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TAX-FREE INCOME IN THE REPUBLIC OF CROATIA IN 2023

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Tax-free receipts have long awaited inflation adjustment, that is, an increase that would allow employers to pay workers bonuses, expenses and Christmas bonuses that would accompany the decline in the value of money. With the amendments to the Income Tax Ordinance, the following non-taxable receipts have been increased:

- special prizes (Christmas cards)
- awards for work results
- cost of food
- a gift for a child
- fees for using a private car for official purposes
- severance pay upon retirement.

Tax-free cash prizes – Christmas bonuses, Easter bonuses, annual vacation allowances... are limited to **€663.61** (5,000HRK) per year, while tax-free monetary rewards for work results and other forms of additional remuneration for workers are limited to **€995.42** (7,500HRK) per year. If we add to that **€132.72** (1000HRK) as a gift for children and **€796.34** (6000HRK) as a lump sum allowance for food expenses, we get **€2588.09** (19500HRK), which is the maximum amount of tax-free receipts per employee (not counting expenses) transportation or severance pay).

Tax-free payments to workers represent the simplest and most favorable way of reimbursing costs or rewarding them. It often happens that employers do not know which tax-free payments are available to employees. In doing so, they miss out on a number of opportunities offered to them to increase worker satisfaction while minimizing expenses.

Find out below who is entitled to the payment of special awards, in which ways and up to which tax-free amounts employers can give to their employees.



Are all workers entitled to tax-free amounts?

The tax regulation does not prescribe the right of workers to the receipts prescribed by the Ordinance, but only prescribes the types and maximum non-taxable amounts, and employers decide whether and in what amount they will pay mentioned receipts. It is important to note that the material rights of workers (such as, for example, Christmas, Easter or other rewards) are not regulated by the Labor Law, but these rights can be regulated by collective agreements, labor regulations and labor contracts.

If this right is not prescribed by the collective agreement, labor regulations, labor contract or internal act of the employer, then the worker does not have the right to tax-free income based on the Labor Law. However, if the collective agreement, labor regulations or labor contract do not prescribe this right, the employer can independently decide whether and to which workers and in what amount he wants to pay tax-free income and draw up an internal act - Decision on payment. The payment of receipts above the prescribed tax-free amounts is considered a salary and is subject to the payment of income tax, surtax and mandatory contributions.

Only employees have the right to tax-free payment of occasional rewards, but not other persons who perform certain tasks for the employer. For example, students, persons undergoing professional training or other persons working on the basis of an employment contract are not entitled to a tax-free payment of Christmas bonus regardless of the fact that they work during the holidays for an employer who pays Christmas bonus.

How are fees paid?

Employers are allowed to reward their workers for work results in the form of a monetary reward or as an addition to the monthly salary, additional salary, etc., while this reward is considered non-taxable. Awards for work results can be paid once, monthly, quarterly, semi-annually or arbitrarily, according to the possibilities and wishes of the employer. At the same time, attention should be paid to the fact that there are criteria according to which workers are rewarded, and to avoid the danger of discrimination on any basis.



"Jubilee awards" for completed work experience with the same employer

The jubilee award represents the worker's right to compensation for a certain number of years of service. Currently, in the collective agreements of state and public servants, it is agreed that this award is paid upon reaching 10, 15, 20, 25, 30, 35, 40 years. Jubilee award is a monetary award to an employee for continuous service with the same employer. The right to a jubilee award is not prescribed by the Labor Law, but it can be prescribed by a collective agreement, labor regulations or the labor contract itself.

- Awards for completed 10 years of service up to **€199.09**
- Awards for completed 15 years of service up to **€265.45**
- Awards for 20 years of service up to **€331.81**
- Awards for 25 years of service up to **€398.17**
- Awards for 30 years of service up to **€464.53**
- Awards for 35 years of service up to **€530.90**
- Awards for 40 years of service and every subsequent 5 years of service up to **€663.61**

Severance pay

Retirement is a big change in life that requires a lot of adjustment, which would be easier if workers received severance pay when they retired. Although the Labor Act prescribes severance pay in certain cases, it is not mandatory when retiring. The right to severance pay in case of regular retirement does not exist in Croatia. It can be arranged in three places, but the obligation itself does not exist. It is the employment contract itself, the collective agreement or the employment regulations, which depends on the employer. If the right to severance pay upon retirement is not specified in these documents, no severance pay will be paid.

- Non-taxable income of future retirees – severance pay upon retirement is limited to **€1,327.24** (10,000HRK).
- Severance payments due to business-related dismissals and personal dismissals are limited to **€862.71** for each completed year of work with that employer.
- Severance pay due to injury at work or occupational disease is limited to **€1,061.79** for each completed year of work for that employer.





Pertinences in case of illness or death

Income tax regulations prescribe non-taxable amounts of support in the event of the death of members of the worker's immediate family and in the event of the death of the worker himself.

In the case of the death of a member of the immediate family, the aforementioned Ordinance stipulates the possibility of tax-free payment of support to workers. At the same time, the Ordinance expressly lists the persons who are considered members of the immediate family in that case, and the tax-free amount of support can only be paid for the death of the following persons:

- spouse
- parents
- spouse's parents
- children
- other ancestors and descendants in the direct line
- adopted and fostered children and children in care
- an adult to whom the taxpayer has been appointed guardian under a special law.

Non-taxable grants:

- Tax-free support due to the disability of the worker is limited to **€331.81** per year
- Tax-free benefits for the death of a worker are limited to **€995.43**
- One-time support in case of the death of a member of the immediate family worker is limited to **€398.17**
- Support for a child's education up to the age of 15 until the end of primary school education, which the employer pays to the child of a deceased worker or to the child of a former worker who has experienced a complete loss of work ability is limited to **€232.27** per month
- Benefits due to continuous sick leave of workers longer than 90 days - they are tax-free up to the amount of **€331.81** per year

Gifts

Gifts can be divided into gifts in kind and gifts to a child up to 15 years of age. A gift in kind is not tied to a specific holiday or occasion and can be given to an employee throughout the year for any purpose. At the same time, the employer can give the employee:

- products or services
- trade goods or products he ordered only for the purposes of gifting employees
- gift coupons
- certificates of paid advances in a certain company, on the basis of which workers will choose a gift of their own choice

In the case of gifts of one's own products or trade goods to workers, VAT should be calculated on the production or purchase price of those products or goods. If the employer gifts workers with services or goods in kind that will be purchased only for the purposes of gifting the workers, then the invoice for the goods or services representing the gift in kind will be recorded without recognition of VAT and the cost of the gift in kind will be recorded in the same amount (amount with VAT -om).

A gift in kind is tax-free up to the amount of **€132.73** per year.

The employer can pay his employees tax-free or give a gift in kind for the child. A gift to a child up to 15 years of age is tax-free up to the amount of **€132.73 (1000 HRK)** per year.

If the mother and father have an established employment relationship with the same employer, from a tax point of view both are entitled to receive a tax-free gift payment for the child. Also, a gift to a child can be paid by several employers in a year, such as support for a newborn if the worker works for two employers at the same time or has changed employers during the year.





Fees for education, health, children and others

Fees for the costs of regular care of workers' children paid to the worker's account on the basis of authentic documentation from preschool education institutions and other legal or natural persons which, based on special regulations and decisions of the competent authority for the care of preschool children, are tax-free up to the amount of actual expenses:

- Support for a newborn is limited to **€1327.24**
- Voluntary pension insurance premiums are considered tax-free receipts up to the amount of **€66.36** per month
- Supplemental and additional health insurance premiums based on authentic documentation are considered non-taxable receipts up to the amount of **€331.81** per year, paid non-cashly

Donations in money for health needs, if the treatment is not paid for by mandatory, supplementary, additional and private health insurance, nor at the expense of the funds of a natural person, are considered tax-free receipts in the amount of actual costs if they are paid to the giro account of a natural person or health institution based on authentic documents about treatment.

Systematic control medical examinations in the interest of performing the employer's activities, if they are provided to all workers, are considered a non-taxable expense if up to the amount of actual expenses. Non-taxable receipts are also receipts based on the employer's support for the destruction and damage of property due to a natural disaster declared by the Government of the Republic of Croatia, provided that it is provided to all workers who suffered damage.

Education and training costs related to the employer's activities are tax-free up to the amount of actual expenses The tax-free benefit for living apart from the family is limited to **€232.27**

Scholarships, awards and other benefits for pupils, students and athletes

- Rewards for students during practical work and apprenticeships and fees for students during dual education are tax-free up to the amount of **€232.27** per month.
- Receipts according to special regulations of pupils and students in regular education for the work of extra-pupil and student associations are tax-free up to the amount of **€3185.38** per year
- Scholarships for pupils and students for regular education in the country and abroad at secondary, higher and higher schools and colleges are tax-free up to the amount of **€232.27** per month.
- Scholarships for students at universities in the country and abroad, which are awarded to students for excellent achievements in knowledge and grades at universities, and who were selected for the award of scholarships in public tenders open to all students under equal conditions, are tax-free up to the amount of **€530.90** per month
- Sports scholarships that are paid to athletes according to special regulations for their sports training are tax-free up to the amount of **€232.27** per month.
- Prizes for sports achievements are tax-free up to **€2654.48** per year
- Fees paid to amateur athletes according to special regulations are tax-free up to the amount of **€232.27** per month.
- If the earnings of a child (student or pupil) exceed the amount of **€3185.38**, the parent loses the right to a personal deduction for the child when calculating income tax (tax relief). However, scholarships are not income from student work, which means that a child can receive a monthly scholarship that is tax-free up to **€232.27** per month, and this amount is not included in the prescribed limit.



920	
720	414264
225	5498216
5021	
5755	32154316
4756	1245755
0659	2154756
1233	32659
14334	32147711
5231	
12588	54715087

Per diems, travel expenses and transportation

Per diems for official travel and for work in the field are partially defined in the Income Tax Ordinance. Given that there are no detailed differences, the employer can define the above rights in its acts (Regulations, Collective Agreement) or through the employment contract with the employee.

Per diem for official travel and work in the field

Per diem is compensation for transportation, food and drink expenses incurred during an official trip in the country and abroad. Per diems and all other expenses incurred on an official trip can be paid tax-free to employees up to a certain amount determined by the regulations on expenses for official trips for users of the state budget. The place to which the employee is sent on a business trip must be at least 30 km away from the place of work or the place of residence of the employee.

Diaries

- Per diems for an official trip in the country that lasts more than 12H a day and per diem for work in the field in the country are tax-free up to the amount of **€26.55**
- Per diems for an official trip in the country that lasts more than 8H and less than 12H a day are tax-free up to the amount of **€13.28**
- Per diems for official trips abroad that last more than 12H a day and per diems for work in the field abroad are tax-free up to the amount according to the regulations on expenses for official trips for users of the state budget
- Per diems for official trips abroad that last more than 8H and less than 12H per day are tax-free up to 50% of the amounts determined by the regulations on expenses for official trips for users of the state budget

Foreign Per Diem Rates

Islamic State of Afghanistan	35,00 USD
Republic of Albania	30,00 EUR
People's Democratic Republic of Algeria	40,00 USD
Principality of Andorra	70,00 USD
Republic of Angola	35,00 USD
Argentine Republic	50,00 USD
Republic of Armenia	50,00 USD
Australia	85,00 USD
Republic of Austria	70,00 EUR
Republic of Azerbaijan	50,00 USD
Kingdom of Belgium	70,00 USD
Republic of Belarus	50,00 USD
Republic of Bolivia	40,00 USD
Federal Republic of Brazil	40,00 USD
Bosnia and Herzegovina	30,00 USD
Republic of Bulgaria	40,00 USD
Republic of Cyprus	60,00 USD
Czech Republic	50,00 USD
Republic of Chile	40,00 USD
Kingdom of Denmark	70,00 USD
Arab Republic of Egypt	40,00 USD
Republic of Estonia	40,00 EUR
Federal Democratic Republic of Ethiopia	35,00 USD
Republic of the Philippines	40,00 USD
Republic of Finland	70,00 EUR
French Republic	70,00 EUR
Republic of Georgia	50,00 USD
Hellenic Republic (Greece)	60,00 EUR
Republic of India	40,00 USD
Republic of Indonesia	40,00 USD
Islamic Republic of Iran	60,00 USD
Republic of Iraq	60,00 USD
Ireland	70,00 EUR
Island Republic	80,00 EUR
State of Israel	70,00 USD
Jamaica	35,00 USD
Japan	85,00 USD
Republic of Yemen	35,00 USD
Hashemite Kingdom of Jordan	35,00 USD
South African Republic	50,00 USD
Canada	85,00 USD
Republic of Kazakhstan	50,00 USD
Republic of Kenya	35,00 USD
People's Republic of China	50,00 USD
People's Republic of China, Hong Kong	95,00 USD
Kyrgyz Republic	50,00 USD
Republic of Colombia	40,00 USD
Republic of the Congo	35,00 USD
Democratic People's Republic of Korea	40,00 USD
Republic of Korea	70,00 USD

Republic of Cuba	35,00 USD
State of Kuwait	70,00 USD
Republic of Latvia	40,00 EUR
Republic of Lebanon	35,00 USD
Republic of Liberia	40,00 USD
Socialist People of Lubija	
Arab Jamahiriya	40,00 USD
Republic of Lithuania	40,00 EUR
Grand Duchy of Luxembourg	80,00 EUR
Republic of Hungary	50,00 EUR
Republic of Macedonia	30,00 EUR
Malaysia	40,00 USD
Republic of Malta	60,00 EUR
United Mexican States	35,00 USD
Republic of Moldova	40,00 USD
Principality of Monaco	70,00 EUR
Republic of Mozambique	80,00 EUR
Kingdom of the Netherlands	70,00 USD
Kingdom of Norway	70,00 EUR
New Zealand	40,00 USD
Federal Republic of Germany	35,00 USD
Islamic Republic of Pakistan	50,00 USD
Republic of Peru	40,00 EUR
Republic of Panama	60,00 EUR
Republic of Poland	40,00 EUR
Portuguese Republic	60,00 EUR
Romania	40,00 EUR
Russian Federation	50,00 USD
Kingdom of Saudi Arabia	50,00 USD
Republic of Senegal	35,00 USD
Republic of Singapore	85,00 USD
Syrian Arab Republic	50,00 USD
United States of America	95,00 USD
Slovak Republic	50,00 EUR
Republic of Slovenia	50,00 EUR
Serbia and Montenegro	30,00 EUR
Republic of Sudan	35,00 USD
Kingdom of Spain	60,00 EUR
Swiss Confederation	80,00 EUR
Kingdom of Sweden	80,00 EUR
Italian Republic (Italy)	70,00 EUR
Republic of Tajikistan	50,00 USD
Republic of Tunisia	35,00 USD
Turkmenistan	50,00 USD
Republic of Turkey	50,00 EUR
Ukraine	50,00 USD
Republic of Uzbekistan	50,00 USD
United Kingdom of Great Britain and Northern Ireland	70,00 EUR
United Arab Emirates	50,00 USD
all other countries	35,00 USD

The daily allowance determined for the foreign country to which the official trip is scheduled is calculated from the hour when the Croatian border is crossed, and the daily allowance determined for the foreign country from which the official trip is arrived at the hour of crossing the Croatian border. During the time that elapses from the journey from the place from which the employee started on the official trip to the Croatian border, the employee, subject to the prescribed conditions, realizes the right to the payment of the daily wage in the country. If it is a trip by plane, the daily allowance is calculated from the moment the plane takes off from the last airport in Croatia until it returns to the first airport in Croatia.

- Maritime allowance - tax-free in the amount of **€33.19** per day
- Maritime allowance on ships of international navigation - tax-free in the amount of **€53.09** per day
- Per diem allowances for official trips paid to workers from the EU budget for the purpose of performing the tasks of their workplaces, in connection with the employer's activity, are non-taxable in the total amount





Travel expenses

- Reimbursements for transportation expenses on a business trip are tax-free to the extent of actual expenses
- Fees for meeting the costs of hospitality, tourism and other services intended for workers' vacations are tax-free up to the amount of **€331.81** per year

Transportation costs to work

The company can make a decision on the payment of transportation compensation to employees, and in this case it is obliged to pay the compensation to all employees who are entitled to it. Employees whose residence address is at least two stops away from their place of work are entitled to transportation compensation. The amount of the transport fee is determined by the entrepreneur based on the company's offer for urban and suburban public transport.

Reimbursements for transportation costs to and from work by local and intercity public transport are tax-free to the extent of actual expenses. Fees for the use of a private car for official purposes amount to **€0.40** per kilometer traveled

Can non-profit organizations pay tax-free business travel expenses to people who are not their employees?

Non-profit organizations can make tax-free payments to people who are not employed:

- compensation for official travel expenses, i.e. transportation costs, overnight stays and per diems
- costs of using a private car for official purposes.



Food and accommodation costs


As of January the 1st 2023, the provisions regulating non-taxable allowances for meals are in force. Their amount is no longer determined on an annual basis, but on a monthly basis, and is limited to **€66.36 (500HRK)** per month in cash, or **€132.72 (1,000HRK)** per month for meals provided on the basis of authentic documents, which are, accounts.

The new rules make it possible to pay tax-free receipts for several missed months of the same tax period at once, i.e. receipts can be paid for months back. The model of payment of food allowance (in cash or on the basis of authentic documents) can be changed during the year, but for each month of the tax period, one of the two receipts is tax-free. Therefore, it is not possible to combine two models within one month.

The entrepreneur can make his own decision about the intervals and amounts in which he will pay compensation to employees for food expenses. The only requirement is that the amount paid in money does not exceed a total of **€796.32 (12 x €66.36)** per year.

It should also be noted that the payment of the allowance for food is now linked to the duration of the employment relationship. A previously employed worker for two months could receive a tax-free allowance for food for the whole year, but from January the 1st, the allowance is tax-free only for the months in which he was employed by the employer.





Food costs for workers incurred during the employment relationship with the employer on the basis of authentic documentation are tax-free in the amount of up to **€132.72** per month (**€1592.76**) per year, provided that the invoices for the catering services are issued to the employer and are settled by non-cash means. Expenses are recognized for the month in which the food service was provided.

The costs of food and accommodation of seasonal workers are tax-free up to the amount of actual expenses that are borne by the employer and are paid in cash or from the employer's internal calculation.

Water, hot and cold drinks (except drinks that contain alcohol) provided by the employer to employees during working hours are tax-free up to the actual cost (without deduction of VAT, except for water).

The costs of accommodation of workers incurred during the employment relationship with the employer on the basis of authentic documentation are tax-free up to the amount of actual expenses paid in cash. Tax-free receipt is issued for the month in which the accommodation service was performed. The costs of accommodation of workers incurred during the employment relationship with the employer on the basis of authentic documentation, which are settled on the account of the worker, are tax-free up to the amount of

actual expenses.

Food costs can be paid exclusively to the employee's current or protected account, while Christmas bonuses, allowances for loco driving expenses and travel expenses can be paid to employees in cash.

Work of pupils and students

In accordance with the legal provisions, the [non-taxable amount of receipts of pupils and students](#) for work through pupil and student associations was increased and adjusted from 15,000.00HRK to **€3,185.38** (24,000.25HRK).

The total amount of pupils' and students' receipts for work through pupil and student associations amounts to **€9,556.18** (72,001.04HRK), which consists of a non-taxable amount of **€3,185.38** (24,000.25HRK) and the annual basic personal deduction of **€6,370.80** (48,000.79HRK).

Work from home

Since the new provisions of the Labor Law define work at a separate location (working from home), the Ordinance on Income Tax prescribes the possibility of a tax-free payment of a new monetary flat-rate compensation to cover the costs of workers for such work in the amount of up to **€3.98** per working day from home, and up to **€66.37** per month at most.



GET TO KNOW OUR PHILOSOPHY, GOALS AND ROLE IN THE MARKET

PickJobs d.o.o is a company founded at the end of 2020, which through an innovative employment platform connects employers and employees in the Republic of Croatia but also countries: Germany, Switzerland, Austria, Bosnia and Herzegovina, Serbia, Montenegro, Northern Macedonia, Ukraine, Albania and Kosovo.

We have been on the market since the end of 2020 with the aim of improving and enhancing the recruitment process. By working together and with unique key factors such as global connectivity and mobile application, we want to make a valuable contribution as an opportunity for the growth and development of the individual. We work every day to improve the platform and listening to the market we strive to maximize the platform with new features and useful content.

We accept differences and for this very reason we start to change the employment process with innovative, different services. Over time, the number of private and business users will grow more and more, and we will adjust the offer to our customers on a daily basis. It is no coincidence that "100% business" is the leitmotif of our platform and the business itself. "100% business" is a description that would best describe our vision, philosophy and ourselves. It describes what we are, what we strive for and what we offer.

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