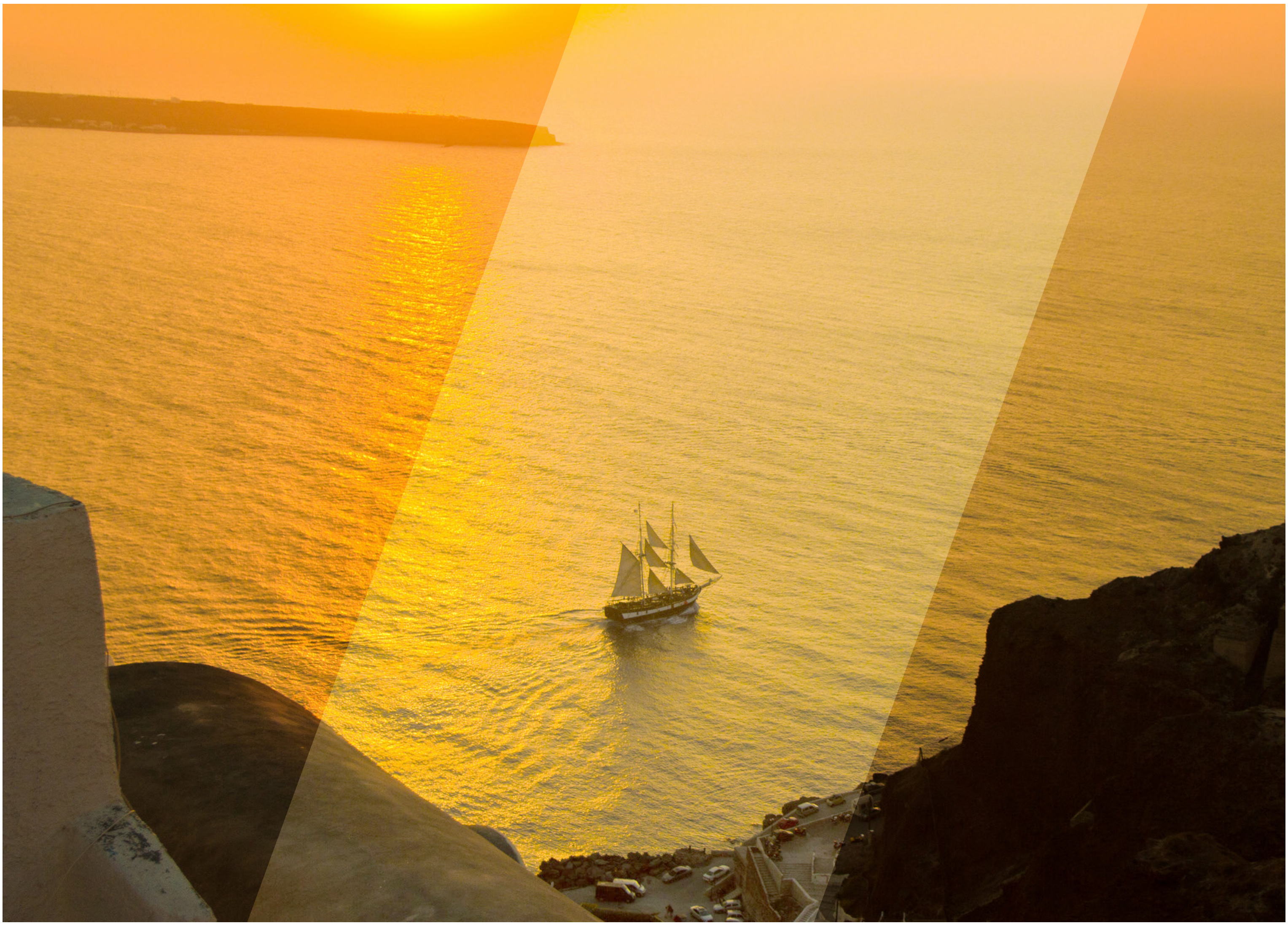

Forvis Mazars Tax Newsletter

September 2026

Proposed Tax Amendments

In recent months, several important tax and financial proposals have been submitted to Parliament and, if adopted as proposed, could have a significant impact on individuals, businesses and investors.

The amendments primarily concern the Rules on Amendments to the Rules on the Implementation of the General Tax Act and the following acts (respective ordinances have not been published as at the date of this Newsletter):

- Personal Income Tax Act;
- Contributions Act;
- Value Added Tax Act; and
- Corporate Income Tax Act.

At the same time, the Central Population Register, which has already been established, is expected to become fully operational from 1 January 2027, with a significant impact on tax and administrative procedures.

Below is an overview of the most significant proposed amendments.

Proposal for the Croatian Investment Account Act

The Proposal for the Croatian Investment Account Act (CIA), introducing a new investment product for individuals, has been submitted to Parliament.

The CIA would enable individuals to invest in shares, bonds, UCITS funds, ETFs and other prescribed financial instruments under a simplified administrative framework and with more favourable tax treatment.

The key features of the proposed model include:

- a contribution limit of EUR 200,000 for adults, with the possibility of an additional EUR 50,000 subject to certain conditions
- the possibility of opening a CIA for minor children, subject to a separate contribution limit of EUR 50,000
- tax-exempt trading and reinvestment within the account
- the possibility of withdrawing funds without a prescribed minimum investment period
- a requirement that at least 20% of investments be linked to the Croatian capital market.

If adopted in the proposed form, the CIA could become one of the most significant developments for private investors in recent years.

Convention between Croatia and the United States on the Avoidance of Double Taxation

The Final Proposal for the Act on the Ratification of the new Convention between Croatia and the United States of America on the Avoidance of Double Taxation is also currently before Parliament .

The new Convention is expected to replace the existing framework and establish more modern rules for the taxation of cross-border investments and business activities between the two countries.

The key benefits include:

- lower withholding tax rates on dividends
- reduced withholding tax on royalties
- more favourable treatment of certain interest payments
- clearer rules for the elimination of double taxation

Proposed Amendments to the Personal Income Tax Act and the Contributions Act

Flat-rate sole proprietors: higher tax and social security contribution burden

The proposed amendments primarily concern flat-rate sole proprietors with higher annual receipts.

No changes are proposed for sole proprietors with annual receipts of up to EUR 40,000. However, for higher receipt brackets, the proposal provides for:

- a reduction in recognised expenses for the purpose of determining the tax base; and
- an increase in the bases for calculating social security contributions.

Under the proposed amendments, recognised expenses would be reduced from the current 85% to:

Annual receipts	Recognised expenses
up to EUR 40,000	85%
EUR 40,000 – 50,000	70%
EUR 50,000 – 60,000	55%

Istodobno se predlaže i povećanje koeficijenata za obračun doprinosa:

Annual receipts	Contribution coefficient
up to EUR 40,000	0,40
EUR 40,000 – 50,000	0,45
EUR 50,000 – 60,000	0,50

[1] Act on the Ratification of the Convention between the Government of the Republic of Croatia and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and the Protocol between the Government of the Republic of Croatia and the Government of the United States of America Amending and Supplementing the Convention between the Government of the Republic of Croatia and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income.

According to estimates by the Ministry of Finance, the monthly social security contribution liability would increase by approximately 12.5% for sole proprietors with receipts between EUR 40,000 and EUR 50,000, and by approximately 25% for those in the highest flat-rate bracket.

Additional tax relief for pensioners

An increase in the tax relief available to pensioners is proposed.

Instead of the current 50% reduction in the tax liability on pensions, from 2027 a full tax exemption is proposed for the portion of pension income taxable at the lower personal income tax rate.

The measure aims to increase pensioners' disposable income and further mitigate the effects of inflation.

Higher flat-rate tax on tourist rentals

The proposed amendments also include an increase in the minimum ranges of the flat-rate tax applicable to private accommodation in the most developed local government units with significant tourism activity.

The changes will primarily affect accommodation providers in the most attractive tourist destinations, while the final tax burden will continue to depend on decisions adopted by individual local government units.

Central Population Register: What to expect from 1 January 2027?

Unlike the proposals outlined above, which are currently undergoing the legislative procedure, the legislation governing the Central Population Register has already been adopted, and full implementation is expected from 1 January 2027.

Data on residence, marital status, household members and dependants will increasingly be used to determine tax entitlements and personal allowances, as well as for other administrative purposes.

We recommend that taxpayers review and update their information in the official records in a timely manner to avoid potential difficulties in claiming their entitlements and reliefs.

- expanded exchange of information between tax authorities
- the possibility of arbitration proceedings in certain disputes.

Proposed Amendments to the Value Added Tax Act

Amendments relating to the One Stop Shop and Import One-Stop Shop

The proposed amendments to the VAT Act mainly concern technical improvements to the existing rules relating to the One Stop Shop (hereinafter: OSS) and Import One-Stop Shop (hereinafter: IOSS) systems for reporting and paying VAT on cross-border B2C supplies of goods and services. The most significant changes include:

- preparations for a new method of reporting transfers of own goods through the OSS system from 1 July 2028;
- an expansion of the circumstances in which online platforms are deemed to be suppliers of goods;
- further alignment and clarification of VAT refund rules for users of the OSS and IOSS systems;
- a more precise definition of the EUR 10,000 threshold for intra-EU distance sales;
- an extension of the OSS system to all B2C services supplied within the EU by providers established outside the EU; and
- exclusion from the IOSS system of taxable persons applying the special scheme for small enterprises.

Low-value gifts

Another of the proposed amendments includes low-value gifts to be defined as gifts whose total value, given to the same person during a calendar year, does not exceed EUR 100.00, instead of the current threshold of EUR 22.00.

Proposal of the Amendments to the Corporate Income Tax Act

What is being proposed?

The Ministry of Finance has published the Draft Proposal for Amendments to the Corporate Income Tax Act, which proposes the introduction of an **additional corporate income tax on excess profit margin** as a temporary, one-off anti-inflationary measure for tax periods beginning in 2026.

The proposed measure is intended to additionally tax the portion of adjusted profit arising from a significant increase in the profit margin in 2026 compared with previous periods. The proposed tax rate is 50%.

Who would be in scope?

Under the currently published Draft, the obligation to calculate and potentially pay the additional tax would apply to corporate income taxpayers that meet both of the following conditions:

- in the tax period beginning in 2026, they qualify as medium-sized or large companies under the criteria prescribed by accounting legislation; and
- based on the VAT returns submitted, more than 50% of the value of goods and services in the tax period was generated in Croatia.

Newly established independent companies filing a corporate income tax return for their first tax period would be exempt from the application of the measure. According to the explanatory notes to the Draft, this exemption would not apply to companies formed through status changes such as demergers and spin-offs.

Special rules are expected to apply to status changes and other changes to the tax period.

Determining the excess profit margin

Step	Proposed approach
1. Adjustments	For 2026 and each preceding period from 2023 to 2025, revenues, expenses, profit and loss reported in the corporate income tax return would be adjusted for the prescribed items.
2. Profit margin	The profit margin would be calculated as the ratio of adjusted profit to adjusted total revenues for each period under review.
3. Reference margin	The reference profit margin is determined for the reference periods. The reference profit margin would be calculated as the average of the individually determined profit margins reference periods for which profit was determined after adjustments.
4. Threshold and tax base	If the 2026 profit margin exceeds the relevant reference profit margin increased by 15%, a profit margin increase indicator would be determined. The resulting indicator would be applied to adjusted total revenue for 2026 to determine the additional tax base.
5. Tax liability	A 50% rate would be applied to the tax base determined, subject to the proposed reduction of the total annual corporate income tax liability to account for the regular corporate income tax relating to the same tax base.

Proposed adjustments

The Draft provides for the exclusion of certain one-off, extraordinary and financial items, including:

- dividends and profit shares;
- certain income from debt write-offs and income in pre-bankruptcy and bankruptcy proceedings;
- revenue generated in bankruptcy proceedings arising from the sale of assets for the settlement of creditors' claims;
- income from damages received and amounts awarded in court proceedings;
- financial income and expenses, subject to a prescribed exception for certain financial institutions;
- depreciation of long-term tangible and intangible assets;
- realised gains (income) and unrealised losses (expenses) arising from financial assets, subject to a prescribed exception for certain financial institutions;
- effects of status changes and income and expenses of foreign permanent establishments;
- effects of disposals of long-term tangible and intangible assets used in the production of goods and provision of services, shares and ownership interests, including the time condition for certain transactions carried out by 30 June 2026.

Filing and payment

According to the Draft, the additional tax would be reported through corporate income tax return form for the entire tax period beginning during 2026. The additional tax liability would fall due on the same date as the regular corporate income tax liability for the same tax period, and the tax would be paid into a separate account.

The calculation details, the content of the form, the filing method and the payment account should be regulated by the Corporate Income Tax Regulations, which, according to the Draft, should be amended accordingly within 90 days of the Act entering into force.

Proposal of the Rules on Amendments to the Rules on the Implementation of the General Tax Act

Special tax measures have been introduced for individuals and businesses affected by the fire in Split-Dalmatia County, pursuant to the Conclusion of the Government of the Republic of Croatia dated 20 August 2026.

Affected taxpayers are exempt from:

- flat-rate personal income tax on tourist rentals for the third and fourth quarters of 2026;
- personal income tax on the rental or lease of real estate for the period from August to December 2026;
- real estate tax for 2026; and
- vessel tax for 2026.

The Tax Administration will apply the exemptions and write-offs ex officio, while a refund is provided for any vessel tax already paid.

The Minister of Finance is authorised to prescribe special rules for enforcement proceedings during the remediation of the consequences of the fire, which may apply until the end of 2026.

For companies and sole proprietors with their registered office or residence in the affected areas, advance payments of personal income tax on self-employment income and corporate income tax will be set at EUR 0 from August 2026 until the annual tax return is filed. In addition, flat-rate personal income tax on self-employment income for the third and fourth quarters of 2026 will be set at EUR 0.

More favourable tax treatment has been introduced for donations made to remedy the consequences of the fire:

- all donations made to individuals and legal entities to remedy the consequences of the fire will be treated as tax-deductible expenses;
- humanitarian donations received will not affect entitlement to the personal allowance for dependent family members.

Donations in the form of goods and services supplied free of charge between 13 August and 31 December 2026 will be exempt from VAT.

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