



Croatia

WTS Global Country TP Guide

Last Update: December 2017

1. Legal Basis	
Is there a legal requirement to prepare TP documentation?	Yes
Since when does a TP documentation requirement exist in your country?	2005
Are TP policies of multinational enterprises in principle accepted by the tax authorities, if they are in line with the OECD TP Guidelines?	Yes
Have the documentation requirements of OECD BEPS Action 13 already been implemented (i.e. the LF, MF and CbCR concepts)?	CbCR implemented; No MF/LF.
Reference to relevant articles of law, legislative regulation or applicable administrative guidance that are in place for TP documentation in general:	Article 49 of the General Tax Act defines in which case are two parties considered as related parties. Article 13 of the Corporate Income Tax ("CIT") Act and Article 40 of the CIT Ordinance prescribe arm's length principle as the basic principle to be followed and define the methods allowed, as well as the documentation required to be prepared in relation to transfer pricing.
2. Master File (MF)	
What is the (consolidated revenue) threshold requirement for the obligation to prepare a MF?	Not implemented There are no requirements in the Law regarding Master file. In practice, the documentation follows the OECD Requirement and the Code of Conduct on Transfer Pricing Documentation for Associated Enterprises in the European Union (EUTPD).
3. Local File (LF)	
	Not implemented
4. Country-by-Country Reporting	
What is the threshold requirement for the obligation to prepare Country-by-Country Reporting?	Yes EUR 750,000,000
As from which year does this CbCR obligation exist?	As from the year following the year that the threshold is met. Taxpayers that have reached the threshold have 12 months from the last day of the tax year in which the threshold was met or exceeded to prepare the CbCR report. For example, for the fiscal year 2017, the CbC report must be submitted no later than 31 December 2018.
When and how do the tax authorities need to be notified who the reporting entity is?	The Croatian Tax Authorities has issued a notice to all companies, members of MNE's, to report to them on their status in the group where they had to confirm if they're were parent company of MNE, designated surrogate parent company or a subsidiary of MNE. All companies which are MNE subsidiaries also had to report the name of the country and tax residency of the MNE filing their CbCR.
If the reporting entity (ultimate parent or surrogate parent) is in your country, what is the CbCR submission deadline?	12 months from the end of the fiscal year to which CbCR relates
Are there any deviating submission deadlines for the secondary mechanism?	No

Does your country have a requirement that the financial figures of the group need to be aligned with?	No
Does your country have a requirement that the financial years of the group need to be aligned with?	No
Where is the CbCR to be submitted ?	CbCR is to be submitted electronically to the Croatian Tax Authorities.
How is the CbCR to be submitted, specifically, is there any prescribed standard?	No prescribed standard.
What are the possible consequences of not having the CbCR available?	
Penalties?	Yes
Imprisonment?	No
Shifting of the burden of proof?	No
Other?	No
To which extent do your local rules differ from the OECD standard regarding the content requirements for the CbCR as shown in the 2017 OECD TP Guidelines?	Consistent with OECD requirements
Did your country sign the Multilateral Competent Authority Agreement on the Exchange of CbC Reports ("CbC MCAA")?	Yes
Did your country enter into other information exchange agreements, such as on a bilateral basis?	Yes
Please specify the country involved and date the agreement came into force.	Croatia implemented the European Union Automatic Information Exchange Directive (EU Directive 2016/881/EU). The EU Directive was implemented in Croatian Law in January 2017.
Can a taxpayer in your country fulfil his CbCR requirement by referring to the reporting entity in the same or another country?	Yes

5. TP disclosure in tax return or transfer pricing specific returns

Does a taxpayer need to disclose information regarding TP documentation in his tax return?	Yes, by submitting separate report on transactions with related parties.
What would be the filing deadline?	Transfer pricing documentations should be available at the time of CIT return submission which is four months after the end of financial year.
When a taxpayer files a tax return for which he understands or should understand that the result reported in that tax return is too low due to incorrect transfer pricing, what could be the legal consequences?	The Tax Authorities would calculate additional CIT liability (increased for penalty interest). Also, there is monetary fine for filing an incorrect CIT return in amount up to HRK 200.000 (approximately EUR 27.000), and up to HRK 20.000 (approximately EUR 2.700) for the responsible person.
What could be the consequences for the tax advisor/accountant/administrator drafting and filing the tax return of a client where that advisor/accountant/administrator understands or should understand that the result reported is too low due to incorrect TP?	No information.
Does a taxpayer need to file TP-specific returns?	No

6. Benchmarking	
Is there any local guidance or requirement with regard to the preparation of a benchmark study?	No
Are there any materiality thresholds that apply for the requirement to have a benchmark study available?	No
Does your country apply the general guidance by the OECD to prepare a new benchmarking search every three years and an update of the financial data of the accepted comparable in year 2 or 3?	No
Or is a new search every three years without any financial updates in year 2 and 3 sufficient?	Yes. It is generally acceptable that new benchmarking study is prepared every three years (without any updates of the financial data of the accepted comparable companies in year 2 and 3), as long as there have not been any changes to factors affecting transfer prices.

7. Year-end adjustments	
Are year-end adjustments permissible?	Yes
Does the taxpayer have to comply with any specific features or guidance?	No

8. Transfer Pricing Audit and Dispute Resolution Mechanisms	
What are currently the main TP areas of scrutiny by the tax authorities in your country?	Base eroding payments.
Based on your experience, are joint or multilateral audits initiated and carried out?	No
Does the taxpayer have the option to apply for bilateral or multilateral APAs?	Yes
Are there any restrictions?	No specific restrictions.

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