

*This guide has been prepared by an independent third-party firm.*

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## **CROATIA – TAX CONSIDERATIONS ON SHORT-TERM LETS**

The following information is a guide to help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Croatia.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in Croatia, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you:

- Personal Income Tax
- Value added tax (VAT)

Please understand that this information is not comprehensive and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with the Croatian Tax Authorities, or to seek advice from a certified tax advisor.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

We draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions.

### **A. PERSONAL INCOME TAX**

If you earn income in Croatia, it is likely that you will be required to pay a percentage of tax on this income to the Croatian Tax Authorities. Below is a brief outline of tax that may arise on income earned from short-term lets in Croatia and some information on how this tax can be paid to the Croatian Tax Authorities.

Please note the Croatian personal income tax legislation does not recognise the term "short-term rent" (or "long-term rent"). It only recognises the term rent. However, for ease of reference, we refer to income realised from renting flats, rooms and beds to travellers and tourists and organising camps as short-term.

Where you have any doubt regarding your taxes, you should consider whether it may be

appropriate to seek professional tax advice to assist you in complying with the tax rules.

## 1. Tax Period

**Croatia's tax year** runs from 1 January to 31 December.

## 2. Coming within the charge to personal income tax in Croatia

If you receive rental income in Croatia, you are subject to personal income tax charges. Under these circumstances there are no thresholds below which income tax would not be required to be paid.

## 3. Reporting tax on short-term rental income in Croatia

Income that you realise from renting out flats, rooms and beds to travellers and tourists and organising camps can be taxed in two different ways depending on the yearly earned amounts.

If your revenues exceed the annual threshold of EUR 39.816,84, then your income from short-term rent is deemed to be income from *Independent Personal Services* and you are liable to charge and remit VAT.

If your revenues do not exceed the annual threshold of EUR 39.816,84, then your income from short-term rent is deemed to be *Income from Property* and, if you are a Croatian resident and do not have revenues from other sources, you are not liable to charge and remit VAT.

### a) Income from Independent Personal Services

- b) If you are a VAT-taxpayer your rental income will be taxed as "Income from independent personal services". You are then obliged to keep accounting records and submit a yearly Personal Income Tax Return. The threshold of yearly revenues above which you become a VAT-taxpayer in Croatia is EUR 39.816,84.

**Income for Property**

If you are not a VAT-taxpayer your income from renting flats, rooms and beds to travellers and tourists and organising camps is deemed to be income from property and will be taxed lump sum. You are neither obliged to keep accounting records nor submit a yearly Personal Income Tax Return (if, in addition, you do not earn other kinds of income).

Instead, you are obliged to do the following:

- register with the Tax Administration by submitting the registration form "[RPO](#)" (e.g., digitally via [e-Porezna](#)) within 8 days as of the day when you have received your official approval for providing rental services (the same form should be used for deregistration purpose, as well),
- issue invoices for your services,

- keep records of your revenues using the form "[EP](#)".

#### **4. Filing deadline**

If you are a VAT-taxpayer with income from independent personal services, then you are obliged to submit the Annual Income Tax Return by the last day of February of the current year for the previous year (e.g., the tax return for 2023 needs to be filed at the latest on 28 February 2024)

If you are not a VAT-taxpayer, you are not obliged and do not have the right to file an annual income tax return.

#### **5. Payment deadlines**

The deadline for the payment of the annual personal income tax liability for income from independent personal services (VAT-payer) is 15 days from the day you receive your personal income tax assessment. The Croatian Tax Authorities usually need several months to process the annual personal income tax returns before issuing the assessment. However, prepayments need to be paid monthly, by the end of every calendar month.

The lump-sum personal income tax for income from property (not VAT-payer) is paid quarterly, by the end of each calendar quarter, in the amount of 1/4 of annual lump-sum personal income tax.

The annual amount of the lump-sum personal income tax is determined by a tax assessment issued by the Croatian Tax Administration.

#### **6. Croatian Personal Income Tax Rates**

The rates of the Croatian Personal Income Tax differ subject to the type of income.

##### **a) Income from independent personal services**

If you are a VAT-taxpayer your rental income will be taxed as "Income from independent personal services" and the standard tax tariff with rates of 20% for taxable income below EUR 47.780,28 and 30% for taxable income exceeding EUR 47.780,28 per year is applicable.

##### **b) Income from property**

If you are not a VAT-taxpayer, your income from renting flats, rooms and beds to travellers and tourists and organising camps is deemed to be income from property and is taxed lump-sum.

The amount of tax is calculated as follows: The number of beds or accommodation units in the campsite for let is multiplied by a lump-sum tax amount per bed or

accommodation unit in the campsite. The lump-sum tax amount differs depending on the local municipality in which the service is provided but cannot be less than EUR 19,91 or more than EUR 199,08 per bed.

The amount of personal income tax is further increased by a local surtax (city tax). The base for the surtax is the amount of personal income tax. The rate of surtax depends on your place of residence or habitual abode in Croatia. Surtax rates vary from 0% up to 18% (the highest surtax rate applies in Zagreb).

Sample Tax Calculation - Lump-sum	
Mark owns a 2-bedroom house with four beds in Dubrovnik that he rents out in its entirety	
Number of beds for let	4
Amount of lump-sum tax per one bed	EUR 99,54
Lump-sum tax	EUR 398,16
Rate of surtax for Dubrovnik	10%
Surtax	EUR 39,82
Total amount of lump-sum tax and surtax	EUR 437,98

## 7. Typical expenses that can be deducted from an individual's income in relation to short-term lets

What expenses are tax deductible depends on the kind of income.

### a) Income from independent personal services

If you are VAT-taxpayer receiving income from independent personal services from short-term renting, the usual business expenses (such as the fees charged by Airbnb to you) are tax deductible. The tax-deductible depreciation rate for buildings is 5% per year.

### b) Income for property

If you are not a VAT-taxpayer, your income from renting flats, rooms and beds to travellers and tourists and organising camps is deemed to be income from property. However, no expenses are tax deductible from such income.

## 8. Croatian income tax obligation for non-resident individuals

If you are a non-resident that receives revenues from renting out flats, rooms and beds to travellers and tourists and organising camps in Croatia, such income is in general subject to personal income tax in Croatia under virtually the same rules as outlined above for individuals residing in Croatia. The income of a non-resident is taxed lump-sum as income from property if the yearly revenues do not exceed EUR 39.816,84. However, any non-resident receiving revenues from renting out flats, rooms and beds to travellers and tourists, and organising camps in Croatia is deemed to be a Value Added Tax (VAT) taxable person starting with the first euro of turnover. Furthermore, international tax treaties may apply to avoid double taxation. We therefore advise you to seek support from a certified tax advisor to receive certainty on your tax position.

#### **9. Croatian income tax obligations for a Croatian individual in receipt of foreign rental income**

If you are a Croatian tax resident receiving foreign rental income, then you are liable to report such income and pay personal income tax in Croatia as Croatia levies tax on all income you receive, regardless from which country that income originates.

If personal income tax prepayments on such rental income have been paid abroad, then personal income tax prepayments need not to be paid in Croatia. However, you need to file an annual personal income tax return (form INO-DOH).

### **B. GENERAL PROPERTY TAXES**

Property taxes only apply to holiday houses and amount from EUR 0,66 up to EUR 1,99 (depending on the municipality) per square meter of usable surface of the holiday house. Any house or part of a house that is only used occasionally or seasonally is considered to be a holiday house. This also applies to houses and flats that are seasonally used for renting out flats, rooms and beds to travellers and tourists.

### **C. VALUE ADDED TAX**

Value added taxes can be complicated and you should take time to understand the rules as they apply to you and your particular situation.

Broadly speaking, VAT in Croatia is a tax on consumption. Most goods and services supplied in Croatia are subject to VAT.

A person who supplies goods and/or services in Croatia may have to charge and pay VAT to the Croatian tax authority. As with all taxes, we encourage you to consult with a certified tax advisor regarding your potential VAT obligations in Croatia.

If you are currently renting a room to guests, you may be required to apply VAT to your rental charge and to pay this VAT amount to the Croatian tax authorities. As Airbnb is not supplying

the rental, it is the responsibility of the host to consider local VAT obligations of the rental charge.

### **1. Do I need to collect any VAT from guests if I am letting short-term accommodation in Croatia?**

In general, individuals who are in business in Croatia need to charge VAT on their supplies and services once the criteria for VAT registration are met.

As a Croatian resident, you are required to register for VAT in Croatia if your turnover exceeds EUR 39.816,84. As such, where you supply short term accommodation and you reach this threshold, you should register for VAT.

If you are an individual who is not resident in Croatia, but your accommodation is located in Croatia, then you should also register for VAT, as no registration threshold applies to you.

We encourage you to consult a certified tax advisor if you need assistance in determining whether you need to register for and charge Croatian VAT.

For further guidance on registering for VAT, please see the Croatian tax authorities' [website](#).

### **2. VAT applies to me. How do I determine how much tax I need to collect from my guests?**

VAT rates differ per country and change periodically. We recommend you to check on a regular basis with the local tax authority to get the most up to date VAT rates for the country where you are required to pay VAT.

For example, at the date of issuance of this document, the VAT rate applicable to supplies of holiday accommodation services is 13% in Croatia.

However, there are other VAT rates currently in force in Croatia, so we recommend that you confirm with a local certified tax advisor the VAT rate applicable to your supplies.

### **3. VAT applies to me. How do I collect VAT from guests?**

If VAT applies to you, you need to issue an invoice with Croatian VAT to your guest.

If you determine that you need to charge VAT on the supplies that you make to your guests, keep in mind that you have to collect this VAT from your guests, and report and remit this VAT on a periodic VAT return. In Croatia, the VAT return typically covers a monthly period and is required to be filed by the 20th day of the following month (*i.e.*, the January VAT return is due to be filed by the 20th of February). The VAT payment is required to be made on the last day of the following month (*i.e.*, the January VAT return payment is due by the 28th February). There may also be certain other filing obligations and it is recommended that you confirm with a local certified tax advisor your VAT compliance obligations.

For further guidance on filing returns, please see the Croatian tax authorities' [website](#).

There may also be requirements around whether you use VAT-inclusive or VAT-exclusive pricing. We recommend that you check your obligations in terms of pricing and the applicable invoice requirements with a local certified tax advisor.

#### **D. MEMBERSHIP FEE OF THE LOCAL TOURISM ASSOCIATION**

An additional duty, apart from the taxes, is the membership fee of the local Tourism Association. Every person letting short-term accommodation is by law a member of the Tourism Association of the municipality in which the property is located. Therefore, you need to file an annual membership fee calculation to the Croatian Tax Authorities by the 15<sup>th</sup> of January of the following year.

For taxpayers who pay lump-sum income tax on income from property, the annual membership fee ranges from EUR 3,98 and 10,62 per bed, person or accommodation unit, depending on the kind of accommodation. The fee can be paid in one instalment by the 31<sup>st</sup> of July of the following year or in three equal instalments by the 31<sup>st</sup> of July, the 31<sup>st</sup> of August and the 30<sup>th</sup> of September of the following year. The annual membership fee calculation is submitted using form TZ 2.

For taxpayers who pay income tax on income from Independent Personal Services, the annual membership fee amounts to 0,14212% of the annual net turnover from letting short-term accommodation and has to be paid in monthly instalments. The annual membership fee calculation is submitted using form TZ 1.

#### **E. CROATIA TAX AUTHORITIES - CONTACT DETAILS**

All contact details and other useful information about taxes in Croatia are published on the website of the Croatian Tax Authorities: <https://www.porezna-uprava.hr>.

The numbers of the call centre of the Croatian Tax Authorities are (on working days from 8 a.m. until 3 p.m.):

0800-10-01  
0800-66-99-33  
0800-18-11