# Legal 500
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## Croatia
## Doing Business In

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This country-specific Q&A provides an overview of doing business in laws and regulations applicable in Croatia.

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# Croatia: Doing Business In

## 1. Is the system of law in your jurisdiction based on civil law, common law or something else?

Croatian system of law is based on civil law.

## 2. What are the different types of vehicle / legal forms through which people carry on business in your jurisdiction?

The principal law governing types of vehicles / legal forms in Croatia is the Croatian Companies Act. The Companies Act introduces five types of entities:

- general commercial partnership;
- limited partnership;
- joint stock company;
- limited liability company (including simple 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.

The Companies Act also recognizes economic interest grouping, which is defined as a legal entity 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.

The Companies Act 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.

In October 2007 Croatian Parliament enacted the Act on Introduction of the European Company and European Economic Interest Grouping, implementing 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 in Croatia. The statute entered into force on 1 July 2013, as the day of Croatia's accession to the European Union.

Finally, investors may also opt to conduct their business in Croatia by establishing a branch office of the foreign company. From the corporate perspective, such branch office is not considered a legal entity but is rather regarded as an extension of its foreign founder, and as such assumes rights and obligations for its foreign founder.

## 3. Can non-domestic entities carry on business directly in your jurisdiction, i.e., without having to incorporate or register an entity?

In principle, non-domestic entities can carry out business directly in Croatia (i.e. without establishing local presence), but only if such business activities are conducted sporadically, on one-time basis or temporarily. In order to conduct business activities in Croatian on permanent basis, a non-domestic entity would need to establish legal presence (i.e. at least a branch office) in Croatia.

## 4. Are there are any capital requirements to consider when establishing different entity types?

Yes, for corporations. In this regard, we note that the minimum share capital for the joint stock company is set at EUR 25,000, while the share capital of a limited liability company is set at EUR 2,500. Simple limited liability companies have a minimum share capital requirement of EUR 1.

## 5. How are the different types of vehicle established in your jurisdiction? And which is the most common entity / branch for investors to utilise?

 

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 court registry of the competent 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.

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 Establishment. The company is established by registration in the court registry of the competent local Commercial court. Application for registration of establishment must be supported by the Articles of Association / Deed of Establishment and various other corporate resolutions and documents, as mandated by law. 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 not less than 25% of the share capital.

In addition, the Companies Act provides for a possibility of establishing a simple limited liability company with a minimum share capital of EUR 1 and not more than five shareholders. Contributions to the share capital of such company may be made only in cash and must 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 founders adopt. A joint stock company may be established by way of simultaneous incorporation or successive incorporation. In the former, founders assume all shares, adopt and execute the Articles of Association and declare the establishment of the company. In the latter, founders adopt the Articles of Association, assume 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 registry of the competent Commercial court based on the registration application. Rules for contributions are similar to those applicable to limited liability companies. But unlike the formation of a limited liability company, founders 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.

The most common entity utilized in Croatia is the limited liability company.

## 6. How is the entity operated and managed, i.e., directors, officers or others? And how do they make decisions?

Limited liability companies are managed by Management Boards which consist of one or more members – i.e. directors. In case the Management Board consists of more than one director, depending on the shareholders' decision the directors may either represent the company individually and independently, or jointly (either with an additional member or jointly with all members or in certain other combinations). Shareholder(s) may limit the representative powers of the Management Board by, for example, requiring the Management Board to obtain shareholders' (or Supervisory Board's, if any has been established at the limited liability company) prior approval for certain activities, noting that absence of such prior approval would not affect the relevant transaction undertaken by the Management Board, but may expose Management Board members to requests for damages from the company.

Under the law, Management Board members are in principle required to render decisions unanimously, unless the Articles of Association/Deed of Establishment of the company provides otherwise. Croatian laws do not require Management Board resolutions to be made in writing.

 

### 7. Are there general requirements or restrictions relating to the appointment of (a) authorised representatives / directors or (b) shareholders, such as a requirement for a certain number, or local residency or nationality?

All of the Management Board members must be individuals (i.e. natural persons). From the corporate law perspective, there are in principle no restrictions or limitations preventing non-Croatian nationals and/or residents from being appointed as the directors of the Croatian limited liability company. The Management Board may consist of one or more members (i.e. directors). The minimum and maximum number of directors is determined by the Articles of Association/Deed of Establishment of the company. In order to be appointed as a director an individual must: (i) have full legal capacity (i.e., be of legal age and not have limited legal capacity); (ii) not have been convicted of money laundering or certain white collar crimes and not be subject to prohibition to perform an occupation which is fully or partially covered by the Company's activities, and (iii) not have (directly or indirectly through an entity it owns) outstanding liabilities for public levies in Croatia, or if it has been listed as an employer which does not pay its employees' salaries.

Under Croatian corporate laws, there are no residency or nationality requirements for shareholders (noting that foreign investors based in non-EU and non-WTO countries are subject to the condition of reciprocity). Shareholders can be both individuals and entities (both domestic and foreign). Also, there are in principle no limitations as to the number of shareholders of the company.

### 8. Apart from the creation of an entity or establishment, what other possibilities are there for expanding business operations in your jurisdiction? Can one work with trade /commercial agents, resellers and are there any specific rules to be observed?

Foreign investors are free to work with local trade/commercial agents or local resellers, in observance of Croatian laws (especially any regulatory and contract laws). Agreements with commercial agents are specifically regulated under the Croatian Obligations Act, and provide, inter alia, for special termination compensation for the trade / commercial agent.

### 9. Are there any corporate governance codes or equivalent for privately owned companies or groups of companies? If so, please provide a summary of the main provisions and how they apply.

Croatian corporate governance code applies only to public companies seated and listed in Croatia.

### 10. What are the options available when looking to provide the entity with working capital? i.e., capital injection, loans etc.

From the perspective of Croatian laws, Croatian limited liability company can receive financing under various structures, most typically by (i) loan (extended either by its shareholder(s) or a third-party); (ii) share capital increase, or (iii) capital contribution.

In the event that the loan is extended by a shareholder, parties should observe the tax rules on applicable interest to transactions between related parties. In addition, in case of inter-company loans parties should be mindful of the Croatian law capital maintenance rules.

### 11. What are the processes for returning proceeds from entities? i.e., dividends, returns of capital, loans etc.

Payment of dividends may be made on the basis of the shareholders' resolution on payment of any retained profits or profits of the preceding financial year. Payment is made in accordance with the terms of the resolution and Articles of Association/Deed of Establishment. Unless provided otherwise in the company's Articles of Association/Deed of Establishment, the distribution is made in accordance with the shareholding ratio.

Funds may also be returned by reduction of registered share capital, but only under strict statutory rules and in observance of notice period for limited liability company's creditors.

Shareholders may also request return of the capital contributions injected into the Croatian limited liability company, subject to statutory rules and notice periods.

Finally, proceeds may be returned by return of loans in line with the terms of the loan agreement, in observance of Croatian corporate laws and rules requiring transactions between affiliated entities to be made on arm's length basis.

 

## 12. Are specific voting requirements / percentages required for specific decisions?

The default statutory rule is that a simple majority (50%) is required to render shareholders' decisions. This being said, Croatian corporate laws also require greater majorities for specific decisions. For example, a majority of at least 75% is required to amend the Articles of Association / Deed of Establishment, mergers and de-mergers, increase and reduction of share capital, and dissolution of the company, while a 95% majority is required for squeeze-out procedures (in joint stock companies).

Regardless of the above statutory rules, company's Articles of Association / Deed of Establishment may provide for stricter majority rules than those provided for under the law. For example, a qualified majority may be required for issues for which a simple majority is required under the law.

## 13. Are shareholders authorised to issue binding instructions to the management? Are these rules the same for all entities? What are the consequences and limitations?

With respect to Croatian limited liability companies shareholders have the authority to issue binding instructions to the Management Board and (as explained above) to limit the authority of the Management Board to independently make certain decisions. If the Management Board would act contrary to any such instruction of the shareholder(s), Management Board members would be liable for damages incurred as a result of their actions.

Management Board of the joint stock company is in principle more independent from the shareholders and their instructions, although certain limitations may be imposed on the Management Board even in case of the joint stock companies.

## 14. What are the core employment law protection rules in your country (e.g., discrimination, minimum wage, dismissal etc.)?

In Croatia, the core statutory employment protections that employees benefit from under the Croatian employment laws and related regulations include:

- Non-Discrimination and Equal Treatment: Employees are protected from discrimination based on race, ethnic origin, skin color, sex, language, religion, political or other belief, national or social origin, property status, trade union membership, education, social status, marital or family status, age, health condition, disability, genetic inheritance, gender identity, expression, or sexual orientation. Employers must ensure equal pay for equal work and provide equal treatment in hiring, promotion, training, and termination. Harassment, including sexual harassment, is explicitly prohibited.
- Minimum Wage and Salary Entitlements: The statutory minimum gross salary is set annually (for year 2025 at EUR 970). Employees are entitled to salary increases for specific work conditions, such as overtime, night work, work on Sundays, public holidays, and work under difficult working conditions. Salary compensation must be provided where the employee is not working due to circumstances for which the employee is not responsible.
- Working Hours and Rest Periods: The standard full-time working week is set at 40 hours, with a mandatory 12-hour daily rest period and at least 24 hours of uninterrupted weekly rest, usually on Sundays. Employees working in shifts exceeding six hours must have a paid daily break of at least 30 minutes.
- Vacation and Public Holidays: Employees are entitled to a minimum of four weeks of paid annual leave, with additional leave possible through collective agreements or employer policies. Croatia observes 14 public holidays annually. Public holidays are considered paid non-working days, except for employees required to work, who must receive appropriate salary compensation.
- Paid Leaves: Employees have the right to: maternity leave, paternity leave, parental leave, adoptive leave, paid compassionate leave for important personal events such as marriage, childbirth (for fathers), serious illness or death of an immediate family member, blood donation). Employees are also entitled to unpaid leave to provide care for a family or household member.
- Sick Leave and Health Insurance: Employees unable to work due to illness or injury are entitled to sick leave and sick pay. The employer covers short-term sick leave payments, while longer absences are paid through the Croatian Health Insurance Fund (HZZO). All employees are covered by mandatory public health and pension insurance schemes.
- Termination entitlements: Employees are protected from unjust dismissal. Subject to specific conditions, the terminated employees are entitled to notice period and severance pay.

 

## 15. On what basis can an employee be dismissed in your country, what process must be followed and what are the associated costs? Does this differ for collective dismissals and if so, how?

In Croatia, an employer may dismiss an employee only on specific legal grounds defined in the Labour Code. These effectively include termination due to business reasons, such as staff redundancy, the employee's repeated failure to fulfill job duties, poor performance or a gross breach of duty. At-will termination by the employer is not permitted.

When terminating employment, employers must follow strict procedures set under the Labour Code, which principally include termination notice being in written form, termination notice being issued within specific time period and/or subject to prior written warning, prior consultation with the works council or another representative body, etc. Except in cases of gross misconduct, the employer must observe minimum notice periods and provide severance pay where applicable. The Labour Code guarantees minimum notice periods (which vary from 1 week to 5 months based on tenure, type of dismissal, employee's age and health status) and minimum severance pay (calculated as one third of average monthly salary paid to employee in three months preceding effective termination per each full year of tenure with the employer).

Additional protections apply to certain categories of employees, such as works council members or candidates, employees with diminished working capacity, and employees of a certain age. Dismissal of these employees requires prior consent from the works council. Pregnant employees and employees on maternity, paternity, or parental leave are generally protected from dismissal, except in cases where the company is being liquidated.

If an employer places an employee on garden leave from the start of notice period, the notice period runs simultaneously with vacation, paid leave, or sick leave. Pay in lieu of notice period is possible only subject to employee's consent. Any prorated vacation days that are accrued by but remain outstanding as at the effective termination date must be paid out to the exiting employee.

Collective dismissal rules are triggered when an employer anticipates terminating at least 20 employees within a 90-day period, with at least five of these terminations being based on either employer's dismissal for business reasons or termination settlement initiated by the employer. In case of collective dismissals, in addition to rules applicable for individual redundancy, the employer is obliged to consult with the employee representative body and to notify the competent local employment office of the consultations and of specific collective dismissals related information. The Employment office cannot stop, but may postpone collective dismissals.

## 16. Does your jurisdiction have a system of employee representation / participation (e.g., works councils, co-determined supervisory boards, trade unions etc.)? Are there entities which are exempt from the corresponding regulations?

In Croatia, collective bargaining, works councils, and trade union involvement are less widespread than in many other EU countries. There is no national collective labor agreement (CLA) applicable across all sectors and industries. CLA for trade (both wholesale and retail) is most widespread. Collective bargaining is more common in the public sector, specific industries such as healthcare, construction, accommodation, catering, and forest products, as well as in large private enterprises with long-standing union ties.

The establishment of a works council, which can be initiated either by a union or by 20% of employees in companies with at least 20 employees, is a prerogative of the workforce. Trade unions with at least five members in a company can appoint a union trustee. Once a works council or union trustee is in place at the company having at least 20 employees, employers are required to meet specific collective engagement obligations. These include providing information, consulting with the employee representative body (works council or union trustee if there is no works council) beforehand on specific issues, such as dismissals or changes in employment policies, and obtaining approval for certain actions such as dismissals of protected categories of employees or personal data processing activities.

In companies having a Supervisory Board, Croatian employment law provides that employer must ensure that an employee representative may be appointed to sit on the board. This provides employees with an opportunity to participate in key decision-making processes, giving them a voice in the strategic direction of the company.

## 17. Is there a system governing anti-bribery or anti-corruption or similar? Does this system extend to nondomestic constellations, i.e., have

 

## extraterritorial reach?

Under Croatian law, a bribe is broadly defined as any undue reward, gift, or other material or non-material benefit, regardless of its value. Both the acceptance and offering of bribes constitute criminal offenses, punishable by imprisonment. The prescribed sanction for the acceptance of a bribe is imprisonment of up to 10 years, and for offering bribe up to 8 years.

With respect to public officials, the criminal offense of accepting bribe is committed when an official or other responsible person accepts, demands, or agrees to accept a bribe, offer, or promise thereof, for themselves or another person, in order to perform an official or other act – whether within or outside the scope of their authority – that should not be performed, or to omit such act where it should be performed, but also to perform such act where it should have been perform or to omit where it should have been omitted.

Likewise, the criminal offense of offering bribe is committed by any person who offers, gives, or promises a bribe to a responsible person or an official with the intent of influencing them to perform or refrain from performing an official or other act. The criminalized behavior also include intermediaries facilitating such bribery.

Within the Croatian Criminal Act, the definition of an "official" includes foreign public officials, including appointed or elected individuals holding legislative, executive, administrative, or judicial office within the EU or a foreign state. The definition also covers persons entrusted with public service tasks for the EU or a foreign state, officials of public international organizations, and individuals authorized to act on behalf of such organizations. In addition, officials of business entities in which a foreign state exercises direct or indirect dominant influence fall within this definition.

Beyond the general prohibition of bribery, Croatian criminal laws also address specific bribery-related criminal offenses, including bribery in bankruptcy proceedings, trading in influence, bribery in commercial activities, and bribery of members of legislative bodies such as the Croatian Parliament, legislative/representative body of the local and regional municipalities, the European Parliament, foreign legislative/ representative bodies, and international public organizations. Notably, under Croatian law a member of any such body commits a criminal offense if it bribes or tries to bribe another member.

## 18. What, if any, are the laws relating to economic crime? If such laws exist, is there an obligation to report economic crimes to the relevant authorities?

Economic crime in Croatia is regulated under a dedicated chapter of the Croatian Criminal Code, including criminal offenses such as fraud, causing bankruptcy, abuse of trust in business operations, tax or customs evasion, and money laundering. Furthermore, certain behaviors are also defined and criminalized in other acts, such as for example the Companies Act.

A general obligation to report criminal offenses provided in the Croatian Criminal Code extends to economic crimes as well. Under Croatian law, a separate criminal offence is committed by any person who becomes aware that a criminal offense punishable by a minimum of ten years' imprisonment has been committed and who fails to report it – despite of knowing that such reporting would enable or materially facilitate the discovery of the criminal offense or the perpetrator. In addition, a criminal offence is also committed by an official or responsible person who, while performing their duties, becomes aware of a criminal offense and fails to report it. Further mandatory reporting obligations are established in separate acts such as, for example, the Act on Prevention of Money Laundering and Terrorism Financing.

## 19. How is money laundering and terrorist financing regulated in your jurisdiction?

In Croatia, both terrorist financing and money laundering are criminal offenses. The Act on Prevention of Money Laundering and Terrorism Financing is the main body of law governing the money laundering and terrorist financing prevention. AMLD5 has been transposed into the relevant Act.

Entities

Entities subject to the Act on Prevention of Money Laundering and Terrorism Financing are obligated to implement measures, actions and procedures referred to in the Act. The list of such entities includes, for example, credit institutions, credit unions, payment institutions, factoring companies, leasing companies, lawyers and law firms, notary publics, etc. All entities are required to assess the risks of money laundering and terrorist financing, implement policies and controls to mitigate these risks, enforce anti-money laundering and terrorist financing measures across their business operations, and conduct customer due diligence. They must conduct

 

internal audits, appoint authorized personnel, provide ongoing employee training, maintain lists of suspicious activity indicators, ensure proper record-keeping, and report relevant data to authorities.

Supervision of compliance is carried out by the Croatian National Bank, the Croatian Financial Services Supervisory Agency, the Tax Administration and the Financial Inspectorate.

## 20. Are there rules regulating compliance in the supply chain (for example comparable to the UK Modern Slavery Act, the Dutch wet kinderarbeid, the French loi de vigilance)?

No, at present no such rules have been enacted.

## 21. Please describe the requirements to prepare, audit, approve and disclose annual accounts / annual financial statements in your jurisdiction.

Croatian entities are required to prepare their annual accounts and file them with the Croatian Financial Agency ("FINA") (i) by end of April each year for statistical purposes; and (ii) within 6 months from the end of the financial year, for publication purposes. Filing required for publication purposes should also be supported by shareholders' resolutions on approval of the annual accounts and treatment of profit/loss, which effectively means that the annual shareholders' meeting is in principle required to take place within the first 6 months of the financial year following the year to which the accounts related (even though under Croatian corporate laws this deadline is set at 8 months, rather than 6). Consolidated annual accounts must be filed within 9 months from the end of the financial year to which they relate.

Audit of the annual accounts is not a general requirement but rather must be made by entities expressly referred to under Croatian accounting rules (these are namely, but not exclusively, public interest entities, and big and mid-size undertakings.

## 22. Please detail any corporate / company secretarial annual compliance requirements?

Other than the annual filing requirements referenced above in item 21, companies are required to file for registration of change of any of the information registered with the court registries of the Commercial Courts (essentially, commercial registries) within 15 days from the date conditions for registration have been met (i.e. all documents required for registration have been obtained). This relates to registration of changes such as: change of director, shareholder, seat and registered address of the company, share capital, name of the company, etc.

## 23. Is there a requirement for annual meetings of shareholders, or other stakeholders, to be held? If so, what matters need to be considered and approved at the annual shareholder meeting?

Yes, as explained under 21 above, annual shareholders' meetings of the Croatian limited liability company need to take place to (i) approve the annual accounts (and related documents; and (ii) decide on the treatment of profit/loss. In addition, at these annual meeting shareholders must also decide on approval of the work of Management Board members and Supervisory Board members (if any has been set up at the limited liability company).

## 24. Are there any reporting / notification / disclosure requirements on beneficial ownership / ultimate beneficial owners (UBO) of entities? If yes, please briefly describe these requirements.

Yes, under Croatian laws entities are required to register their ultimate beneficial owners (UBOs) with the Croatian UBO Registry maintained by the Croatian Financial Agency (FINA). The reporting must be made within 30 days from (i) incorporation of the entity; or (ii) the date the change of UBO or other information registered with the UBO Registry becomes effective.

## 25. What main taxes are businesses subject to in your jurisdiction, and on what are they levied (usually profits), and at what rate?

Main taxes which are imposed on businesses in Croatia include:

- Corporate profit tax levied on profit generated in a fiscal year based on the previous year's tax return. 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 (whereby 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 varies depending on the ascertained tax base, whereby the tax rate is set at

 

10% in case of earned income below EUR1 million and the tax rate is set at 18% if the income exceeds the amount of EUR1 million;
- Withholding taxes on dividends, profit, interests, and royalties relating to copyright and other intellectual property rights (e.g., patents, trade marks, designs, know-how, etc.) paid to foreign (i.e., non-Croatian) legal entities. Withholding tax rate is set at 15% for all taxable transactions, except payment of dividends and profit for which the applicable withholding tax rate is 10%. A punitive 25% withholding tax rate is set in place for taxable transactions when paid to persons in the countries placed on the EU list of non-cooperative jurisdictions for tax purposes;
- Value added tax (VAT) is levied on sales of goods and supply of services. The default tax rate is 25% and reduced tax rates of 13%, 5% and 0% respectively are applicable for specific goods and services;
- Global minimum tax (Pillar 2) has been recently introduced in Croatia through the transposition of the EU Directive 2022/2523, implementing the global minimum level of taxation at 15% for multinational and local large scale businesses with consolidated revenue of at least EUR 750 million.

## 26. Are there any particular incentive regimes that make your jurisdiction attractive to businesses from a tax perspective (e.g. tax holidays, incentive regimes, employee schemes, or other?)

Investment incentives in Croatia are focused on enhancing competition in manufacturing industry, development and innovation activities, business support and high added value services. The most significant incentives relate to tax reliefs. There are several different corporate profit tax reliefs which may be granted to eligible businesses, depending on the value of investment and the number of newly employed workers. Apart from tax reliefs, additional incentives are available 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; (v) activation of inactive assets owned by the Republic of Croatia; and (vi) modernization of business processes.

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, etc.

## 27. Are there any impediments / tax charges that typically apply to the inflow or outflow of capital to and from your jurisdiction (e.g., withholding taxes, exchange controls, capital controls, etc.)?

Croatia maintains a relatively open approach to capital flows, with no significant exchange or capital controls impeding the movement of funds into or out of the country. However, particular tax obligations, most notably including withholding taxes, may affect cross-border financial transactions.

## 28. Are there any significant transfer taxes, stamp duties, etc. to be taken into consideration?

Real estate transfer tax (RETT) is levied in case of purchase, inheritance (subject to certain exceptions) or other acquisition concerning real estate to which value-added tax is not applicable. The tax base is the market value of real estate at the moment when tax liability is incurred. The tax rate is 3%. Croatian law provides a number of tax exemption scenarios, most notably including acquisition of real estate by way of contributing real estate to the company's share capital as well as acquisition of real estate in the process of merger or divisions of companies.

There are no significant stamp duties in Croatia, however business may be subject to various other taxes and parafiscal levies (e.g., monument annuity, tourist community fee, Croatian Chamber of Commerce membership fee, etc.).

## 29. Are there any public takeover rules?

Yes, public takeover rules are provided in the Croatian Takeover Act. Croatian Takeover Act requires a natural person or legal entity that has directly or indirectly (and solely or jointly) acquired more than 25% of the voting shares of a joint stock company seated in Croatia and traded on a regulated market in Croatia or another EU member state (if not traded on a regulated market in Croatia) to publish a mandatory takeover bid and undertake the mandatory takeover procedure in accordance with the Act.

The relevant offeror is required, *inter alia*, to:

- notify the local regulator, without delay, that the mandatory takeover obligation has arisen, and must also publish the relevant notification,
- file the request for approval for publishing of the takeover offer with the local regulator within 30 days

 

from the date on which the mandatory takeover obligation arose (where the local regulator then has 14 days to decide on whether to allow the publishing of the offer),
- after the local regulator's approval has been granted, publish the takeover offer within seven days from the date of receipt of the regulator's ruling on approval,
- deliver the takeover offer to the target company and the market operator (and depository company) without delay after receiving the regulator's approval,
- immediately after the publishing of the takeover offer, inform each target company shareholder of the content of the offer.

Furthermore, under the Croatian Takeover Act, an offeror and persons acting in concert with the offeror which after the takeover offer hold at least a 95% shareholding are allowed to squeeze out the minority shareholders in a public joint stock company, subject to providing just compensation to the minority shareholders. The squeeze-out right may be exercised within three months from the date of expiry of the takeover offer.

## 30. Is there a merger control regime and is it mandatory / how does it broadly work?

Yes, Croatia has a merger control regime in place. Under the Croatian Competition Act, a concentration must be notified to the Croatian Competition Agency if the following thresholds are cumulatively met:

- the combined worldwide annual turnover of all the undertakings concerned was at least EUR132.72 million in the financial year preceding the concentration, and at least one undertaking that is party to the concentration has a seat or a branch office in Croatia; and
- the aggregate national turnover in Croatia in the preceding financial year of each of at least two of the undertakings concerned was at least EUR13.23 million.

Transactions in the media sector are not subject to the above thresholds and must be notified regardless of whether the above thresholds have been reached, provided that the acquirer is also a media company.

The Croatian Competition Agency must complete the Phase I investigation within 30 days from the date of receipt of the complete merger notification. If the Croatian Competition Agency does not adopt a decision on the commencement of the Phase II investigation, the notified concentration is presumed approved. On the other hand, if the Agency finds that the concentration may give rise to appreciable effect on competition in the relevant market, the Agency will commence the Phase II investigation. The Phase II process must generally be completed (either by an unconditional or conditional clearance decision, prohibition decision or a remedial decision after implementation of a prohibited concentration) within three months from the decision on the commencement of Phase II proceedings, with the possibility of extending this deadline for an additional three months.

## 31. Is there an obligation to negotiate in good faith?

Croatian Obligations Act provides a general good faith negotiation obligation by providing that a party which negotiates or terminates negotiations contrary to the principles of care and fairness (which, among other, includes situations where a party would enter into negotiations without the intent to enter into an agreement) is liable for damages incurred by the other party.

## 32. What protections do employees benefit from when their employer is being acquired, for example, are there employee and / or employee representatives' information and consultation or co-determination obligations, and what process must be followed? Do these obligations differ depending on whether an asset or share deal is undertaken?

The legal implications of an M&A transaction on employees largely depend on the structure of the deal, specifically whether it is a share deal or an asset deal.

In the case of a share deal, where ownership of the target company changes but the employing entity remains the same, employees are generally unaffected. Their employment contracts continue under the same terms, as the employer's legal identity does not change.

However, an asset deal that involves the transfer of a business (or part of it) as a going concern typically triggers employment transfer protections similar to ADR/TUPE rules. In such cases, all employees assigned to the transferred business automatically move to the acquiring entity along with their existing employment contracts, works council representation, and any applicable collective bargaining agreement. Employees do not have the right to oppose the transfer. However, before the transaction is finalized, the employer is

 

required to consult with the employees' representative body on the transfer and provide specific notices to both the acquiring entity and the transferring employees.

### 33. Please detail any foreign direct investment restrictions, controls or requirements? For example, please detail any limitations, notifications and / or approvals required for corporate acquisitions.

Croatia does not currently have a national foreign direct investment (FDI) screening mechanism in place. Croatian government has announced the introduction of a national FDI screening regime based on Article 3 of the EU FDI Screening Regulation, by way of adopting a separate national FDI screening act, but so far (as of March 2025) no draft FDI screening act has been made adopted or made available for public consultations.

Also, Croatian laws generally provide for equal treatment of foreign investors and Croatian individuals/entities, but certain sector specific regulatory restrictions apply under special laws in the context of foreign investment. These include but are not limited to the acquisition of real estate and the conduct of certain regulated business activities (such as gambling activities).

### 34. Does your jurisdiction have any exchange control requirements?

Under Croatian Foreign Exchange Act capital and payment transaction are generally not subject to restrictions. This being said, Croatian residents are still required to secure loans or guarantees granted to non-Croatian residents.

### 35. What are the most common ways to wind up / liquidate / dissolve an entity in your jurisdiction? Please provide a brief explanation of the process.

Under Croatian Corporate Act, limited liability companies can be wound-up either by (i) liquidation; or (ii) summary dissolution (which is an option if the limited liability company does not have any assets, liabilities and employees).

Liquidation process includes adoption of shareholders' resolutions on initiation of liquidation procedure and registration of initiation of liquidation with the competent Commercial court, preparation of opening liquidation financial statements, notice to the creditors, appropriate waiting periods from the date of publication of the notice to creditors to submit their claims, preparation of closing liquidation financial statements and adoption of shareholders' resolutions on closing of the liquidation and distribution of assets, and registration of closing of the liquidation and deregistration of the company.

In practice standard liquidation takes between 1.5 – 2 years to complete (mostly due to a mandatory 1 year waiting period before the liquidation is allowed to complete and two separate court registration procedures). The summary dissolution procedure may be estimated as taking between 3-4 months to complete (provided no justified challenges against the use of summary dissolution procedure are filed within the statutory deadline) and is subject to a limited number of activities required to perform the summary dissolution.

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