

INVESTMENT INCENTIVES IN REPUBLIC OF CROATIA

The incentive measures regulated by the **Investment Promotion Act** apply to investment projects covering:

- **the manufacturing sector activities;**
- **technology centers;**
- **strategic business support services.**

The recipient of incentive measures must retain his eligibility status and maintain the investment and new employment linked to the investment during a minimum period of 5 years which shall not be shorter than the period in which it makes use of the incentive measures.

TAX INCENTIVES

Investment Value (million EUR)		Min. New Workplaces		Max. Period of Use (Years)	Beneficial Profit Tax Rate
Production and Processing	Technology innovation activities and strategic business support services	Production and processing	Technology innovation activities and strategic business support services		
0.3 - 1.5	0.1 - 1.5	10	5	10	10%
1.5 - 4	1.5 - 4	30	15	10	7%
4 - 8	4 - 8	50	25	10	3%
> 8	> 8	75	50	10	0%

Regular profit tax rate in Croatia is 20%

EMPLOYMENT INCENTIVES

County Unemployment Rate	Max Amount of Support Regarding Eligible Costs for Openin New Workplaces	Increase for the Technology and Innovation Activities	Increase for the Strategic Business Support Activities
< 10 %	10% (1,500 EUR)	+ 50% (750 EUR)	+25% (375 EUR)
10 – 20 %	15% (2,000 EUR)	+50% (1,000 EUR)	+25% (500 EUR)
> 20 %	20% (3,000 EUR)	+50% (1,500 EUR)	+25% (750 EUR)

Technology centers imply development and innovation of high-tech products and production processes which enable the exploitation of the development and innovation activities concerned

and promote the production providing for the enhancement of products, production series, production processes, and production technologies.

Strategic business support services:

- Customer Contact Centers – all types of call-centers, multi-media contact centers and other types of customer/client contact centers focused on technical support and customers’ or clients’ problem solving;
- Shared Services Centers – focused on outsourcing and pooling of corporate activities of multinational companies, in the areas of: finances, accounting, marketing, development of human resources and IT services;
- Logistics and Distribution Centers – focused on establishment and construction of high-technology logistics and distribution centers providing intermodal transportation of product, warehousing, material packaging and handling in order to significantly improve logistics and distribution activities within business process and delivery of orders to local and international customers;
- Expert Solutions Centers – development and application of information systems at a corporate level, outsourcing of IT management operations systems, and development of telecommunications network operation centers;
- Software Development Centers – development and application of new software solutions for local and international clients.

AID TO COVER ELIGIBLE COSTS OF TRAINING LINKED TO AN INVESTMENT

	Special Training	General Training
Large Entrepreneurs (more than 250 employees)	Up to 35% of eligible costs	Up to 60% of eligible costs
SMEs (up to 250 employees)	Up to 45% of eligible costs	Up to 80% of eligible costs

In cases where the aid project involves both specific and general training components which cannot be separated for the calculation of the aid intensity, and in cases where the specific or general character of the training aid project cannot be established, the maximum intensities applicable to specific training shall apply.

The eligible costs of a training aid project shall be: trainers' personnel costs; trainers' and trainees' travel expenses; other current expenses; depreciation of tools and equipment, to the extent that they are used for the training project; cost of counseling services with regard to the training project; and trainees' personnel costs up to the amount of the total of the other eligible costs. Only the hours during which the trainees actually participate in the training, after deduction of any productive hours or of their equivalent, may be taken into account.

For the projects concerning establishment and development of **technology and innovation centers** the allowable non-repayable grant shall not exceed 5 % of the actual eligible costs of investment in fixed assets, or in the case of the purchase of equipment for the technology and innovation centre in question the maximum aid amount shall not exceed EUR 500,000 expressed in legally equivalent HRK value, provided that the purchased equipment for the technology and innovation centre constitutes high-tech equipment.

A large investment project or investment project of significant economic interest is mean an investment project which involves a large economic activity, such as construction of a new factory or industrial plant, starting-up of a new economic activity, as well as development of new

technologies, with the value of investment in fixed assets of the recipient of incentive measures of not less than EUR 15 million expressed in equivalent HRK value, provided that a minimum of 100 new jobs linked to the investment are created, starting from the end of the first year of investment.

For large investment projects, in the regions (counties) of the Republic of Croatia where the registered unemployment rate according to the data of the Croatian Bureau of Statistics for the preceding year exceeds 20%, **the recipient of incentive measures shall be granted an increase in the incentive measures not exceeding 5 % of the actual eligible costs of investment in fixed assets:**

- for the costs of setting up of a new establishment or plant;
- for the costs of purchase of new machinery or manufacturing equipment, whereby the maximum total aid amount shall not exceed EUR 1 million expressed in legally equivalent HRK value, provided that at least 40 % of the total value of investment is apportioned to the machinery or manufacturing equipment and at least 50 % of the purchased machinery or manufacturing equipment constitutes high-tech machinery or equipment;

For the large investment projects, the carrying-out of which implies the construction of new or extension or enlargement of the existing infrastructural facilities and installations linked to the investment, a non-repayable grant not exceeding 5 % of the actual costs of the construction of new or extension or enlargement of the existing infrastructural facilities and installations shall be awarded, subject to a maximum amount of EUR 500,000 expressed in legally equivalent HRK value.

County Unemployment Rate	Non-Refundable Financial Support			
	Assets (factory, plant or equipment)		Infrastructure	
	Up to 5% of eligible costs	Max 1 mil EUR	Up to 5% of eligible costs	Up to 0.5 mil. EUR