

**CONFIDA**

# Ideas that pay off.

Monthly Newsletter

January, 2025.

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## 1.

### KEY LEGISLATIVE CHANGES IN 2025

We've summarized the most important updates you can expect in the new year!

#### 1 Minimum Wages and Base Amounts:

- The minimum gross salary as of January 1, 2025, is set at €970.
- The minimum base for directors has increased to €1,168.70.

#### 2 Increased Non-Taxable Benefits:

- The annual performance bonus has been raised from €1,120.00 to €1,200.00
- Scholarships for students and pupils increase from €560.00 to €600.00 per month.

#### 3 Changes to Payroll Calculations:

- The personal allowance has increased from €560.00 to €600.00, which raises net salaries and reduces income tax liability.

#### 4 VAT Threshold Changes:

- The turnover threshold for mandatory VAT registration has been raised from €40,000.00 to €60,000.00.

#### 5 Health Insurance Contributions:

- The exemption from health insurance contributions for young employees hired after January 1, 2025, is being abolished.
- Employees hired by December 31, 2024, retain this exemption for five years from their employment date.
- First-time employees enjoy an unchanged exemption—employers waive their health insurance contributions for one year.

#### 6 Local Income Tax Rates:

- In Zagreb, income tax rates will change to 23% and 33% starting March 1, 2025. Until then, the current rates will apply, affecting net salaries.

#### 7 New Gross Bases for Sole Proprietors:

- Flat-rate taxpayers: €262.51 per month.
- Income taxpayers: €426.59 per month.
- Independent activities: €721.90 per month.

Stay informed and adjust your business practices to align with these changes!

## 2.

### CHANGES TO WOMEN'S RETIREMENT CONDITIONS STARTING IN 2025

From January 1, 2025, new conditions for old age and early retirement for women will take effect:

- The retirement age for old-age pensions will increase to 63 years and 9 months.
- Early retirement will require 58 years and 9 months of age and 33 years and 9 months of service.

Working longer can lead to higher pensions – a 0.45% bonus per month of work after meeting the conditions for old-age retirement is available.

The transition period will last until 2030, when the conditions for men and women will fully align.

## 3.

### SEPA INSTANT PAYMENTS AVAILABLE FROM 2025

The Croatian Banking Association (HUB) has introduced SEPA instant payments, enabling fund transfers in just a few seconds, 24/7, all year round, starting in 2025. This development modernizes and digitizes Croatia's financial system, making payment transactions faster, safer, and more convenient.

As of January 9, 2025, all payment service providers must enable the receipt of SEPA instant payments. By October 9, 2025, they must also provide the option to send these payments.

Fees for SEPA instant payments will be the same as those for standard payments.



## 4.

### IMPORTANT NOTICE FOR TAXPAYERS

The Official Gazette No. 141, dated December 23, 2024, published the Decision on the Interest Rate for Loans Between Related Parties, effective December 31, 2024.

For the 2025 tax year, the interest rate for loans between related parties is 4.38%.

#### KEY POINTS TO REMEMBER:

- This rate applies to loans between related parties, including residents and non-residents, and domestic related parties with preferential tax status or the ability to carry forward losses.
- Taxpayers may determine interest rates using transfer pricing methods by Articles 13 and 14 of the Corporate Income Tax Act.

## 5.

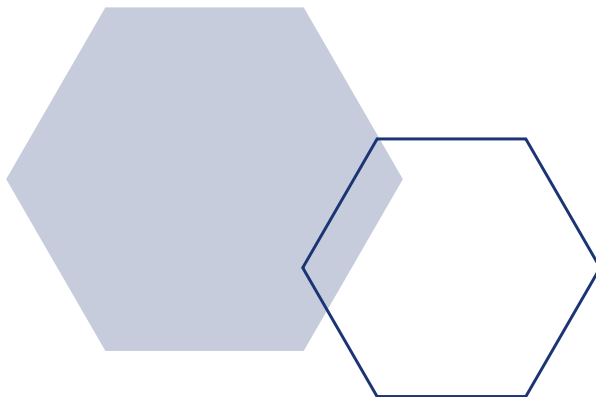
### EXPANSION OF MANDATORY ELECTRONIC SUBMISSION OF TAX RETURNS FROM 2025

As of January 1, 2025, amendments to the General Tax Act (Official Gazette 152/24) expand the obligations for taxpayers to submit tax returns and other data electronically. These obligations apply to:

- Corporate income taxpayers
- Individuals earning income from self-employment
- Individuals earning income from renting houses, apartments, rooms, Robinson accommodations, or organizing camps
- Crew members on ships engaged in international navigation

Taxpayers subject to flat-rate income tax can submit forms via the ePorezna system or the mPorezna mobile app.

By registering in the tax authority's system, users also consent to receiving notifications electronically.



## 6.

### CHANGE IN DETERMINING INCOME TAX LIABILITY FOR RENTAL OR LEASE OF REAL ESTATE

Implementing the Amendments to the Income Tax Act will now determine income tax liability on rental or lease income based on the location of the real estate. The Tax Administration will issue new tax decisions and payment plans for 2025 for taxpayers earning income from rental or lease activities whose residence is in a different municipality than the property being rented or leased.

#### GIVEN THIS CHANGE:

- The authorities will postpone the January 2025 tax obligation, and businesses must settle it by February 28, 2025, along with the February obligation.

With the legislative changes, taxpayers will receive updated decisions and payment plans, including new obligations and payment account details.

## 7.

### CHANGES TO THE ALIENS ACT – KEY UPDATES FOR EXPATS, DIGITAL NOMADS, AND FOREIGN WORKERS

The latest amendments to the Aliens Act bring significant updates:

- New residency purpose for expats!
- Extension of residency for digital nomads to 18 months.
- Stricter rules for employing foreign workers to protect the labour market.

In our latest [blog post](#), learn how these changes will impact the labour market and business operations!



## 8.

### HUB'S ECONOMIC OUTLOOK FOR CROATIA IN 2025 AND 2026

According to its latest forecasts, the Croatian Banking Association (HUB) expects Croatia to experience a moderate economic growth slowdown in 2025 and 2026. However, it will still grow faster than the EU average.

- » **GDP growth forecast** for 2025: **2.9%** to **3.3%**
- » **GDP growth forecast** for 2026: **2.6%** to **3.5%**

While personal consumption and investment growth are expected to slow, along with the stabilization of foreign demand, positive impulses will come from the recovery of key Croatian trade partners.

Economists remain optimistic, expecting continued unemployment reduction (from 5.3% in 2024 to 5.0% in 2025) and wage growth exceeding inflation.

Despite higher inflation rates above 2%, public debt will continue to decrease. The analysts expect the budget deficit 2025 to be 2.5% of GDP, which it does not consider a significant threat to financial stability.

## 9.

### UNEMPLOYMENT IN THE EUROZONE STABLE, SLIGHT DECLINE IN CROATIA

According to **Eurostat** data, the unemployment rate in the Eurozone remained stable in November at **6.3%**, while Croatia saw a slight decrease to **4.5%**, below the European average. Compared to November 2023, the number of unemployed in Croatia dropped by **19,000**, while the EU saw a reduction of **295,000**.

- » **Spain** has the highest unemployment rate at **11.2%**, while the **Czech Republic** has the lowest rate at **2.8%**.
- » Among the **under-25 age group**, unemployment in the Eurozone stood at **15%** and EU at **15.3%**.
- » **Spain** has the highest youth unemployment at **26.6%**, while **Germany** has the lowest unemployment rate at **6.4%**.



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## **CONTACT**

**CONFIDA – Revizija d.o.o.**  
**CONFIDA – Zagreb d.o.o.**

Poljička ul. 5/V  
10 000 Zagreb

+385 1 4606 900

**[www.confida.hr](http://www.confida.hr)**

**Christian Braunig**  
**Managing Partner**

e-mail

**Frane Garma**  
**Director**

e-mail