

CONFIDA

Ideas that pay off.

Monthly Newsletter

February, 2023

CONFIDA.HR

I. INTEREST RATE ON LOANS BETWEEN RELATED PARTIES FOR 2023

The Official Gazette no. 151/22 published the Decision on the publication of the interest rate on loans between related parties.

The interest rate on loans between related parties for the year 2023 thus amounts to 2,4%, representing a decrease compared to the previous year when it was 2,68%.

Accordingly, for taxation of profits from January 1, 2023, an interest rate of 2.4% is considered:

- The lowest taxable interest rate that should be calculated by the entrepreneur when giving loans to non-resident related persons;
- The highest taxable interest rate is charged to the entrepreneur on the received loan by non-resident related persons.

Those mentioned above also apply to loans between resident-related parties if one of the related parties is in a privileged tax position.

II. COMPULSORY INSURANCE CONTRIBUTIONS BASES FOR 2023

The Croatian Tax Authorities announced an official Order on the amounts of compulsory insurance contribution bases, setting the 2023 base amounts for mandatory social insurance contributions as follows:

- The standard monthly minimum base at 519,53 EUR
- The standard monthly maximum base at 8.203,08 EUR
- The standard annual maximum base at 98.436,96 EUR

The minimal monthly base for calculation of board members contributions employed in the company in which they perform the above function full-time, is set at 888,67 EUR.



III. INTERNATIONAL FINANCIAL REPORTING STANDARD – IFRS 17: INSURANCE CONTRACTS

The IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, and replaces the existing IFRS 4, which was adopted as a “transitional standard”. Early adaptation of IFRS 17 is permitted, provided an entity also applies IFRS 9.

The new standard will enable a better understanding of the risk of insurers' exposure to investors, as well as the financial position and performance of insurers participating in the process. Namely, IFRS 17 will identify as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder).

WHAT'S THE IMPACT OF IFRS 17?

The IFRS 17, as a new accounting standard, ensures transparency of data and a high level of comparability at the level of local and global financial reporting. Data from the financial statements serve as the basis for assessing the effects of the contract on securing the financial position, financial results, and cash flows of the entity.

Both at and after the transition new accounting mismatches may arise, which will need to be identified.

The application of IFRS 17 will also have fundamental operational effects such as IT development, new tools, the adaptation of existing accounting standards and changes in KPI. This also means higher costs for insurance companies, which will need to develop internal and external systems for implementing the new standard.



IV. THE BEGINNING OF 2023
BRINGS NEW DEFAULT
INTEREST RATE

The Croatian National Bank published the average default interest rate that the European Central Bank applied to its last capital refinancing operations calculated for the reference period from 1 January 2023 to 30 June 2023. The stated average default interest rate amounts to 2.50%.

The Civil Obligations Act determines the interest rate by increasing the stated average default interest rate by 8 percentage points on relations from trade contracts and contracts between a trader and a public entity, and in other relations by 3 percentage points.

Following is an overview of default interest rates for the first half of 2023:

RELATION:		DEFAULT INTEREST RATE AS OF JANUARY 1, 2023
Contracts between traders	➤	10,50 % (2,50+8 p.p.)
Contracts between traders and public law entities	➤	10,50 % (2,50+8 p.p.)
Other relations	➤	5,50 % (2,50+3 p.p.)



CONFIDA

Ideas that pay off.

Monthly Newsletter

February, 2023

CONFIDA.HR

CONTACT

Confida - Revizija d.o.o.
Confida - Zagreb d.o.o.

Poljička ul. 5/V
10000, Zagreb

+385 1 4606 900

www.confida.hr

Christian Braunig
Managing Partner

e-mail

Frane Garma
Director

e-mail