained through registration of the trademark with DZIV.

Registration proceedings are initiated by filing the application on the prescribed form. The applicant can claim priority rights in accordance with the terms of the Paris Convention. Within three months upon the publication of the trademark in DZIV's Gazette, each interested party can file an opposition to the trademark. If no opposition is filed and other required conditions are met, the trademark is registered with DZIV for the duration of ten years, and may be subsequently renewed.

The registration of the trademark grants its holder the right to prevent others from using the same mark for the same products or services, from using the same or similar mark for the same or similar products or services, if this is likely to result in confusion on the market, as well as from using the same or similar mark for non-similar products or services if the trademark has a distinct reputation in Croatia.

Croatian law specifically allows for registration of the transfer of a trademark, the license of a trademark, the pledge of a trademark and enforcement proceedings over a trademark into the Trademark Register. Also, Croatian laws allow the registration of collective and guarantee marks.

Croatia has acceded to the Madrid Agreement Concerning the International Registration of Marks.

10.3 Patents

Croatian law provides for the protection of all inventions in the field of technology, provided that they are new, that they involve an inventive step and that they are eligible for industrial application. However, the following shall not be considered patentable: discoveries, theories and mathematical methods; aesthetic creations; rules, instructions or methods for performing mental activities, playing games or doing business; presentation of information; computer programs.

Also, the following shall be excluded from patent protection: inventions which concern animal breeds, plant varieties and essentially biological processes for production of plants or animals; human body at the various stages of its formation and development and a simple discovery of one of its elements; inventions which concern diagnostic or surgical methods or

methods of treatment practiced directly on human or animal body, with the exception of products, in particular substances or compositions, used in such methods.

Registration proceedings are initiated by filing the application on the prescribed form. The applicant can claim priority rights in accordance with the terms of the Paris Convention. The registration of a patent grants its holder the right to exclusively exploit the protected invention. However, under certain conditions, compulsive licensing may apply. Croatian law specifically allows for the registration of the transfer of a patent, the license of a patent, and any other relevant changes. A patent may be kept in force for a maximum period of up to 20 years, or up to 10 years for consensual patents.

Croatia has acceded to the Patent Cooperation Treaty. Also, the new Patent Act explicitly provides that European patent application and European patents which are extended to Croatia shall have the same effect as national applications and national patents. However, provisions of the European Patent Convention shall not be directly applicable in Croatia.

11 DISPUTE RESOLUTION

11.1 Courts

Croatian judicial system comprises first instance courts, appellate courts, the administrative courts, High Administrative Court and the Supreme Court of Croatia.

Civil and commercial cases are heard in the first instance by Municipal and Commercial Courts. Municipal Courts are courts of general jurisdiction which, among others, decide civil, family and inheritance law disputes. Commercial cases, such as commercial litigations, intellectual property issues or bankruptcy are handled by Commercial Courts. Appeals against decisions of Municipal Courts are heard by County Courts and appeals against decisions of Commercial Courts are handled by the High Commercial Court. As of 1 January 2012 administrative law issues are in the first instance decided by four administrative courts (in Zagreb, Split, Rijeka and Osijek). Subject to certain conditions, an appeal against administrative court's decision may be lodged before the High Administrative Court. The Supreme Court of Croatia hears recourse against all appellate court's decisions.

Litigation in Croatia is lengthy. It commonly takes several years to resolve a case through the judicial system. Judicial proceedings rely mostly on written argument. Evidence is presented to the court in hearings, which are often prolonged for several times during first instance proceedings. First instance decisions are routinely appealed against to the higher instance.

11.2 Arbitration and ADR

In commercial practice, disputes are increasingly being resolved by arbitration. Arbitration is governed primarily by the Arbitration Act, a statute largely modelled on the 1985 UNCITRAL Model Law on International Commercial Arbitration and in particular on the German implementation of the Model Law.

Most domestic and many international arbitration disputes involving Croatian parties are handled by the Permanent Arbitration Court of the Croatian Chamber of Commerce, the leading arbitration institution in the country. *Ad hoc* arbitration, though fully permitted, is less used in practice. A number of organizations have established specialized arbitration institutions (e.g. the domain name arbitration facility of CarNet, the administrator of the .hr Internet domain, or the Arbitration Court of the Croatian Olympic Committee).

Croatia is a party to the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards, the 1965 Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States and the 1961 European Convention on International Commercial Arbitration.

Mediation is increasingly being used as a method of resolving commercial and collective labour disputes. Mediation is regulated by the Conciliation Act, a statute adopted in 2011, which is modelled on EU Directive 2008/52/EC of the European Parliament and of the Council of 21 May 2008 on certain aspects of mediation in civil and commercial matters, the 2001 UNCITRAL Model Law on International Commercial Conciliation and the relevant Recommendations of the European Council on mediation in civil and commercial matters. The mediation of commercial disputes is organized by certain non-for-profit organizations, such as the Conciliation Centre of the Croatian Chamber of Commerce. A number of court-annexed mediation programs have been launched recently.

12 CONCESSIONS

Concessions are generally governed by the Act on Concessions. However, different special laws regulate certain issues in relation to concessions for particular activities or resources.

According to the Concessions Act, a concession can be obtained for commercial use of common or other good of interest for the Republic of Croatia (e.g. water and adjacent land), for public works and for public services. Concession cannot be obtained for exploitation of forest and forest land owned by the Republic of Croatia or for exploitation of other goods designated by special laws. Duration of concessions has to be determined in a manner which shall not restrict market competition more than necessary to ensure amortization of concessionaire investments and reasonable return on invested capital. Concessions are granted by the Croatian Parliament, the Croatian Government, central bodies of state administration, competent bodies of local and regional self-governmental units and legal persons authorized by special law.

A natural or legal person, both domestic and foreign, can obtain a concession. The decision is adopted after conduct of appropriate proceedings regulated by the Concessions Act. The decision may be based on two criterions: (i) the highest offered concession fee, or (ii) economically the most beneficial offer. The latter is determined taking into account the overall elements of the offer including the amount of concession fee, technology used, the aesthetic, functional and ecological elements, the operative expenses, etc. A successful applicant must enter into a separate concession agreement made with the provider of concession. The concession is registered in the register held by the Ministry of Finance.

Various regulations governing specific activities or sectors contain more detailed regulations of concessions. Some of them limit the possibility of obtaining concessions to resident persons or entities only. For example, the Mining Act provides that concessions may be granted only to a company having its registered seat or a branch office in Croatia, registered for such an activity, or to an individual registered craftsman for such an activity in Croatia (with the exception of entities domiciled in EU). Some other examples of legislative acts regulating concessions for specific sectors include the Electronic Communications Act, the Waters Act, the Maritime Domain and Maritime Harbours Act and the Act on Roads.

13 PRE-BANKRUPTCY SETTLEMENT AND BANKRUPTCY

From 2012-2015, the pre-bankruptcy procedure was exclusively supervised and implemented by the Croatian Financial Agency. After a wide debate over the effects of pre-bankruptcy settlement and criticism of the procedure, a new Bankruptcy Act was adopted and entered into force on 1 September 2015, envisaging a greater role of the Commercial Courts in the pre-bankruptcy procedure. The new Bankruptcy Act contains procedural rules for both bankruptcy and pre-bankruptcy settlement.

According to the Act on Financial Operations and Pre-Bankruptcy Settlement, insolvent companies have to immediately undertake appropriate measures of financial restructuring towards achieving financial solvency. These measures may include activities such as renegotiating payment terms and amounts of outstanding payables, increases of share capital, debt to equity swaps, etc. If voluntary restructuring measures fail, the pre-bankruptcy settlement procedure should be initiated within 60 days from the short-term insolvency or within 21 days from insolvency.

A short-term insolvency is defined as a situation where (i) a company is in default for over 60 days with payment of invoices exceeding 20% of the value of total company's short-term obligations recorded in last published financial statements, or where (ii) a company is late for over 30 days with payment of employee salaries and related contributions. Also, a company is presumed insolvent when (i) the company is incapable on a more permanent basis (exceeding 60 days) to fulfil its monetary debts, or when (ii) the company is over-indebted.

Under the Bankruptcy Act, the pre-bankruptcy settlement procedure is conducted before the competent commercial court, while certain actions are conducted by the Financial Agency, and the duration of the procedure is limited to 120 days (which may exceptionally be prolonged for additional period of 90 days).

Bankruptcy proceedings in Croatia may be initiated over legal entities and certain categories of individuals, notably sole traders and registered craftsmen. Bankruptcy proceedings may be initiated by any of the company's creditors or by the debtor company itself. In addition, the Financial Agency, which maintains a registry of all business accounts of Croatian companies, is obligated to initiate bankruptcy for all companies whose accounts are blocked by creditors for longer than 120 consecutive days, within eight days following this period (of 120 days). The responsible person of the debtor is obligated to initiate bankruptcy proceedings within 21 days from the time bankruptcy reasons arise. Under Croatian law, there are two reasons for filing for bankruptcy: (i) insolvency and (iii) overindebtness. Insolvency occurs where a company cannot fulfil its due monetary obligations on a more permanent basis. Overindebtness on the other hand, means that a company's assets do not cover its existing liabilities.

The principal players in the bankruptcy proceedings are the bankruptcy judge, the bankruptcy manager, the creditors' assembly and the creditors' committee.

In general, pre-proceedings are conducted prior to opening of the bankruptcy proceedings to confirm whether the conditions for filing for bankruptcy are fulfilled. Once the bankruptcy procedure is opened, it may take two principal courses: towards liquidation of the company or towards the company's reorganization. The creditors' assembly may decide which course the proceedings will take as well as whether the debtor company will continue with its business activities during the bankruptcy proceedings or will cease to conduct business.

In general, the liquidation route is used more frequently in Croatia. The assets of the debtor company are sold separately, and the creditors share the amount acquired through such sales.

The proceeds acquired though the sale of a debtor's assets are divided among the creditors, after the costs of the bankruptcy proceedings and certain other costs incurred by running the

business during bankruptcy are covered. Under the law, creditors are placed in different priority ranks, depending on the nature of their claims. The first priority rank is reserved for certain claims of employees of the debtor company. The next priority rank is the general rank in which all claims not belonging to other ranks are placed. Finally, the lowest priority rank is reserved for certain other claims enumerated by the law, such as interest after opening bankruptcy proceedings, penalties, etc.

The Croatian laws also provide for separate settlement of claims of secured creditors. Secured creditors are generally entitled to request separate sale of assets used as security and to priority settlement of their secured claims from the proceeds of such separate sale.

The reorganization route is more complex and therefore less frequently used. After opening of the bankruptcy, the reorganization plan may be submitted by the bankruptcy manager or by the individual debtor. The reorganization plan must be approved by the creditors observing a special voting procedure and certain other restrictions aimed at assuring a fair and equal treatment of all creditors. The approval of the debtor company is required as well, although under certain circumstances this approval will be presumed. A final confirmation of the plan is given by the bankruptcy judge.

Summary bankruptcy proceedings may be initiated by the Financial Agency. Such proceedings are initiated over every legal person that (i) does not employ any employee, (ii) has unpaid invoices in the Registry of payment orders for 120 consecutive days and (iii) for which conditions for deletion from the court registry have not been met. Depending on each individual case, summary proceedings lead to either faster liquidation of the debtor company or to initiation of the regular bankruptcy proceedings.

14 PUBLIC PROCUREMENT

Public procurement in Croatia is regulated by the Public Procurement Act, adopted in 2012 and amended in 2013 and 2014. The Public Procurement Act was modelled on a number of EU instruments including but not limited to Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for award of public works contracts, public supply contracts and public service contracts, Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors, as well as Council Directive 89/665/EEC of 21 December 1989 on the coordination of laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply and public works contracts.

Public Procurement Act regulates conclusion of public procurement contracts and framework agreements for procurement of goods, works or services, legal remedies and the supervisory and other competences of the central state administration body. It applies to procurements executed by contracting authorities (e.g. the state bodies of the Republic of Croatia, local and regional self-government units) and contracting entities equalling or exceeding the amount of HRK 200,000 (approximately EUR 26,200) in the case of procurement of goods and services or 500,000 (approximately EUR 66,000) in the case of procurement of construction and other works.

The procurement may be conducted by (i) public tendering in a public procurement procedure, (ii) selective tendering in a limited procurement procedure or (iii) direct dealing in a negotiated procurement procedure.

All public procurement notices for procurement with the estimated value equalling or exceeding the abovementioned thresholds need to be published in the Electronic Public Procurement Classifieds of the Republic of Croatia. As of accession of the Republic of Croatia to the European Union, public procurement notices for high value procurement (determined in accordance with EU thresholds) must be published in the Official Journal of the European Union as well.

As a rule, foreign competitors are treated equally as local business entities.

The State Commission for the Supervision of Public Procurement Procedures (the State Commission) is competent to decide on appeals in relation to procedures for conclusion of public procurement contracts, framework agreements and tenders governed by public procurement rules. An administrative dispute against a decision of the State Commission may be initiated before a competent administrative court.

Croatia is participating in the European Public Procurement Network, an international co-operation network of public procurement expert officials creating a reliable and effective forum for an informal co-operation on problem-solving in cross-border public procurement (the Croatian experts web page is available at URL: http://www.publicprocurementnetwork.org/index.php?option=com_contact&view=category&catid=75&Itemid=53).

15 APPENDIXES

15.1 Bilateral Investment Treaties[6]

Country	Date of execution	Date of coming into force
Albania	10 May 1993	16 April 1994
Argentina	2 December 1994	1 June 1996
Austria	19 February 1997	1 November 1999
Azerbaijan	2 October 2007	30 May 2008
Belarus	26 June 2001	14 July 2005
Belgium-Luxembourg Economic Union	31 October 2001	28 December 2003
Bosnia and Herzegovina (applicable to the territory of the Federation of Bosnia and Herzegovina)	26 February 1996	4 August 1997
Bosnia and Herzegovina	23 June 2002	3 January 2005
Bulgaria	25 June 1996	20 February 1998
Cambodia	18 May 2001	15 June 2002
Canada	3 February 1997	30 January 2001
Chile	28 November 1994	15 June 1996
China	7 June 1993	1 July 1994
Cuba	16 February 2001	_____
Czech Republic	5 March 1996	15 May 1997
Denmark	5 July 2000	12 January 2002
Egypt	27 October 1997	2 May 1999
Finland	1 June 1999	1 November 2002
France	3 June 1996	5 March 1998
Germany	21 March 1997	28 September 2000
Greece	18 October 1996	21 October 1998
Hungary	15 May 1996	1 March 2002
India	4 May 2001	19 January 2002
Indonesia	10 September 2002	_____
Iran	17 May 2000	20 July 2005
Israel	1 August 2000	13 July 2003
Italy	5 November 1996	12 June 1998
Jordan	10 October 1999	27 April 2000

[6] Source: Web site of the Ministry of Foreign Affairs and European Integration of the Republic of Croatia

Country	Date of execution	Date of coming into force
Republic of Korea	19 June 2005	31 May 2006
Kuwait	8 March 1997	2 July 1998
Latvia	4 April 2002	25 May 2005
Libya	20 December 2002	21 June 2006
Lithuania	15 April 2008	30 January 2009
Macedonia	6 July 1994	6 October 1995
Malaysia	16 December 1994	20 July 1996
Malta	11 July 2001	10 May 2002
Moldova	5 December 2001	20 March 2007
Mongolia	8 August 2006	_____
Morocco	29 September 2004	_____
Netherlands	28 April 1998	1 June 1999
Oman	4 May 2004	_____
Poland	21 February 1995	4 October 1995
Portugal	10 May 1995	24 October 1997
Qatar	12 November 2001	_____
Romania	8 June 1994	30 April 1998
Russian Federation	20 May 1996	_____
San Marino	7 May 2004	27 July 2005
Serbia	18 August 1998	31 January 2002
Slovakia	12 February 1996	6 February 1997
Slovenia	12 December 1997	8 July 2004
Spain	21 July 1997	17 September 1998
Sweden	23 November 2000	1 August 2002
Switzerland	30 October 1996	17 June 1997
Thailand	18 February 2000	10 August 2005
Turkey	12 February 1996	21 April 1998
Ukraine	15 December 1997	5 June 2001
United Kingdom of Great Britain and Northern Ireland	11 March 1997	16 April 1998
United States of America	13 July 1996	20 June 2001
Zimbabwe	18 February 2000	_____

15.2 Double Tax Treaties[7]

Country	Date of coming into force	Applying from[8]	Withholding Tax on Dividends	Withholding Tax on Royalties	Withholding Tax on Interests
Albania	05/06/1997	01/01/1998	**10%**	**10%**	**10%** (**0%** when the payee is the state or central bank)
Armenia	18/02/2010	01/01/2011	**10%** or **0%** (if the beneficiary is a company holding (directly or indirectly) at least 25% of the share capital of the paying company in the period of at least 2 years before dividend paying date, and such dividends are not subject to income tax in the other Contracting State)	**5%**	**10%**
Austria	28/06/2001	01/01/2002	**15%** or **0%** (if the beneficiary is a company directly holding at least 10% of the share capital of the paying company)	**0%**	**5%**
Azerbaijan	18/03/2013	01/01/2014	**10%** or **5%** (if the beneficiary is a company directly holding 35% of the share capital of the paying company and has invested at least EUR 150,000 in the share capital of the paying company	**10%**	**10%**
Belarus	04/06/2004	01/01/2005	**15%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**10%**	**10%**

[7] Source: Web site of the Ministry of Finance of the Republic of Croatia – Tax Administration
[8] Source: http://www.porezna-uprava.hr/en/EN_porezni_sustav/Pages/double_taxation.aspx

Country	Date of coming into force	Applying from[8]	Withholding Tax on Dividends	Withholding Tax on Royalties	Withholding Tax on Interests
Belgium	01/04/2004	01/01/2005	**15%** or **5%** (if the beneficiary is a company holding (directly or indirectly) at least 10% of the share capital of the paying company)	**0%**	**10%** (**0%** interests arising from: (i) commercial credits; (ii) loans granted for export promotion; (iii) bank loans; (iv) bank deposits or when the payee is the state or central bank)
Bosnia and Herzegovina	22/06/2005	01/01/2006	**10%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**10%**	**10%**
Bulgaria	30/07/1998	01/01/1999	**5%**	**0%**	**5%**
Canada	23/11/1999	01/01/2000	**15%** or **5%** (if the beneficiary is a company controlling (directly or indirectly) at least 10% of the voting rights in the paying company or if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**10%**	**10%**
Chile	22/12/2004	01/01/2005	**15%** or **5%** (if the beneficiary is a company directly holding at least 20% of the share capital of the paying company)	**10%** or **5%** (compensation for use of industrial, commercial or scientific equipment)	**15%** or **5%** (interests on loans provided by banks or insurance companies)

Country	Date of coming into force	Applying from[8]	Withholding Tax on Dividends	Withholding Tax on Royalties	Withholding Tax on Interests
China	18/05/2001	01/01/2002	**5%**	**10%**	**10%** (**0%** if the payee is the state, central bank or state-owned financial institution or interests arise out of loans granted by the state, central bank or a state-owned financial institution)
Czech Republic	28/12/1999	01/01/2002	**5%**	**10%**	**0%**
Denmark	22/02/2009	01/01/2010	**10%** or **5%** (if the beneficiary is (i) a company directly holding at least 25% of the share capital in the paying company in the period of at least 1 year within which the dividends are published and (ii) pension fund or other similar institution)	**10%**	**5%**
Estonia	12/07/2004	01/01/2005	**15%** or **5%** (if the beneficiary is a company directly holding at least 10% of the share capital of the paying company)	**10%**	**10%** (**0%** if the payee is the state, central bank or a state-owned bank)
Finland	08/10/1991	08/10/1991	**15%** or **5%** (if the beneficiary is a company holding at least 25% of the share capital of the paying company)	**10%**	**0%**
France	01/09/2005	01/01/2006	**15%** or **0%** (if the beneficiary is a company holding (directly or indirectly) at least 10% of the share capital of the paying company)	**0%**	**0%**
Georgia	06/12/2013	01/01/2014	**5%**	**5%**	**5%**

Country	Date of coming into force	Applying from[8]	Withholding Tax on Dividends	Withholding Tax on Royalties	Withholding Tax on Interests
Germany	20/12/2006	01/01/2007	**15%** or **5%** (if the beneficiary is a company directly holding at least 10% of the share capital of the paying company)	**0%**	**0%**
Greece	18/12/1998	01/01/2009	**10%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**10%**	**10%**
Hungary	08/05/1998	01/01/1999	**10%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**0%**	**0%**
India	11/92/2015	01/01/2016	**15 %** or **5 %** if the beneficiary is a company directly holding at least 10% of the share capital of the paying company)	**10%**	**10%**
Indonesia	16/03/2012	01/01/2013	**10%**	**10%**	**10%** (**0%** if the payee is the state government, its local body, central bank, or financial institution controlled by such government)
Iran	30/10/2008	01/01/2009	**10%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**5%**	**5%** (**0%** if the payee is the state, central bank or a state-owned bank)

Country	Date of coming into force	Applying from[8]	Withholding Tax on Dividends	Withholding Tax on Royalties	Withholding Tax on Interests
Ireland	30/10/2003	01/01/2004	**10%** or **5%** (if the beneficiary is a company directly holding at least 10% of the voting rights in the paying company)	**10%**	**0%**
Island	15/12/2011	01/01/2012	**10% or 5%** (if the beneficiary is company directly holding at least 10% of the share capital of the paying company)	**10%**	**10%** (**0%** if the interests accrued in one state are realized or used by the government of other state, its authorities, central bank, government-owned financial institution or if interests arise from loans granted by the government of other state)
Israel	01/02/2007	01/01/2008	**15%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)*	**5%**	**10%** (**5%** if the interests accrued in one state arise from loans granted by the banks of the other state; **0% (i)** if interests arise from commercial credits; (ii) if interests arise from loans granted by or on behalf of the state)

* Withholding tax on dividends will be paid at the rate of 10% if the beneficiary is a company directly holding at least 10% of the paying company seated in Israel, and the profit out of which the dividends are paid out is taxed in Israel at the rate lower than the general rate of the Israeli profit tax.

Country	Date of coming into force	Applying from[8]	Withholding Tax on Dividends	Withholding Tax on Royalties	Withholding Tax on Interests
Italy	15/09/2009	01/01/2010	**15%**	**5%**	**10%** or **0%** ((i) if the payer is the government of the other state or its local self-government and government body, (ii) if the payee is the government of the other state or its local self-government or government body or any agency or proxy wholly owned by any of them, (iii) if the payee or intermediary is any other agency in relation to loans arising from contracts concluded between states)
Jordan	17/02/2006	01/01/2007	**10%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**10%**	**10%**
Republic of Korea	15/09/2006	01/01/2007	**10%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**0%**	**10%**
Kuwait	09/01/2003	01/01/2004	**0%**	**10%**	**0%**
Latvia	27/02/2001	01/01/2002	**10%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**10%**	**10%** (**0%** when a loan is provided or financed by the state, central bank or state-owned financial institution)

Country	Date of coming into force	Applying from[8]	Withholding Tax on Dividends	Withholding Tax on Royalties	Withholding Tax on Interests
Lithuania	30/03/2001	01/01/2002	**15%** or **5%** (if the beneficiary is a company directly holding at least 10% of the share capital of the paying company)	**10%**	**10%** (**0%** when a loan is provided or financed by the state, central bank or a state-owned financial institution)
Macedonia	11/01/1996	01/01/1997	**15%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**10%**	**10%** (**0%** when a loan is provided or financed by the state, central bank or a state-owned financial institution)
Malaysia	15/07/2004	01/01/2005	**10%** or **5%** (if the beneficiary is a company directly holding at least 10% of the share capital of the paying company)	**10%**	**10%** (**0%** when the payee is the state or the central bank)
Malta	22/08/1999	01/01/2000	**5%** (if the dividends are paid by a Croatian company to a Maltese resident) or **Maltese profit tax rate** (if the dividends are paid by a Maltese company to a Croatian resident)	**0%**	**0%**
Mauritius	09/08/2003	01/01/2004	**0%**	**0%**	**0%**
Moldova	10/05/2006	01/01/2007	**10%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**10%**	**5%**
Montenegro		03/06/2006	**10%** or **5%** (if the beneficiary is a company holding at least 25% of the share capital of the paying company	**10%**	**10%**

Country	Date of coming into force	Applying from[8]	Withholding Tax on Dividends	Withholding Tax on Royalties	Withholding Tax on Interests
Morocco	25/10/2012	01/01/2013	**10%** or **8%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**10%**	**10%** or **0%** (if the payee is the government or central bank)
Netherlands	06/04/2001	01/01/2002	**15%** or **0%** (if the beneficiary is a company limited on shares directly holding at least 10% of the share capital of the paying company)	**0%**	**0%**
Norway	08/10/1991	08/10/1991	**15%**	**10%**	**0%**
Oman	16/02/2011	01/01/2012	**0%**	**10%**	**5%** or **0%** (if the payee is the government, central bank, every state body or institution in major ownership of the government, Oman's General reserve state fund and Oman's investment fund)
Poland	11/02/1996	01/01/1997	**15%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**10%**	**10%** (**0%** when the loan is provided or financed by the state, central bank or a state-owned financial institution)
Portugal	28/02/2015	01/01/2016	**10%** or **5 %** (if the beneficiary is a company directly holding at least 10% of the capital of the company paying the dividends)	**10%**	**10%**

Country	Date of coming into force	Applying from[8]	Withholding Tax on Dividends	Withholding Tax on Royalties	Withholding Tax on Interests
Quatar	06/04/2009	01/01/2010	**0%**	**10%** (if the beneficiary is resident of the other Contracting State)	**0%**
Romania	28/11/1996	01/01/1997	**5%**	**10%**	**10%** (**0%** if the payee is the state, a state agency or state banking institution, or interests arise from loans guaranteed, secured or financed by a state-owned financial institution)
Russia	19/04/1997	01/01/1998	**10%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital (min. USD 100,000) of the paying company)	**10%**	**10%**
San Marino	05/12/2005 and 21/05/2014	01/01/2015	**10%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**5%**	**10%** (**0%** if: (i) the payer is the state; (ii) the payee is the state or a state-owned institution; (iii) interests are paid on behalf of the state on loans granted in accordance with inter-governmental treaties)
Slovakia	14/11/1996	01/01/1997	**10%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**10%**	**10%**

Country	Date of coming into force	Applying from[8]	Withholding Tax on Dividends	Withholding Tax on Royalties	Withholding Tax on Interests
Slovenia	10/11/2005	01/01/2006	**5%**	**5%**	**5%** (**0%** if a loan is granted by the state, central bank or an institution authorized in accordance with international rules on securing and financing international business transactions)
Serbia	22/04/2004	01/01/2005	**10%** or **5%** (if the beneficiary is a company holding at least 25% of the share capital of the paying company)	**10%**	**10%**
Republic of South Africa	11/11/1997	01/01/1998	**10%** or **5%** (if the beneficiary is a company holding at least 25% of the share capital of the paying company)	**5%**	**0%**
Spain	20/04/2006	01/01/2007	**15%** or **0%** (if the beneficiary is a company limited on shares directly holding at least 25% of the share capital of paying company	**8%**	**8%** (**0%**: (i) interests on bank loans; (ii) interests arising from commercial credits; (iii) interests paid to the state, central bank or a state-owned financial institution
Sweden	08/10/1991	08/10/1991	**15%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**0%**	**0%**

Country	Date of coming into force	Applying from[8]	Withholding Tax on Dividends	Withholding Tax on Royalties	Withholding Tax on Interests
Switzerland	20/12/1999	01/01/2000	**15%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**0%**	**5%**
Syria	06/02/2009	01/01/2010	**10%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**12%**	**10%**
Turkey	18/05/2000	01/01/2001	**10%**	**10%**	**10%**
Turkmenistan	06/04/2015	01/01/2016	**10%**	**10%**	**10%**
Ukraine	01/06/1999	01/01/2000	**10%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**10%**	**10%** (**0%** if the payee is the state, central bank or a state-owned financial institution and interests arise out of loans indirectly financed by the state, central bank or state-owned financial institution
United Kingdom of Great Britain and Northern Ireland	08/10/1991	08/10/1991	**15%** or **5%** (if the beneficiary is a company directly holding at least 25% of the share capital of the paying company)	**10%**	**10%**

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