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Monthly Newsletter

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LIQUIDATION OF THE COMPANY AND TAX LIABILITIES

Liquidation of the company is a procedure regulated by the Companies Act and represents the termination of the existence of a joint-stock company and a limited liability company, including a simple limited liability company. Liquidation, as a regular procedure for a dissolution of the company, is carried out when the company can settle all its possible liabilities to creditors from its assets, unlike bankruptcy proceedings.

The liquidation procedure is more complex than the establishment of the company in terms of the administrative part, and all steps are prescribed in detail. Until the very end of the liquidation, i.e., until the deletion of the company from the register kept by the competent court, the company is obliged to pay VAT and profit tax.

Liquidation is carried out by a liquidator who is obliged to register in the court register and represent the company in the liquidation process. According to Article 371 of the Companies Act, the liquidation of a joint-stock company is carried out by members of the management board, i.e., executive directors as liquidators.

The liquidation procedure can be carried out when the reasons for the termination of the company regulated by Article 97 of the Companies Act arise, however, there are exceptions in which liquidation is not required:

- opening bankruptcy proceedings against the company,
- merger and acquisition with another company,
- in case the company has no assets.



The liquidation procedure of the company is carried out in the following six steps:

1. MAKING A DECISION ON TERMINATION OF A COMPANY

- The decision on the termination of the company is made by the members of the company, which must be made with votes representing at least 3/4 of the share capital represented at the general meeting of the company when making decision. The decision on the dissolution of the company is published on the website where the court register is located.

2. MAKING A DECISION ON LIQUIDATION AND APPOINTMENT OF LIQUIDATORS

- After the decision on the dissolution of the company has been made, the commercial court decides on entering the opening of the liquidation procedure of the company in the court register. After the decision to open the liquidation of the company is entered in the court register, the company must be marked "in liquidation". With this act, third parties will become aware of the changes within the company. Although the liquidation procedure has been initiated, the same does not mean that the company's tax liabilities cease.

Liquidation of the company is carried out by members of the management board as liquidators, but other persons, natural or legal, may also be appointed as liquidators. The liquidator shall hold his role until the liquidation is completed unless he resigns before his completion, or his appointment is revoked. The revocation may be made only by the person who appointed him, i.e., the members of the company.

3. INVITATION TO CREDITORS

- After entering the decision on the dissolution of the company into the court register, the company's creditors must be invited to submit their claims. The invitation must be published in the company's bulletin if the company has one and on the website of the court register. In the invitation, it is necessary to indicate that the creditors report their claims to the company within 6 months from the date of publication of the invitation, or 2 months from the date of publication of the invitation at j.d.o.o.

4. ACCOUNTING AND TAX LIABILITIES

- As the first accounting step, the company is obliged to close business books on the day preceding the day of entry of the liquidation procedure in the court register, after which the initial liquidation financial statements are formed on the day of entry in the court register. Given that very often liquidation is a lengthy process, we emphasize that during the liquidation it is necessary to submit financial reports to FINA for statistics and public disclosure. At the end of the liquidation, it is necessary to submit final liquidation reports.

5. MAKING A DECISION ON THE DIVISION OF THE COMPANY'S PROPERTY

- When deciding on the division of the company's assets, creditors have an advantage over the company's members. The members of the company will receive only the value of the property that remained after the settlement of the company's obligations. After dividing the assets, the liquidators submit the final financial reports and the report on the liquidation to the members of the company and the court application for registration of deletion of the company from the court register.

6. COMPLETION OF THE PROCEDURE (LIQUIDATION) AND DELETION FROM THE COURT REGISTER

- The company is terminated by deleting it from the court register while the business books and documentation are handed over for safekeeping to the Croatian Chamber of Commerce. The corporate income tax return must be submitted to the Tax Administration within eight days after the completion of the liquidation. It should be noted that the company does not pay advances of corporate income tax from the beginning to the end of the liquidation, but on the day of submission of the PD form, it falls due to the obligation of the tax on liquidation profit.

TERMINATION OF THE COMPANY WITHOUT LIQUIDATION – SHORT PROCEDURE

According to the amendments to the Companies Act from 2019, the company may be dissolved under the shortened procedure without liquidation if all its members unanimously decide on such termination of the company. The decision on the dissolution of the company contains:

- name, seat, OIB, and registration number of the company that ceases to exist;
- total number of the members of the company, names and surnames, residence, OIB of each member; and
- plan for the distribution of the company's assets.

All members of the company are obliged to give statements:

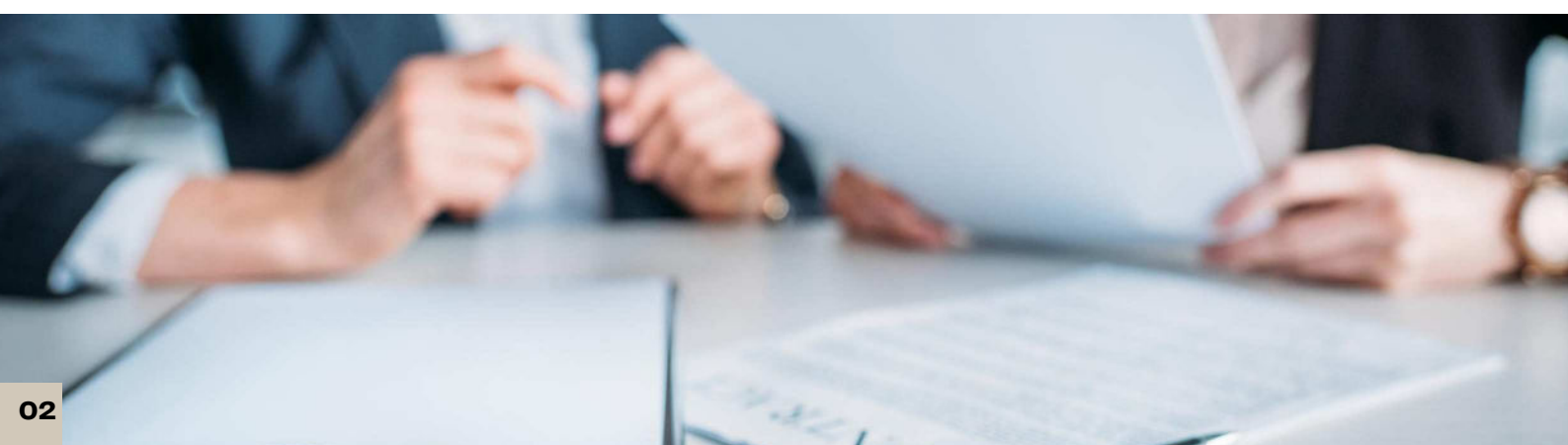
- that the company has no outstanding liabilities;
- that the company has no disputed, or overdue liabilities to its creditors; and
- that each member undertakes to settle, together with other members of the company, all remaining liabilities, if they will be determined.

The decision on the dissolution of the company and the statement are made in the form of a notarial deed and are reported to the registration court for the purpose of entering into the court register. The application is supported by the above documentation (decision and statements) and a certificate from the Tax Administration that the company has no debts. After fulfilling the above, the registration court decides on the termination of the company by shortened procedure without liquidation and as such is entered into the court register. Members of the company, creditors, and state bodies have the right to file a complaint within 30 days, and if the court finds that the complaint is valid, the procedure must continue in the form of liquidation, under the provisions of the Companies Act. If there are no objections, or the existing ones are rejected, the registration court decides on dissolution of the company.

A company that is dissolved by shortened procedure without liquidation is obliged to compile for the period from the first day of the business year to the day of entry of the company's termination in the court register:

- Annual financial report – form GFI-POD and submit it to FINA, and
- Corporate income tax return – PD form and submit it to the Tax Administration.

The business books and documentation of the company that was terminated under the shortened procedure without liquidation are handed over for safekeeping to the Croatian Chamber of Commerce.



OBLIGATION OF SUBMISSION COUNTRY BY COUNTRY REPORT IN CROATIA (CbCR)

All groups of multinational enterprises (MNE) are required to provide information to the tax jurisdiction in which they operate each year, and state the amount of income, profit (loss) before tax, paid and calculated corporate income tax, reported capital, accumulated (retained) profit, number of employees and tangible assets that are not money or cash equivalent, as well as the identity of each entity in the group in which it operates and business activities engaged in each entity – the so-called Country-by-Country Report (CbCR).

According to the [Law on Administrative Cooperation in the Field of Taxation](#), CbCR reporting by countries refers to MNE groups whose total consolidated revenue in the previous tax year exceeds EUR 750 million. The ultimate parent entity is required to file the CbCR in the jurisdiction where it has established its tax residency.

If the taxpayer of the Republic of Croatia is considered the ultimate parent entity, he is obliged to file to the Croatian Tax Authorities a country-by-country report within 12 months from the last day of the tax year for which the report is filed.

Each constituent entity of the MNE group, which is a taxpayer in the Republic of Croatia (including the branch office), is obliged to file the MNE notification on its status within the MNE group, and whether the same entity is liable to file CbCR. If not, it is necessary to inform the Tax Authorities about the identity and country of tax residence of the constituent entity of the MNE group that will file the CbCR on behalf of the MNE group.

According to the notice of the Tax Authorities issued on April 11, 2022, after the notification on the identity and tax residency of the reporting entity who will file a country-by-country report is submitted to the Tax Administration, it no longer must be submitted every year. An exception is made only if the previously submitted notification contains an error or change in the status and obligation of filing the country-by-country report. From 2020, MNE notifications are submitted via the e-Porezna system.

This year, the deadline for submitting the MNE notification was May 2, 2022.

According to the Organization for Economic Co-operation and Development (OECD), the automatic exchange of country-by-country reports is also one of the measures under the Base erosion and profit shifting project (BEPS). In addition to the EU Member States, automatic country-by-country exchange will take place with third countries also, based on the [Multilateral Agreement of Competent Authorities on Country Exchange](#).

If you want to find out which countries are on the list of signatories to the Multilateral Agreement, you can find them on the official website of the OECD. Countries with which the Republic of Croatia has in force the legal framework for the automatic exchange of CbCR is regularly updated on the official OECD website.

CALCULATION AND PAYMENT OF MEMBERSHIP FEES TO TOURIST BOARDS FOR 2021

Business entities engaged in economic activity in the Republic of Croatia are obliged to pay statutory contributions, fees, and membership fees. One of them is the membership fee for tourist boards. Below are details about the calculation and payment of membership fees to tourist boards for 2021.

The system of tourist boards, the structure, tasks, and manner of work of tourist boards, and the basic principles of financing and management are regulated according to the [Law on Tourist Boards and the Promotion of Croatian Tourism](#). The said Law prescribes mandatory membership for all natural and legal persons who permanently or seasonally earn income in the area of a certain tourist board by providing tourism services, catering services, or performing activities that benefit from tourism or whose income is affected by tourism.

WHO IS OBLIGED TO PAY THE MEMBERSHIP FEE TO THE TOURIST BOARD?

Obligors to pay membership fees to the tourist board are legal and natural persons who have their registered office, residence, branch, plant, or business unit in the local tourist board established following the law.

WHO IS EXEMPT FROM PAYING MEMBERSHIP FEES TO THE TOURIST BOARD?

Membership fees are not obligatory for legal entities that are financed with more than 50% of the budget of the Unit of local and regional self-government or the state budget.

HOW ARE THE BASES FOR CALCULATING THE MEMBERSHIP FEE FOR THE TOURIST BOARD PRESCRIBED?

For legal and natural persons who are liable to pay corporate income tax, the base is determined as income that these persons generate by providing services in tourism, catering services, or performing directly related tourism activities in business units in the local tourist board.

For corporate income taxpayers who determine their tax base in a lump sum, the base is determined as the total income from performing economic activity based on which he is a corporate taxpayer.

For taxpayers of income from self-employment who determine the tax base in a lump sum, the basis for the calculation of membership fees consists of the total realized collected receipts.

For each business unit outside the registered office of a legal and natural person, the rules are slightly different. Namely, the total income, i.e., receipt, is determined for them as the basis for calculating the membership fee. For a legal and natural person who determines the basis for calculating the membership fee for each business unit outside the registered office, the basis for calculating the membership fee is reduced by a part of its income, i.e., receipts, realized in business units.



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CALCULATION AND PAYMENT OF MEMBERSHIP FEES TO TOURIST BOARDS FOR 2021 – CONTINUED

FOR WHICH ACTIVITIES IS THE MEMBERSHIP FEE PAID TO THE TOURIST BOARD?

According to the Law on Membership Fees in Tourist Boards, the activities for which the membership fee is paid to the tourist board are prescribed by groups and at a certain rate:

| GROUP | | RATE |
|------------------|---|---------|
| The first group | ➤ | 0,14212 |
| The second group | ➤ | 0,11367 |
| The third group | ➤ | 0,08527 |
| The fourth group | ➤ | 0,02842 |
| The fifth group | ➤ | 0,01705 |

Accordingly, it is necessary to determine which group a particular activity belongs to. A list of all activities that are required to pay membership fees by groups can be found in the [Law on Membership Fees in Tourist Boards](#).

If it is more favorable for the taxpayer, he may pay the membership fee by applying the rate prescribed for the activity performed by the legal or natural person mainly concerning other activities for which he is registered in the commercial court register, trade register, or other appropriate registers.

If the member of the membership fee provides catering services in the household or on the family farm, the amount of the membership fee depends on the number of beds in the room, apartment, or holiday home and the number of accommodation units in the camp and camp, or the capacity of the Robinson accommodation, following the regulations governing the performance of catering activities.

Also, it is important to mention that legal and natural persons who perform economic activity in assisted areas, pay a membership fee reduced by 20%.

WHERE IS THE MEMBERSHIP FEE TO THE TOURIST BOARD PAID?

The membership fee is paid to the Tax Administration in the municipality or city where the business unit is located. A separate base and total income for the calculation of membership fees are determined for each business unit outside the headquarters. If the activity is performed without business premises, the membership fee is paid in the area of the municipality or city where the activity is performed.



GRANTS FOR ENTREPRENEURS IN 2022

The National Recovery and Resilience Plan (NRRP) will be implemented in 2022 and is worth approximately € 9.9 million. The focus of grants for NRRP entrepreneurs is certainly digitalization, which we wrote about last month, followed by innovation and green transformation. The deadline for the implementation of all investments is August 31, 2026.

Below is an overview of expected tenders for entrepreneurs in 2022 and the planned amount of total available funds for individual tenders.

TENDER, GOALS AND PURPOSE

AMOUNT OF AID

Supporting companies for the transition to an energy and resource-efficient economy

This support aims to encourage faster and better adaptation of the economy to future and current environmental requirements. This support would, through investments in the green transition and the creation of green skills, increase the efficiency of production, as well as the creation and preservation of jobs.

Supporting enterprises for the transition to an energy and resource-efficient economy finances projects that contribute to the circular economy by introducing resource efficiency into the production cycle and life cycle of products, including sustainable supply of primary and secondary raw materials, decarbonization, and emission reduction of energy-intensive industries. low emission technology.



Amount of the grant – up to HRK 7,500,000 for small and medium-sized enterprises (SMEs) according to the project proposal, or up to HRK 35,000,000 for medium-sized enterprises;

Total allocation – HRK 1,900,000,000.

Commercialization of innovation

This support aims to accelerate the commercialization of innovation projects for mature projects close to the market, increase the innovative capacity of SMEs, and increase exports of innovative products, services, and technologies of SMEs by supporting the creation of sales and distribution channels in foreign markets.



Amount of the grant – from HRK 760,000 to HRK 5,320,000 per project proposal;

Total allocation – HRK 380,000,000.

Grants for start-ups

The grant for start-ups aims to stimulate the growth of start-ups in high-tech and knowledge-based sectors in the pre-commercial phase through support for product development, increased production capacity, and the willingness of companies to invest.



Amount of the grant – up to HRK 1,000,000 per project proposal;

Total allocation – HRK 141,700,000.

GRANTS FOR ENTREPRENEURS IN 2022 - CONTINUED

Grants to strengthen sustainability and encourage green and digital transition of entrepreneurs in the tourism sector are also provided in the National Recovery and Resilience Plan, and the list of tenders is given below:

TENDER, GOALS AND PURPOSE

AMOUNT OF AID

Tender for grants for the development of environmentally friendly tourism products, resource efficiency, and green and digital transition

The tender aims to support the development of the tourist offer and content, as well as the processes in the tourism business that is environmentally friendly and resource-efficient for SMEs and large companies. This support includes investments in environment and equipment, facilities, the introduction of a circular economy, development of innovative tourism products, investment in equipment to achieve and increase hygienic, health, and safety conditions, procurement of equipment for digitalization of tourism business for SMEs and large companies, use of renewable energy sources and ensuring the prerequisites for obtaining an eco-certificate.

➤ Total allocation – HRK 1,020,000,000.

Tender for grants for the green transition of small renters to entrepreneurs in tourism and hospitality

The tender aims to raise the quality of accommodation capacities of renters. This support will finance the development of innovative tourism products, an increase of standards and product quality, investments in facilities, environment, and equipment, the introduction of a circular economy as well as equipment to achieve and increase hygienic, health and safety conditions, processes of digitalization of tourism business in micro-enterprises and prerequisites for obtaining an eco-certificate.

➤ Total allocation – HRK 50,000,000.

Tender for grants to encourage cluster networking activities and research and development in companies throughout the tourism and hospitality value chain

The tender of the call relates to research and development in the entire value chain of tourism and hospitality, the introduction of innovation, the development of tourism products, and high value-added services. This support will finance investments in technology transfer and cooperation between companies, research centers, and the higher education sector, as well as investments in research and innovation activities in small, medium, and large enterprises throughout the tourism value chain.

➤ Total allocation – HRK 180,000,000.

GRANTS FOR ENTREPRENEURS IN 2022 - CONTINUED

The digitalization voucher aims to strengthen the capacity of SMEs to implement digitalization and start the process of digital transformation. It has been announced for the first half of 2022 and will be financed based on voucher investments in the development of digital transformation strategies, digital marketing, complex digital products and services, digital skills, and cyber resilience.

VOUCHER CATEGORY

AMOUNT OF AID

Voucher for digital skills transformation strategy



up to HRK 76,000 per project proposal

Voucher for improving digital skills



up to HRK 75,000 per project proposal

Voucher for digital marketing



up to HRK 75,000 per project proposal

Voucher for the development or application of complex digital products and services



up to HRK 150,000 per project proposal

Voucher for cyber resilience



up to HRK 110,000 per project proposal

GRANTS FOR DIGITALIZATION

The goal of the grants for digitalization is to support the digital transformation of Croatian companies by providing financial support for the introduction of digital solutions in the business. Through grants, entrepreneurs can finance the purchase of equipment and software, employee training, salary costs for the period in which employees work on the project, the costs of external service providers, additional overhead costs, and other operating expenses.

- ▶ Amount of the grant – up to HRK 750,000 per project proposal;
- ▶ Total allocation – HRK 206,000,000.



CROATIAN TOURISM DURING THE PANDEMIC – AN OVERVIEW OF 2020 AND 2021

Another year of the pandemic is behind us, and both globally and in Croatia, the tourism sector is beginning to recover. After the outbreak of the coronavirus pandemic in early 2020, almost all countries of the world introduced epidemiological measures, with the first measures being the restriction of international travel and the closure of borders. Thus, from the very beginning of the pandemic, tourism has been and remains one of the economic activities most affected by the pandemic. We bring an overview of 2020 and 2021 in the Croatian tourism sector.

Since Croatia joined the EU, tourism has continuously recorded high growth rates of overnight stays and arrivals of foreign tourists. Although there has been a six-year increase (in the period 2014–2019) in arrivals of domestic and foreign tourists by as much as + 49% and overnight stays by + 37%, it is indisputable that due to the pandemic in 2020 there was a significant decline in tourist traffic. However, in 2021, significant growth in tourist traffic continued when 71.2 million overnight stays were realized, which is at the level of almost 2015.

In 2021, there were 12.8 million arrivals (by 82.5% more) and 70.2 million overnight stays, which is 72.1% more than in 2020. Foreign tourists realized 10.6 million overnight stays (+ 91.9%) and 62.8 million overnight stays (77.6% more). Of these, most tourists come from Germany, Poland, Slovenia, Austria, the Czech Republic, Hungary, and Slovakia. The most visited cities were in the Istria County – Rovinj, Porec, Umag, Funtana, Medulin, and Pula. Then follows Dubrovnik, Split, Zadar, and the City of Zagreb.

To better understand the text, click on the button below to access the table of arrivals and overnight stays of foreign tourists by country of residence.

→ TABLE 1. ARRIVALS AND OVERNIGHT STAYS OF FOREIGN TOURISTS BY COUNTRY OF RESIDENCE

From Table 1. we can conclude that the pandemic in 2020 has affected a large decline in the number of arrivals and overnight stays of foreign tourists. The largest decline was in the UK (-86.2%), USA (-84.2%), the Netherlands (-80.4%), Italy (-76.0%), BiH (-70.4%), Austria (-70.3%), Slovakia (-65.6%), Hungary (-65.6%) and Switzerland (-56.5%). In 2020, most tourist overnight stays were realized in Rovinj (1.75 million overnight stays, 54.5% less than in 2019), followed by Poreč (1.2 million overnight stays, 81.0% less), Crikvenica (971.1 thousand overnight stays, less by 46.8%), Zadar (823.0 thousand overnight stays, less by 59.3%), Split (811.9 thousand overnight stays, less by 70.3%), City of Zagreb (780.0 thousand overnight stays, 70.4% less) and Dubrovnik (776.0 thousand overnight stays, 81.9% less) than in 2019. Thus, we can conclude that the impact of the pandemic has greatly affected the decline in arrivals and overnight stays of foreign tourists.

2020 is far more optimistic. If we look at Table 1., we can conclude that most tourists who come overnight stay from Germany, Poland, and Slovenia – even half of them (51.4%). Likewise, we can see that the seven countries in 2021 (from Germany to Slovakia) directly determine the total number of overnight stays by foreign tourists. They account for 75.1% of overnight stays and 71.0% of foreign tourist arrivals, while all other countries participate with 24.9% of overnight stays and 29.0% of arrivals.

If we observe compared to 2020, the number of tourist arrivals from foreign countries increased by 91.9% and overnight stays by 77.6%. The countries that contributed the most to the increase in overnight stays were Germany (+ 84.9%), followed by Poland (+ 48.9%), Slovenia (+ 29.3%), and Austria (+ 188.5%).

Although we can say that the tourism sector in Croatia suffered disproportionate damage during the pandemic compared to most other economic activities, available indicators suggest that the arrival of foreign tourists is increasing at lightning speed. The fact that we are close to the main emitting markets is also in favor, and the structure of foreign guests' arrivals in Croatia is dominated by road transport, while air transport is much less represented, unlike competitors (Greece, Cyprus, Portugal depends heavily on air transport). Road connectivity has proven to be an advantage in the pandemic era as air transport has seen significantly more disadvantages than road transport.

What kind of tourist year will this be for Croatia? Taking all the above into account, with a high dose of probability we can say that it should be quite good. We will be able to confirm or refute our speculations only after the season. Therefore, we are leaving speculation to analysts, as we are going to search for our next destination for summer vacation!



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