

THE OECD TAX-BENEFIT DATABASE

Description of policy rules for
Croatia 2023



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Description of policy rules for 2023

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Preface

This report provides a detailed description of the tax and benefit rules in Croatia as they apply to working-age individuals and their dependent children. It also includes output from the [OECD Tax-Benefit model \(TaxBEN\)](#), which puts all these complex legal rules into a unified methodological framework that enables international comparisons of how tax liabilities and benefit entitlements affect the net disposable income of families in different labour market circumstances, e.g. in employment versus unemployment.

The **main body** of the report describes the rules that are relevant for the family and labour market characteristics that are within the scope of the **TaxBEN** model (see below for the methodology and user guide). The **annex** provides information on other cash benefits and taxes on employment income that are relevant for other groups of the working-age population, but are outside the scope of the **TaxBEN** model.

TaxBEN is essentially a large cross-country calculator of tax liabilities and benefit entitlements for a broad set of *hypothetical* families (“vignettes”), e.g. a married couple of 40-years-old adults with two children aged 4 and 6 (click [here](#) for a quick overview of the **TaxBEN** model). **TaxBEN** incorporates rules on the main taxes on employment income, social contributions paid by employees and employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family and childcare benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits, maternity and parental leaves benefits are included in the model for a sub-set of countries and years. The main policy instruments that are currently not included in the **TaxBEN** model are taxes on wealth (e.g. taxes on immovable and unmovable properties), indirect taxes (e.g. VAT), early-retirement benefits, short-time work compensation schemes, sickness benefits, and in-kind benefits (e.g. subsidised transport and free health care).

Useful online resources for the OECD tax-benefit model (TaxBEN)



[TaxBEN web calculator](#)



[Methodology and user guide](#)



[OECD tax-benefit data portal](#)



[Network of national experts](#)


Guidelines for updating this report (for national experts)



[General guidelines](#)

Detailed [guidelines for updating Section 5](#) “Net costs for Early Childhood Education and Care”

Reading notes and further details on the content of this report

- **Reference date** for the policy rules described in this report: **1 January 2023**.
- The symbol  in the text provides a link to the glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- **TaxBEN** variables are indicated in the text using the format `[variable name]`.

The OECD tax-benefit model for Croatia: Policy rules in 2023

1. Reference wages

Croatia adopted Euro on 1 January 2023. A fixed conversion rate was set at EUR 1 = HRK 7.5345 (Croatian kuna).

Average wage **[AW]**: The average full-time wages used in the OECD tax-benefit model are available [here](#)¹. According to the Statistics Croatia, in the period from January to December 2022 the average monthly gross earnings for activities B-N (by NACE Rev. 2) amounted to EUR 1 325.37 (annual value EUR 15 904.84). In 2022, this was HRK 9 986 per month in Croatian kuna (HRK 119 835 per year). If estimates for the latest years are not available yet, the model uses wage projections obtained by applying forecasted wage growth² to the latest available wage estimate.

The minimum wage **[MIN]** in 2023 is EUR 700 per month. The annual minimum wage is computed by multiplying the minimum monthly wage by 12, i.e. EUR 700 * 12 = EUR 8 400.

According to the National Gazette 118/2018, 120/202, the Minimum Wage Law, a minimum wage for the following calendar year is determined once a year no later than October 31 of the current year. The amount of the minimum wage is determined by the decree of the Government of the Republic of Croatia based on the proposal of the minister responsible for labour. The minimum wage cannot be set at an amount lower than the amount that was set for the previous year.

The minister responsible for labour will propose the minimum wage to the Government after consultation with social partners and paying special attention to activities with low wages and vulnerable groups of employees as well as considering:

- the increase of the share of the minimum wage in the average gross wage paid in legal entities from January to July of the current year;
- inflation;
- trends of wages;
- trends in unemployment and employment;
- demographic trends and the overall state of the economy.


¹ Average Wages are estimated in line with the methodology developed by the [Centre for Tax Policy and Administration](#) at the OECD. For more information on methodology see the latest [Taxing Wages publication](#).

² Wage growth projections are based on [OECD Economic Outlook](#) and [EU economic forecasts](#) (for non-OECD countries).

2. Unemployment benefits

2.1. *Unemployment cash benefit* (Novčana naknada za vrijeme nezaposlenosti)

Variable names: [UI_p; UI_s]

This is an unemployment insurance benefit. It is non-contributory (since 1 January 2019), not means-tested and not taxable. 


2.1.1. *Eligibility conditions*

Age: Person is 15-65 years old.

Contribution/employment history:

From 1 January 2019, employment contributions are abolished. Thus, unemployment rights are no longer linked to contribution history. Unemployment benefits are financed from general budget revenue. Nevertheless, the eligibility to the benefit is still based on employment history.

The right to unemployment benefit is granted to an unemployed person who has performed a job for at least 9 months in the period of 24 months before termination of employment. Besides work period, following periods also account as employment: time spent on sick leave or maternity, parental, adoptive or custodial leave after the termination of employment or service, if a worker received a salary compensation during a leave.

Behavioural requirements and related eligibility conditions:  The most important conditions for unemployed person to obtain unemployment benefit are:

- involuntary unemployment (i.e. through no fault of their own or against his/her own will),
- fulfilment of a minimum period of insurance,
- registration at the Croatian Employment Service,
- application for benefit within 30 days of the termination of employment,
- capable of work,
- actively seeking employment.

TaxBEN assumes that these compulsory conditions are satisfied when simulating unemployment benefits.³

2.1.2. *Benefit amount*

Calculation base: The basis for determination of the unemployment benefit amount is beneficiary's average gross salary acquired in a three-month period preceding the termination of employment. Since March 2017, the base is not reduced for compulsory pension insurance.

Benefit amount: The unemployment benefit for the first 90 calendar days amounts to 60% of prescribed basis while for the remaining time it decreases to 30% of the basis.

³ Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see [How demanding are activation requirements for jobseekers? - OECD](#).

The maximum amount of unemployment benefit for the first 90 days cannot be higher than 70%, and for the remaining time cannot be higher than 35% of the average net salary paid in the Croatian economy in the previous year, according to the latest officially published data. The average monthly net salary paid in the Croatian economy in 2022 was EUR 1 016.

The minimum amount of the benefit cannot be lower than 50% of the minimum gross salary decreased by contributions for compulsory pension insurance (EUR 280 per month)⁴, except in the case where the amount of benefit is determined according to the percentage of time spent at work. Minimum gross salary in 2023 was set at EUR 700 per month.

2.1.3. *Benefit duration*

Unemployment cash benefit is granted to the unemployed person for a period that depends on the previous period of employment, namely:

- 90 days if the person has spent 9 months to 2 years at work
- 120 days if the person has spent more than 2 years at work
- 150 days if the person has spent more than 3 years at work
- 180 days if the person has spent more than 4 years at work
- 210 days if the person has spent more than 5 years at work
- 240 days if the person has spent more than 6 years at work
- 270 days if the person has spent more than 7 years at work
- 300 days if the person has spent more than 8 years at work
- 330 days if the person has spent more than 9 years at work
- 360 days if the person has spent more than 10 years at work
- 390 days if the person has spent more than 15 years at work
- 420 days if the person has spent more than 20 years at work
- 450 days if the person has spent more than 25 years at work.

The benefit is paid 7 days per week. The transfers to recipients are made once per month. In the model, it is assumed that the benefit is paid 30 days per month.

An unemployed person who spent more than 32 years working and needs maximum of 5 years to fulfil the age limit for old-age pension shall be entitled to unemployment benefit until reemployment or until the occurrence of other circumstances, which cause the termination of the right to this benefit (*not simulated*). The statutory age limit for old-age pension for men is 65 years. For women the age limit is increasing by 3 months each year until it reaches 65 years. In 2023, the age limit for women is 63 years and 3 months.

The right to cash benefit can be re-established in case of accumulating a new employment period of at least 9 months in last 24 months. In case the beneficiary becomes employed before the end of the benefit entitlement period and acquires the status of unemployed person again, the remaining entitlement period is transferred to the new unemployment spell.

2.1.4. *Means test*

The benefit is not means-tested.

⁴ This minimum benefit amount applies also if the average gross salary of a full-time employee in the reference period was zero.

2.1.5. Tax treatment

The benefit is not taxable.

2.1.6. Interactions with other components of the tax-benefit system

Person cannot simultaneously receive unemployment cash benefit and other benefits related to unemployment; benefits paid during maternity and parental leaves; up-to employment benefit and parent caregiver benefit; other benefits if a benefit amount is higher than unemployment benefit (if an amount of other benefit is lower than unemployment benefit, then person receives the difference between the two amounts).

It is also not possible to receive unemployment benefit if a person receives an old-age pension, anticipated old-age pension, survivors' pension, or disability pension due to complete loss of work capability.

Unemployed person who, while receiving unemployment benefit, acquired the right for a disability pension due to partial loss of work capability in the amount below the amount of unemployment benefit, is entitled to the difference between disability pension and the unemployment benefit initially determined for him.

Unemployment benefit is regarded as income that influences granting the child allowance, guaranteed minimum benefit and assistance in settling of housing and heating costs.

2.1.7. Combining benefit receipt and employment/starting a new job

A beneficiary temporary cannot acquire the right to unemployment benefit, if he acquires a monthly income from performing services according to special regulations (like temporary service contract) or other income according to regulations on Income Act (various types of income like scholarships, royalties and other) in an amount higher than average unemployment benefit paid in previous year. If a beneficiary has earned that type of income but lower than the average unemployment benefit, he continues to receive the benefit without interruptions. If a beneficiary establishes work relations (regular employment with salary), the right ceases.

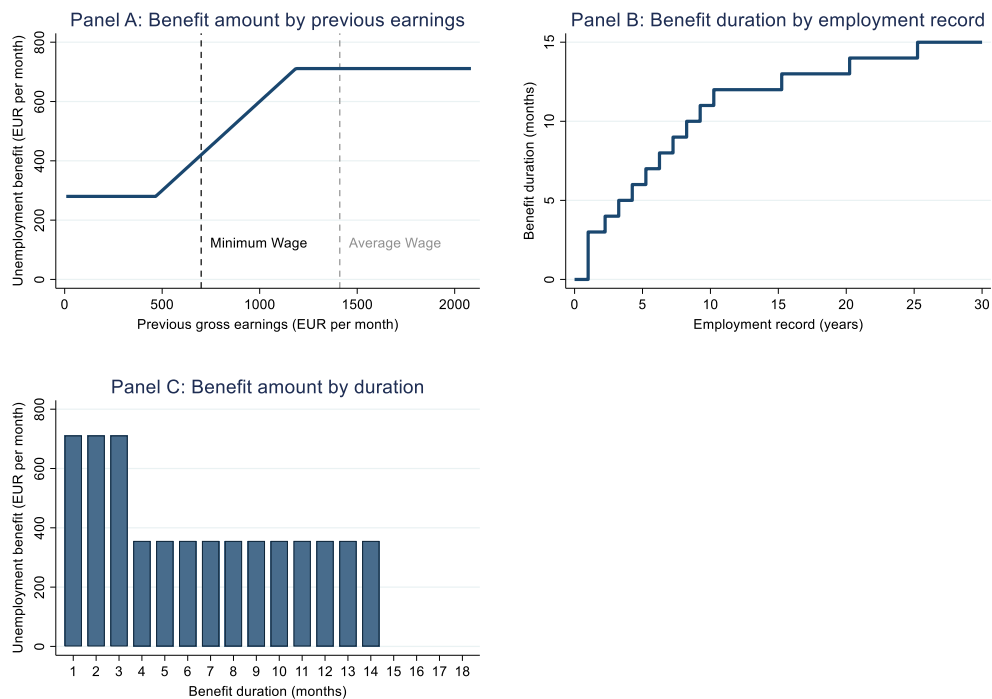
In the model, it is assumed that if a person starts a job it is regular employment. Therefore, it is not possible to combine receipt of unemployment benefit and income from employment in the model.

2.1.8. Indexation

The benefit amount is a percentage of beneficiary's previous average gross salary. The maximum amount is a percentage of the average net salary in the Croatian economy in the previous year. The minimum amount is linked to the minimum gross salary. There are no other monetary parameters subject to regular indexation in this policy.

Figure 1. Unemployment benefit

40-year old single person without children



Note: Benefit rules do not depend on family structure. Panel A shows the benefit amount in the 2nd month of unemployment benefit receipt. Panel B assumes a 50-year-old person with employment record up to 30 years. Panel C shows the benefit amount for a person with employment record of 22 years and previous earnings at the average wage.

Source: OECD Tax-Benefit Model.

2.2. Unemployment assistance

OECD note: In many OECD countries, jobseekers who do not qualify for Unemployment Insurance (UI – Section 2.1), or whose entitlement to UI is low or has expired, can claim Unemployment Assistance (UA – this section) and/or Social Assistance benefits (SA – Section 3). These UA and SA benefits have different purposes (and reach different target groups). For instance, while the main purpose of UA is to encourage the labour market reintegration of jobseekers who have exhausted or are not eligible to the standard UI benefit, the purpose of SA programmes is to provide an acceptable standard of living for families unable to earn sufficient incomes from other sources. Conditions for UA typically include requirements to register with the public employment service and participate in active job search in a similar way as for UI. This is *not always* the case for SA benefits, for which low income is the key entitlement criterion and activation requirements exist only for those who are capable of work.

Based on this definition, Croatia and the representative municipality considered in this report (the City of Zagreb) do not currently provide a national/local Unemployment Assistance programme. Nevertheless, Croatia provides a Social Assistance programme (described in Section 3.1).

3. Social assistance and housing benefits

3.1. *Guaranteed minimum benefit (Zajamčena minimalna naknada)*

Variable name: [SA]

This is a non-contributory benefit, means-tested and not taxable. In February 2022, the new Social Welfare Act (National Gazette nos.18/2022, 46/2022, 119/2022)⁵ and the base for determining the amount of the Guaranteed minimum benefit (National Gazette no.23/2022) entered in force, changing slightly the eligibility conditions and making the benefit more generous. *These changes are described below and implemented in the model in 2023 since the policy reference date is 1 January.*

Explanation of terms used in this section:

- *Household* is a group of individuals that live together and settle life expenses together
- *Child* is a person younger than 18 years of age
- *Person completely incapable for work* is a person who is temporarily or permanently unable to be included in work processes, according to the regulations on expertise and expertise methodologies
- *A partially able-bodied person* is a person who has been determined to have a partial loss of working ability according to the regulations on expertise and expertise methodologies
- *Basic life needs* are food, accommodation, clothing and other things for personal needs; the basic life needs of children and young people also include the needs arising from their development and growing up and upbringing and education; the basic life needs of children with developmental disabilities and adults with disabilities also include additional needs resulting from damage to their health or disability
- *Income* is money earned on the basis of work, pension, receipts from property or in some other way, for example, receipts from shares in capital, interest from savings, etc. earned in the country and abroad, less the amount of taxes and surcharges paid
- *Assets* are all movables, real estate, property rights, cash in domestic and foreign currency, savings, i.e., funds in personal accounts or savings books, gifts, securities, shares, business shares, housing savings, life insurance and other assets in at home and abroad.

3.1.1. *Eligibility conditions*

Guaranteed minimum benefit is intended to secure basic life needs of a person or a household that has no means to provide for themselves (in the amount of the benefit) and can't acquire them through their work, through their income, through the income from the sale or rental of an apartment or house owned by a single person or of a household member, which is not used for housing, through sale or use of business premises, sale of movable property that is not used to meet basic life needs, through sale, lease or rental of other

⁵ See here: <https://www.zakon.hr/z/222/Zakon-o-socijalnoj-skrbi>.

property that do not meet the basic needs of life, through other grounds or from persons who are obliged to support them.

The income and assets of a person or household members are subjected to means test before exercising this right.

If a person is fully capable or partially capable for work, he or she should be registered as an unemployed person at the Croatian Employment Service. This rule doesn't apply to:

- person who requires five years for acquiring old age pension,
- child after the age of 15 while attending regular education programmes, up to the age of 26,
- pregnant woman or woman who gave birth in a period of 6 month after birth,
- parent who raises and takes care of a child till it reaches one year of age, or twins till they reach three years of age, three or more children till they reach ten years of age and parent who uses adoption leave,
- person for whom temporary unemployability has been established,
- unemployed member of a household without income who provides care for a child or provides care for adult family member incapable to take care of himself, if such care provision replaces institutional care,
- unemployed member of a household who provides care for a child of pre-school age when it is not possible to secure such care provision through third party or in educational institutions.

An able-bodied and partially able-bodied single person or a member of a household who is a beneficiary of the right to guaranteed minimum benefit is obliged to accept employment and be active in looking for work and available for work according to employment laws. If a beneficiary of guaranteed minimum benefit (a single person or a member of a household), who is capable or partially capable for work, declines a job offer without justified reason, cancels an employment contract in his own free will or refuses to participate in work for common good without compensation, than he loses the right to this benefit for a prescribed period, that is the benefit granted to a household is reduced for the share of that household member. This rule doesn't apply to categories described above.

TaxBEN assumes that these compulsory behavioural conditions are satisfied when simulating guaranteed minimum benefit.

3.1.2. Benefit amount

The basis for determining the amount of the benefit is EUR 132.72 per month. The benefit is calculated as the percentage of the base:

- for a single person:
 - entirely incapable for work - 130% (*not modelled*)
 - older than 65 – 130% (*not modelled*)
 - capable for work - 100%
- for a person within a household:
 - lone parent capable for work - 120%
 - lone parent entirely incapable for work – 135% (*not modelled*)
 - adult member of a household capable for work - 70%
 - adult member entirely incapable for work – 95% (*not modelled*)
 - person older than 65 – 95% (*not modelled*)
 - child - 70%

- child in one-parent family (divorced parents) – 80%
- child of a lone parent (e.g. one parent deceased or missing) – 90% (*not modelled*)
- pregnant woman and mother in a period of 6 months after birth – 120% (*not modelled*)

Amount of the benefit granted to a household cannot be higher than 150% of the gross amount of minimum wage (EUR 1 050 per month in 2023).

3.1.3. Benefit duration

Period for which the guaranteed minimum benefit is acknowledged is not limited for a beneficiary that fulfils all prescribed conditions.

3.1.4. Means test

Income test

If a person or a household member receives income, the amount of a guaranteed minimum benefit corresponds to the difference between the prescribed amount of the benefit for a person/household without income and the monthly income of a person or a household achieved in the month when the benefit is granted (in period between the month of starting the procedure for granting the benefit and month prior to the month when the decision was brought, income in each month is taken in regard separately). Beneficiary is obliged to report on different circumstances that affect either exercising the right or the amount of benefit.

If a single person or a household earns income, the amount of the guaranteed minimum benefit for each individual month from the initiation of the procedure to the adoption of the decision is determined as the difference between the amount of the guaranteed minimum benefit prescribed by the Law and the income of the single person or household in each individual month starting from the month in which the procedure for recognition of rights until the month preceding the month in which the decision is made.

The amount of considered income is reduced by the amount that a single person or household member pays for the support of a person with whom he does not live (for example, child support). *This is not covered by the model.*

Income includes all financial resources that a single person or a household member earns in the home country or abroad from work, pension, property income or in some other way (for example, income from equity shares, interests from savings, etc.), reduced by social insurance contributions that represent financial burden of a taxpayer, tax and surtax.

Income doesn't include many sources of income that are elements of the social protection system: assistance in settling of housing costs; benefit for users with difficulties in settling energy products expenditures, financial compensation for physical impairment; assistance and care supplement and personal disability benefit; child allowance; scholarships for pupils and students during regular schooling; means for covering losses that came as a consequence of natural disasters; temporary child support; child support (alimony) to the amount of minimal wage; cash allowance and compensation of travel expenses during vocational training; lump-sum supports for a new-born baby granted by central government and local/regional self-government units, survivors' pension for children up to the amount of minimal wage and other.

Asset test

The property test is used for determining the eligibility conditions, i.e. recognition of rights to the benefit.

Procedures in the social welfare system are carried out by professional workers (social workers, lawyers, administrative lawyers) in the Regional Offices of the Croatian Institute for Social Work, who determine the facts and circumstances and resolve the administrative matter based on the established facts and circumstances.

The Law on General Administrative Procedure ("Official Gazette", number: 47/09 and 110/21) stipulates that an official in a public law body independently determines the facts and circumstances in the procedure and resolves the administrative matter based on the established facts and circumstances. Which facts and circumstances will be considered proven is determined by the official person with a free assessment, based on a conscientious and careful assessment of each piece of evidence separately and all the pieces of evidence together, and based on the results of the entire procedure.

Assets included in the assessment

- Main residence

If a person lives in the only property he owns and if he meets other requirements, he will be able to exercise the right to guaranteed minimum benefit.

- Other immovable properties owned by the claimant or their family

When determining the conditions for the guaranteed minimum benefit, the value of the real estate is not considered, but only the ownership or co-ownership. If the real-estate, that is not used for beneficiaries' habitancy, can be sold or rented, then claimants cannot exercise the right to the guaranteed minimum benefit. If this is not a case, then the ownership is not an obstacle for receiving the benefit.

- Cultivated and/or uncultivated lands

The value of the land is not determined, but only the ownership or co-ownership of the land. If a person can "rent" the land in order to make a profit, then the amount of the monthly rent must be determined. If the rent is less than the amount of the guaranteed minimum benefit, then the person may be entitled to the difference between the amount of the rent and the calculated amount of the guaranteed minimum benefit for a single person or a household. If the amount of the monthly rent is higher than the calculated amount of the guaranteed minimum allowance for a single person or a household, then they will not be able to exercise the right to the guaranteed minimum benefit.

- Vehicles

The guaranteed minimum benefit will not be granted to a person if he owns a vehicle worth more than EUR 2 654.46 (or HRK 20 000). The value of the vehicle is estimated either by retrieving data from the records of the Ministry of the Interior (newer vehicles) or by checking the catalogue value of the vehicle through the Croatian Vehicle Center.

- Household appliances and personal belongings

If it is about necessary items in the household that serve to meet basic life needs, the value of the item will not be determined. The value of jewellery will be determined only if a person declares that he owns it. If the information about the possession of more valuable

property (e.g. jewellery) is not known to professional workers, then the possession of such type of movable property will not be recorded.

- Movable assets

According to the Social Welfare Act, assets are all: movables, real estate, property rights, cash in domestic and foreign currency, savings, i.e. funds in personal accounts or savings books, gifts, securities, shares, business shares, housing savings, life insurance and other assets in the country and abroad.

Determination of the rights to benefit

The right to the benefit cannot be granted to a single person or a household who can secure the means for fulfilling their basic needs (in the amount of benefit) by:

- sale or rent of a house or apartment, owned by a single person or a member of the household that is not used for their living;
- sale or use of business premises owned by a single person or a member of his household;
- sale of a movable property owned by a single person or a member of the household that is not used for fulfilling their basic needs;
- sale, lease or rent of other property owned by a single person or a member of the household that is not used for fulfilling their basic needs;
- other grounds.

The right to the benefit also cannot be granted to a single person or a household member who:

- owns a registered vehicle whose value is higher than EUR 2 654.5 (40 times the basis of EUR 66.36), except the vehicle which is used for transportation of a household member - user of a right based on a personal disability, as well for transportation of elderly and mobility-impaired persons, or in a case the vehicle is necessary because of isolated location;
- has entered into an agreement on lifelong support, except in the case of initiation of proceedings for termination, determination of invalidity or annulment of the agreement;
- is user of an accommodation or organized housing service based on Social Welfare Act, except for a homeless person who is a user of an accommodation or organized housing service in a shelter, a victim of domestic violence and a victim of human trafficking.

In the model, it is assumed that the asset test is satisfied.

3.1.5. Tax treatment

The benefit is not taxable.

3.1.6. Interaction with other components of the tax-benefit system

Full amount of guaranteed minimum benefit can be combined with: assistance in settling of housing costs; benefit for users with difficulties in settling energy products expenditures;

child allowance; other benefits described in Section 3.2.4. and benefits that are not regarded as income in the Income Tax Act.

Beneficiaries of other benefits are entitled to guaranteed minimum benefit only if those benefits together with other assessed income are lower than guaranteed minimum benefit. In that case, a beneficiary receives a difference between the full amount of guaranteed minimum benefit and the amount of other benefit and assessed income.

3.1.7. Combining benefit receipt and employment/starting a new job

If a single person or a member of a household who is the beneficiary of the right to the guaranteed minimum benefit for at least six months is employed, in the first three months of work the amount of the guaranteed minimum benefit is reduced by 50% of the recognized amount.

The right to the guaranteed minimum benefit ends for a single person or household after three months of work if the average income in the last three months exceeds the recognized amount of the guaranteed minimum benefit for a single person or household.

If a single person or a member of the household who is the beneficiary of the right to the guaranteed minimum benefit is employed in public work, the right to the guaranteed minimum benefit does not end or is not reduced by the income of the household member earned on the basis of employment in public work.

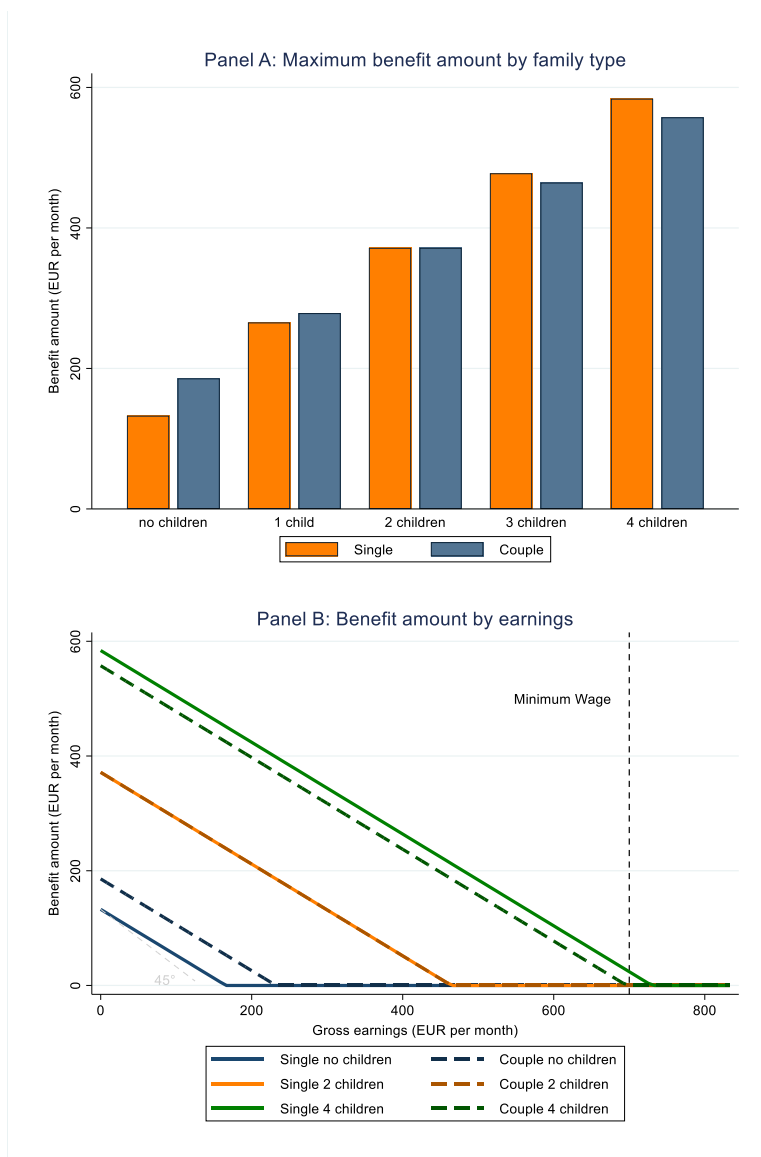
These rules are not simulated in the model.

3.1.8. Indexation

The maximum benefit amount equals to the 150% of the gross minimum wage. The Social Welfare Act defines that the basis on which the amount of the guaranteed minimum benefit is calculated is determined by the Government of the Republic of Croatia once a year. The basis for determining the amount of the benefit is not indexed automatically.

Figure 2. Guaranteed minimum benefit

40-year old single person and couple with or without children



Note: Panel A shows maximum benefit amount for a jobless family with no income. Panel B shows the reduction in benefit amount as one adult starts working. 45° line shows how the benefit for a single person without children would decrease if the benefit would have been reduced by 1 EUR for every gross EUR earned.
Source: OECD Tax-Benefit Model.

3.2. Assistance in settling of housing costs (*Naknada za troškove stanovanja*)

Variable name: **[HB]**

This is a non-contributory benefit, means-tested and not taxable.

According to the Social Welfare Act (Official Gazette 18/22, 46/22 and, 119/22), housing costs encompass rent, utility costs, heating costs, water supply, drainage and costs incurred due to works to increase energy efficiency of the building (other housing costs, besides the mentioned, are no longer encompassed by the benefit, although local units can grant larger scope of rights than the obligatory minimum). *The model considers only rent, which is assumed to be 20% of average wage for headline indicators.*

In addition, a benefit for users with difficulties in settling energy products expenditures (*naknada za ugroženog kupca energenata*) is available to co-finance the costs of electricity, gas and/or thermal energy (see Annex A). *This benefit is not considered in the model.*

3.2.1. Eligibility conditions

The right to assistance in settling of housing costs is granted to a person or a household who are beneficiaries of the guaranteed minimum benefit.

3.2.2. Benefit amount

The benefit is financed by both central and local government and implemented by the local self-government units, on monthly basis. Local units and the City of Zagreb are obliged to secure the funds in their budget for the financing of the benefit, with exception of heating costs of the households that use wood for heating which are financed by the central government. Central government can also finance housing costs for underdeveloped local units, which is conditional on the availability of the budget funds.

The minimum standard amount of the benefit is at least 30% of the amount of guaranteed minimum benefit granted to a household or to a single person. If the housing costs (*in the model this is rent*) are lower than 30% of the amount of guaranteed minimum benefit, then the actual amount of housing costs is granted. Amount of benefit also depends on financial abilities of local self-government units regarding their budgets. Local units can grant a higher amount (*not considered in the model*).

For households that use wood for heating, the benefit amount was equal to EUR 155.3 per household in 2023 (financed by central government).⁶ *This is not included in the model.*

Assistance in settling of housing costs can be granted in cash directly to a beneficiary or to the authorized legal or natural person who provides the service.

3.2.3. Benefit duration

As long as guaranteed minimum benefit is received.

3.2.4. Means test

The same as for guaranteed minimum benefit (see Section 3.1.4.).

⁶ See here: <https://www.zakon.hr/cms.htm?id=55705>

3.2.5. *Tax treatment*

The benefit is not taxable.

3.2.6. *Interaction with other components of the tax-benefit system*

The same as for guaranteed minimum benefit (see Section 3.1.6.). Assistance in settling of housing costs can be received in full together with guaranteed minimum benefit.

3.2.7. *Combining benefit receipt and employment/starting a new job*

The benefit can be received together with employment as long as a person/household is eligible to guaranteed minimum benefit.

3.2.8. *Indexation*

This benefit is not subject to automatic indexation. It is regulated by the Social Welfare Act and by extra regulations of central and local government. See also section 3.1.8.

4. Family benefits

4.1. *Child allowance (Doplatak za djecu)*

Variable name: `[FB_main]`

This is a non-contributory benefit, it is means-tested and not taxable.

4.1.1. *Eligibility conditions*

Child allowance is given to a parent or other designated person for support and upbringing of a child. Child allowance is given until child reaches 15th year of age, or until the end of the school year in which child turned 15. Child allowance is given for a child in high school until the end of such schooling, but no longer than the end of the school year in which child turns 19 years of age, with some exceptions.

4.1.2. *Benefit amount*

The amount of the benefit depends on the total income per household member (see Section 4.1.4. for precise definition) and budgetary basis (equal to EUR 441.4 per month):

- If total income per household member does not exceed 16.33% of the budgetary basis per month, the child allowance is 9% of the budgetary basis per child.
- If it ranges between 16.34% and 33.66% of the budgetary basis per month, the child allowance is 7.5% of the budgetary basis per child.
- If it ranges between 33.67% and 70% of the budgetary basis per month (50% before July 2018), the child allowance is 6% of the budget basis per child.

The amount of the allowance increases by 15% for the child without one of the parents, as well as if one of the parents is unknown or of unknown residence, completely and permanently incapable to live and work independently, or deprived of the business capability.

The amount of the allowance increases by 25% for the child without both parents, as well as if both parents are unknown or of unknown residence, if they are completely and permanently incapable to live and work independently, or if they are deprived of the business capability. *(not covered by the model)*

For a child with health impairments, allowance also increases by 25%. *(not covered by the model)*

For a child with more serious or severe disability, allowance is determined in the amount of 25% of the budgetary basis, regardless of the total monthly income per household member. *(not covered by the model)*

Alongside determined amount of the child allowances, beneficiary (who acquired basic benefit) is provided with a monthly supplement of EUR 66.36 per child for the third and fourth child.

4.1.3. *Benefit duration*

As long as the eligibility conditions and the means test is satisfied.

4.1.4. Means test

Eligibility for this benefit and the amount of the child allowance is determined according to the monthly total income of a household per household member, generated in the year before the application for the benefit. Although child allowance is given depending on the income generated in the previous year, beneficiaries can report any changes in current year regarding income or other circumstances that can influence the benefit. If according to changed circumstances, the benefit can be granted, the person will start receiving it from the first day of the next month. *In the model, the simulation is based on current income.*

The total household income is the sum of taxable incomes which fall under the regulations on income tax and other receipts such as pensions achieved at home and abroad, salaries granted by employer for the work abroad, benefits granted due to the childcare (including subsidy for stay-at-home parent), sick leave benefit, unemployment benefits and compensation for professional rehabilitation. The term total income of a household refers to the sum of taxable incomes and other receipts reduced for compulsory contributions from receipts, tax and surtax.

Total income of a household per household member per month cannot exceed 70% of the budgetary basis, i.e. EUR 309.01.

4.1.5. Tax treatment

Child allowance is not subjected to taxation.

4.1.6. Interaction with other components of the tax-benefit system

Other social benefits that are not part of the means test (see Section 4.1.4.) have no influence on the child allowance. Child allowance can be combined with the full amount of: guaranteed minimum benefit and consequently with assistance in settling of housing costs as well as with personal disability benefit.

4.1.7. Combining benefit receipt and employment/starting a new job

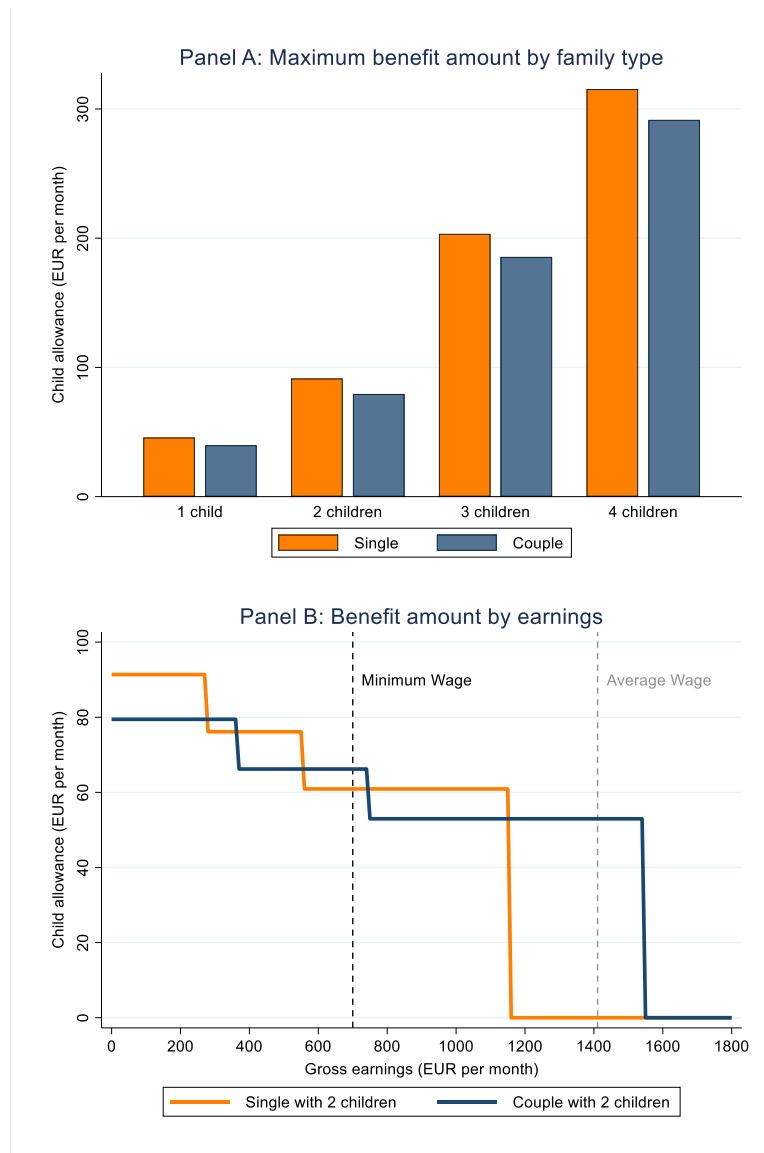
There are no special rules for people starting a new job. Employment income is included in the means test.

4.1.8. Indexation

Child allowance benefit is not subject to automatic indexation. Its amount depends on the budgetary basis, which government sets every year.

Figure 3. Child allowance

40-year old single person or couple with children



Note: Panel A shows maximum benefit amount for a jobless family with no income. Panel B shows the reduction in benefit amount as one adult starts working.

Source: OECD Tax-Benefit Model.

5. Net costs of Early Childhood Education and Care

The **reference date** for the policy rules described in this section is **1 January 2023**.

Pre-school education includes programs of education, health care, nutrition and social welfare that are provided in kindergartens. Pre-school education is organized and conducted for children from the age of six months up to school age. Generally, children start attending elementary school in a calendar year when they have reached six years of age before 1 April.

Preschool programme is compulsory for all children in a period of one year before attending primary school (it shouldn't be mixed with the term "preschool education", which by itself is not mandatory). For children who attend kindergarten, preschool programme is already integrated in regular programme of preschool educations of kindergarten. It is not charged extra, and parents continue to pay the same amount for the kindergarten as before. Children who do not attend kindergarten still have to attend preschool program in the nearest kindergarten, or the primary school closest to their place of residence, that offer preschool program for children. Preschool programme is state co-financed, and it is free of charge for parents.

It is not a full day programme. Regulations brought by central government prescribe that preschool program is to be 250 hours (minimum 150 hours) in a period between 1 October and 31 May of the following year. It has to be conducted continuously on weekly basis.

5.1. Gross childcare fees

Variable name: [\[HRcc_cost\]](#)

Kindergartens can be founded by the state, regional units (counties – 'županija'), local units (towns and municipalities – 'općina'), religious communities and other legal and natural persons. Kindergartens founded by the units of local and regional self-government, are charging their services from the parents-customers, in accordance with the standards established by the representative body of that unit, except for the compulsory pre-school program (for children in a period of one year before attending primary school), that is free of charge for parents. Therefore, it depends on the units of local or regional self-government, whether and to what extent, it will co-finance the kindergarten costs, and thereby reduce the cost for parents. Likewise, it depends on the local or regional self-government units whether the co-financing (and its amount) will be based on the means test, as well as whether there will be a category of users who are excluded from paying the participation in costs.

In practice, most of the kindergartens are founded by towns and municipalities. Counties prescribe the minimum funds that towns and municipalities (located in the county area) have to insure in the budget for preschool education, but towns and municipalities are free to decide on parent fees and fee reductions.

The regulation brought by central government prescribes which categories have advantage for admission of children in kindergarten founded by the state or local/regional self-government units, but the manner in which these categories can exercise this advantage is left for local/regional units to arrange. Principal advantage for admission to kindergartens at the beginning of a school year, has to be granted to children who have reached 4 years of age before 1 April. When this condition is satisfied and if the admission cannot be granted for all children that have applied, then the advantage is given to children of parents invalids of the Homeland War, children from families with three or more children, children

of both parents employed, children with disabilities and chronic diseases, children of lone parents, children from one-parent families, children of persons with disability, children in foster families, children whose residence is in an area where the kindergarten is located, children of parents who receive child allowance or guaranteed minimum benefit.

In the kindergartens founded by the City of Zagreb, the contribution of parents to the price of a programme of preschool education is determined according to the type of a program, duration of a program and financial status of a family (based on household average monthly income per household member in the previous year).

Although the amount of fees paid by parents is initially determined based on the income generated in the previous year, parents can report any changes in the current year, regarding income or other circumstances that can influence the amount of the fee. If according to changed circumstances, the amount of the fee is different, the new amount will be determined in the period of 15 days from the moment the change occurred. *In the model, the fees are model based on the current annual income.*

In 2023, contributions that parents have to settle for *regular programme* are the following:

INCOME CENSUS (CITY OF ZAGREB) (average household monthly income per member in the previous year, EUR)	MONTHLY AMOUNT OF CONTRIBUTIONS OF PARENTS IN A PRICE OF REGULAR PROGRAMME (EUR)	
	FULL-DAY: 10 HOURS	HALF-DAY: UP TO 6 HOURS
over 597.39	79.63	51.76
over 464.66 up to 597.25	59.73	38.82
over 331.94 up to 464.53	39.82	25.88
up to 331.81	19.91	12.94

Childcare fees and income thresholds are not subject to automatic indexation.

Income is defined as salary, compensation of salary and other income of every employed or self-employed member of the household, pension, compensation for sick leave, maternity and parental supports, unemployment benefit, compensation paid according to a temporary service contract, other taxable incomes. Income is reduced for: tax and surtax, instalments for housing loan (if the loan is taken for solving housing status of a family) and amount that family pays for freely agreed rent in order to solve the housing status.

Fees paid by parents for regular programme include the cost of meals, but exclude specific services that are provided to children enrolled in special programmes.

The economic price of regular kindergarten program in kindergartens founded by the City of Zagreb, anticipated on the ground of average costs of program, was set for 2023 in the amount of EUR 252.2 for the 10-hour program and EUR 172.5 for the half-day program. *The economic price is not considered in the model.*

Beside regular programmes, preschool institutions founded by the City of Zagreb, also conduct mandatory preschool programme, programmes for children with developmental difficulties, programmes for gifted children, various types of special programmes (for example, programmes related to music, sport, etc.) and other programmes. Programmes mentioned in this paragraph have special rules regarding price of parents' contribution.

The City of Zagreb also finances private kindergartens and kindergartens founded by religious institutions in a manner that city budget covers a part of price for parents according to their income level and parents have to settle what is left to economic price determined by each kindergarten separately. *Such kindergartens are not considered in the model.*

5.1.1. Discounts for part-time usage

If a child stays in an institution for only part of the day, the fee that parents have to pay is lower (see table in the previous section).

5.2. Fee discounts and free provision

Additional reliefs in paying the costs of regular programs in kindergartens and other legal entities founded by the city of Zagreb are acknowledged for a:

- child of a parent with 100% or 90% level of disability - entirely relieved of paying the charge of program (*not covered by the model*),
- child of a parent with 80% to 60% level of disability – parents pay 50% of the contribution described in the table above (*not covered by the model*),
- child of a parent with 50% level of disability or less – parents pay 75% of the contribution described in table above (*not covered by the model*),
- in a case that two children of the same family attend the regular program, parents pay the whole contribution for one child and 75% of the contribution for the other child,
- for families with three or more children that are attending regular program, parents are entirely relieved of paying for the third and every child that follows,
- For a child of a lone parent, charge is 75% of the price of contribution,
- For a child whose family receives guaranteed minimum benefit within the social welfare system, parents pay 20% of the price.

Parents can use only one type of relief per child, i.e. the most favourable for them.

5.3. Child-care benefits for formal centre-based care

Variable name: `[cc_benefit]`

Financing of kindergartens from state and other entities is provided in the form of services so benefit amount would be a part of the price of service that parents don't have to settle. Also, this service is provided on the local level and each local unit prescribes conditions for financing kindergartens separately. In the city of Zagreb, benefit would be equal to a difference between the economic price of a kindergarten program and a participation in the price that parents have to settle. *The model considers as a benefit the difference between the maximum price that can be charged for a given program and the actual price paid by parents after all fee reductions (due to low income or household composition).*

5.4. Child care allowance for children not using child care centers

Subsidy for stay-at-home parent (*Novčana pomoć za roditelja odgojitelja*)

Variable name: `[HomeCare_p, HomeCare_s]`

In September 2016, the City of Zagreb introduced a benefit within its social system for helping with the costs of raising children. From September 2021, new beneficiaries cannot apply for this benefit anymore. *The TaxBEN model does not simulate this benefit starting from policy year 2022.*

5.4.1. Eligibility

The subsidy for stay-at-home parent is exercised just by the parents who have applied for this right till September 2021. There are no new beneficiaries in the scheme. The benefit

was granted to a non-employed parent (i.e. to a parent without regular employment) who has provided care for at least three children and the youngest child still didn't attend primary school (*in the model defined as below 6 years old*), while the oldest child, in the moment of applying for the benefit, hasn't reached 26 years of age (special rules applied to children or parents with disability).

From September 2022, new regulations prescribe that parents who already exercise this right are now allowed to become employed, while children of the beneficiaries can attend kindergartens. Right to this benefit ceases when the youngest child in a family reaches 7 years of age.

5.4.2. *Benefit amount*

Since May 2018, gross amount of benefit is equal to 65% of average monthly gross salary in the City of Zagreb economy sector for period of January-August of previous year (on 1 January 2023, the gross benefit is equal to EUR 1 064.91). Benefit is subjected to payment of social contributions, tax and surtax as other income according to Income Tax Act and Contributions Act.

Social contributions for health insurance are paid on the gross benefit by the City of Zagreb (rate of 7.5%*gross) and do not burden the beneficiary, while pension contributions (rate of 10%*gross) burden the beneficiary and reduce the gross benefit.

From 1 April to 30 June 2023, the benefit amount will be equal to the minimum net salary. From 1 July 2023, it will be reduced to half of minimum net salary. The benefit remains subject to payment of social contributions, tax and surtax.

5.4.3. *Benefit duration*

The benefit is paid as long as the eligibility conditions hold.

5.4.4. *Means test*

Benefit is not subjected to means test.

5.4.5. *Tax treatment*

Amount of tax paid in advance (monthly) is calculated in a following manner:

Before applying tax rates, gross amount of benefit is reduced for the amount of social contribution for pension insurance (10% of the gross). Tax rate of 20% is then applied on the amount left and surtax rate of 18% (surtax rate in City of Zagreb) on the amount of the tax. When pension contributions, tax and surtax are subtracted from the gross benefit, the amount left is the net benefit.

According to Income Tax Act, this benefit is regarded as "other income", which is treated somewhat different from salary, regarding taxation. In amounts of taxes paid in advance (monthly), taxpayer cannot use tax allowances but in annual tax application all tax allowances are taken in regard.

5.4.6. *Interaction with other benefits*

Subsidy for stay-at-home parent is included in the means-test for guaranteed minimum income and child allowance.

5.4.7. Combining benefit receipt and employment/starting a new job

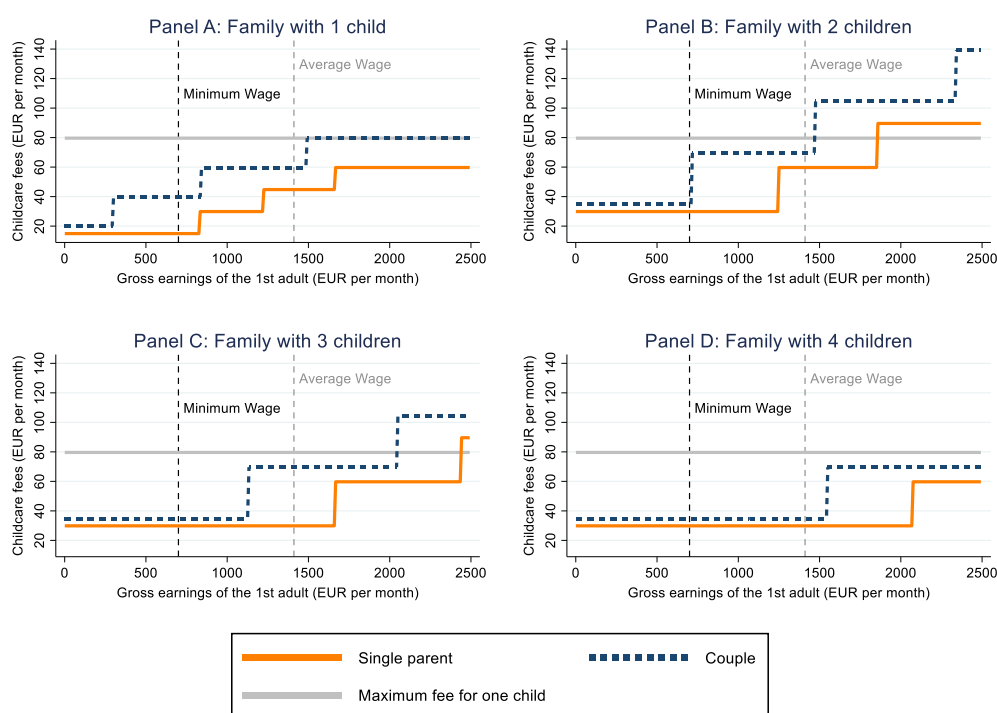
From September 2022, beneficiaries can combine the receipt of this benefit with employment.

5.5. Tax concessions for childcare expenditures

There are no tax concessions for childcare expenditure in Croatia.

Figure 4. Childcare fees paid by parents

40-year old single person or couple with children



Note: Results assume no receipt of social assistance or housing benefits, and no rental costs. Both parents are working full time and use childcare for all children for the full day. Children are 2, 3, 4, and 5 years old. In a couple, the second adult earns 67% of the average wage. Horizontal axis shows gross earnings of the first adult. *Source:* OECD Tax-Benefit Model.

6. In-work benefits

OECD note: This section provides information on employment-conditional (“in-work”) benefits for employees, i.e. benefits whose eligibility is conditional on the following key requirements: 1) being regularly employed (in either the private or public sector); 2) working a certain number of hours and/or earning more than a certain minimum. This definition notably excludes ‘workfare’ programmes and related ‘work-first’ policies that make out-of-work benefits conditional on participation in work activities.

This section provides information also on *one-off* and/or *temporary* payments for benefit recipients who are out of work and make a transition into employment. These type of benefits are referred to as *transitional “into-work” benefits* in order to differentiate them from the “regular” in-work benefits that do not have any predefined maximum duration after moving into work.

Based on this definition, Croatia and the representative municipality considered in this report (the City of Zagreb) do not currently provide an “in-work” benefit programme. However, Croatia does provide an *into-work benefit* in a form of:

- reduction of employer contributions for selected new employees (described in Section 7.1.).

7. Social security contributions and payroll taxes

7.1. Social security contributions (*Socijalni doprinosi*)

Variable names: [SOCSEC_p; SOCSEC_s; SSCR_p; SSCR_s]

Social security contributions are calculated for receipts from employment that are liable to taxation by income tax.

Contributions payable by employees: Pension insurance contributions of 20.0% (15% for the first pillar pension insurance and 5% for the second pillar) are applied to the gross salary. This amount burdens an employee and reduces the gross salary.

Contributions payable by employers include:

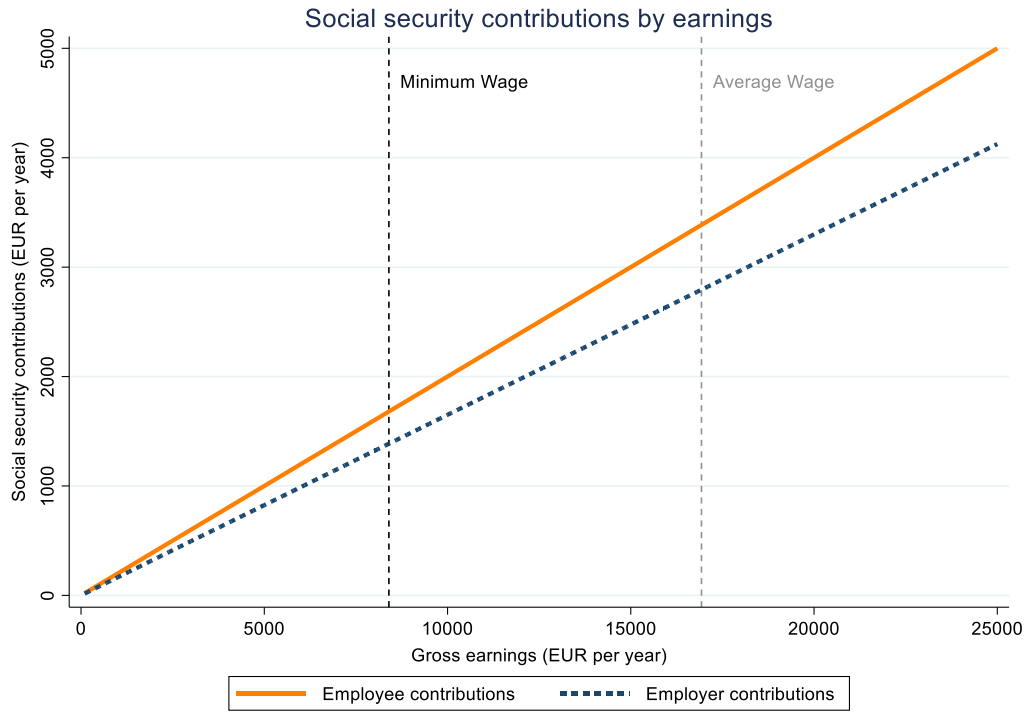
Health insurance contribution is 16.5%. This rate is applied on the gross salary, it burdens the employers and do not reduce the gross salary.

Other types of contributions (for unemployment and health protection at work) are abolished since 1 January 2019.

Employers are relieved from paying health insurance contributions for period of 5 years in case of employment of young person up to 30 years of age, if a job contract was closed for continuous period and for the first time with that person. Employers are relieved from paying health insurance contributions for period of 1 year in case of employment of person without any record of pension insurance (*in the model, these are people with no employment record*).

Figure 5. Social security contributions

40-year old single person without children



Note: Social security contributions do not depend on family structure. Calculations assume long and continuous employment record.

Source: OECD Tax-Benefit Model.

8. Taxes

Taxation in Croatia is on the individual level.

Income tax is calculated and paid, as a rule, once a year (annual tax application). This amount is deducted by the tax amount that employees pay in advance, generally on a monthly basis. New Income Tax Act entered into force on 1 January 2017.

Majority of social security benefits in Croatia are not taxed (either being left outside the definition of income, or falling into this definition, but treated as non-taxable). Some exemptions are subsidy for stay-at-home parent, compensation of salary during sick leave paid by the employer for the first 43 days of the sick leave and pensions above certain amount. Subsidy for stay-at-home parent is treated as other income (for detailed information on taxation of this benefit please see section 5.4.5.), while sick-leave benefit paid by the employer and pensions are treated as a financial receipt from the dependent labour and form a part of income tax base.

8.1. Income tax (*Porez na dohodak*)

Variable name: `[INCTAX_p; INCTAX_s]`

8.1.1. Tax allowances

General allowance: EUR 6 370.80 per year (EUR 530.90 per month) for all resident taxpayers. Additional allowances can be granted to residents of certain underdeveloped areas (*not simulated*).

Family allowance:

Basis for calculation of tax allowances is equal to EUR 331.81 per month (EUR 3 981.72 per year).

- If a taxpayer provides support to a member of immediate family, then the additional allowance is granted to him/her in the annual amount of EUR 2 787.24 (coefficient $0.7 \cdot \text{basis}$).
- An additional allowance of EUR 2 787.24 per year is given for the first dependent child (coefficient $0.7 \cdot \text{basis}$).
- For each subsequent child, tax allowance is (EUR per year):
 - 3 981.72 (coefficient 1) for the second child;
 - 5 574.36 (coefficient 1.4) for the third child;
 - 7 565.28 (coefficient 1.9) for the fourth child;
 - 9 954.36 (coefficient 2.5) for the fifth child;
 - 12 741.48 (coefficient 3.2) for the sixth child;
 - 15 926.88 (coefficient 4) for the seventh child;
 - 19 510.44 (coefficient 4.9) for the eighth child;
 - 23 492.16 (coefficient 5.9) for the ninth child.
 - For tenth and each subsequent dependent child, coefficient of additional allowance is increased progressively by 1.1.

In a case when more persons (usually parents) support one or more members of immediate family, then tax deductions are assorted evenly, if the parents don't agree otherwise. Parents also can agree to split allowances in a different way, e.g. one takes x% and other 100-x%.

Immediate family members (taxpayer's spouse or a life partner, taxpayer's parent, etc.) and children are treated as dependents if their annual taxable receipts, receipts which are not subject to taxation and other receipts that are not considered as income, do not exceed EUR 3 185.4. Exceptionally, when determining the right to personal tax deduction for dependent immediate family members and dependent children, following receipts are not taken into consideration: social assistance benefits, child allowance, monthly supports for a new-born child below prescribed amount, lump-sum benefits for a new-born child, survivors pensions acquired after a death of a parent, receipts that represent amounts for support from parents or other immediate family members, national benefit for the elderly and other receipts prescribed by Income Tax Act.

Dependent children are children to whom parents, stepmother or stepfather, guardians, adoptive parents and foster parents provide support. Children that have finished regular schooling are also treated as dependents until their first regular employment.

Tax allowances can be used for income that derives from dependent labour (employment, pension), self-employment activities and other income (various other receipts according to Income Tax Act). General and family allowances are not applied on income that derives from property, property rights and investments.

Other allowances: Contributions for compulsory pension insurance.

Tax relief for young people: From 1 January 2020, annual income tax is reduced for persons younger than 26 (100% of tax liability calculated on the part of the tax base which is taxed with the rate of 20%) and to persons between 26-30 years including (50% of tax liability calculated on the part of tax base which is taxed with the rate of 20%). In amounts of taxes paid in advance (monthly), taxpayer cannot use these tax relieves, but in annual tax application, they are taken in regard. *In the model, final tax amount is simulated. Thus, it is assumed that tax reduction has an immediate effect on net income (and benefit amounts that depend on net income) as well as on the amount of surtax.*

Tax allowances are not subject to automatic indexation. Government decides on the amounts of these allowances every year.

8.1.2. Tax base

Tax base for the income derived from employment is determined in the manner that taxpayer's expenditures and tax allowances are deduced from receipts. Contributions for compulsory pension insurance are recognized as an expenditure for the income that derived from employment.

8.1.3. Income tax schedule

In 2023, the tax schedule is:

Tax base (EUR/month)	Rate
up to 3 981.69	20%
above 3 981.69	30%

Income tax thresholds are not subject to automatic indexation. Government decides on the amounts of the thresholds every year.

8.1.4. Tax credits

There are no tax credits in Croatia.

8.2. Surtax (Priraz)

Variable names: `[SURTAX_p; SURTAX_s]`

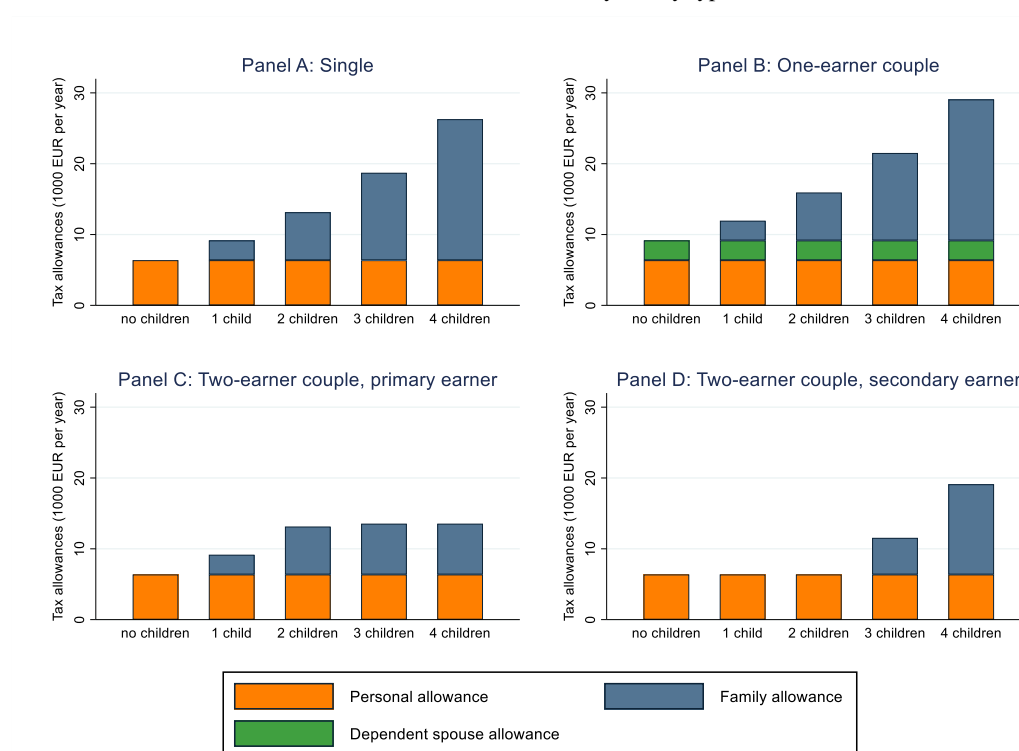
Towns and municipalities can prescribe surtax to all taxpayers of income tax on their area applying the following rates:

- Municipality – up to 10%
- Towns with population not higher than 30 000 – up to 12%
- Towns with population higher than 30 000 – up to 15%
- City of Zagreb up to 18% (*this rate is used in the model*).

These rates are applied to the amount of income tax. Taxpayers of surtax are all taxpayers of income tax that reside in a town or a municipality that has prescribed surtax.

Figure 6. Tax Allowances

Maximum tax allowance by family type

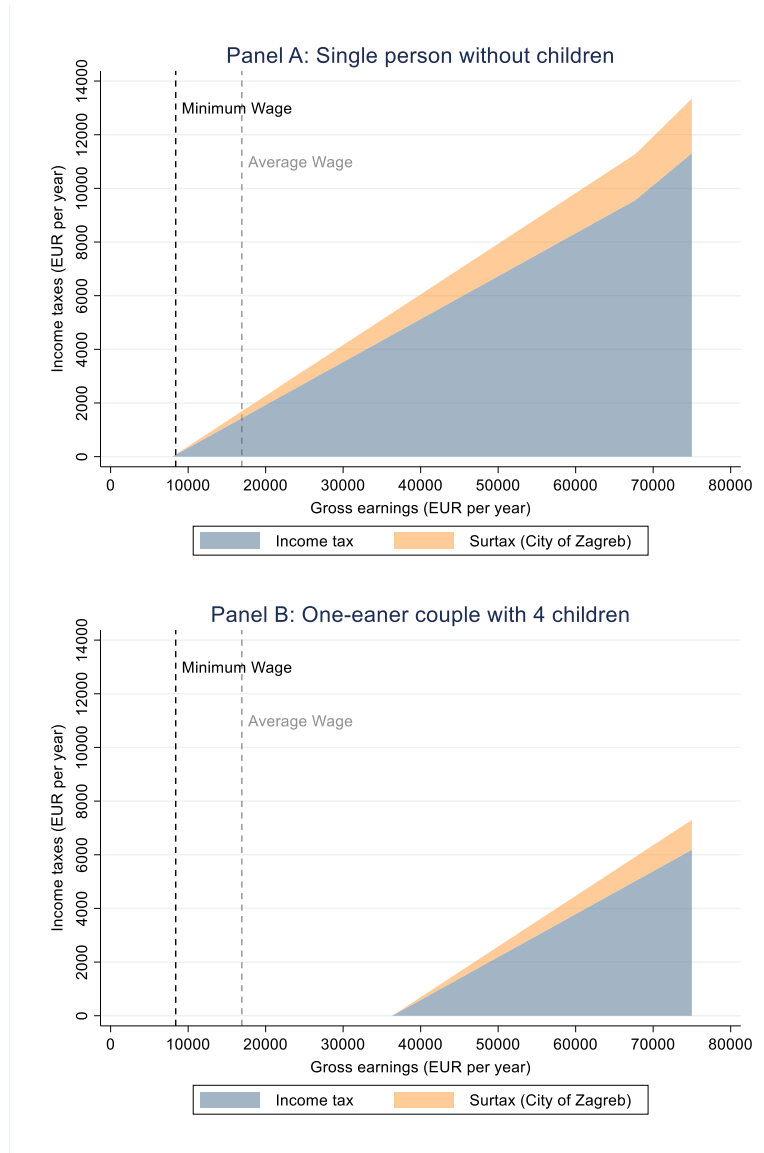


Note: The figure shows the maximum amounts of tax allowances that a person is eligible to. The amounts do not depend on income. However, the actual amounts that a person can use are limited by taxable income (not shown in the figure). Contributions for compulsory pension insurance are also subtracted from the tax base (not shown in the figure). Panels C and D show a two-earner couple. The primary earner (Panel C) earns the average wage and the secondary earner (Panel D) earns 67% of the average wage. It is assumed that parents split family allowances to maximize the total net household income. First, the allowances reduce the tax liability of the primary earner; then, the remaining allowances are transferred to the secondary earner.

Source: OECD Tax-Benefit Model.

Figure 7. Income tax

40-year old single person or couple with or without children



Note: Calculations assume that a person has no other sources of income but earnings from work.
Source: OECD Tax-Benefit Model.

9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Croatia 2023. TaxBEN by default produces the following output: net household incomes (**black line**) and its subcomponents (**coloured stacked areas**) for selected family and individual circumstances.

The model and the related web calculator is accessible from the [project website](#). The figure in this section shows outputs for four scenarios:

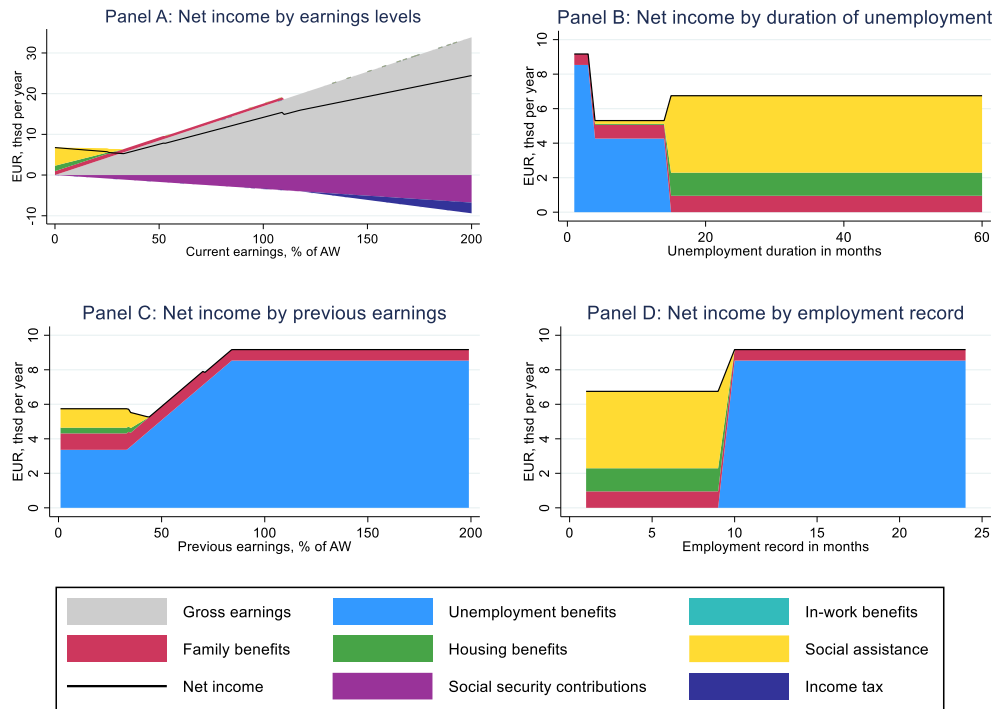
- By percentage of the average wage (**Panel A**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);
- By previous employment record, for a jobseeker claiming unemployment benefits (**Panel D**).

The stacked areas shows the following household income components: **GROSS** = gross earnings; **SSC** = social security contributions; **IT** = income tax; **FB** = family benefits; **HB** = housing benefits; **SA** = social assistance; **IW** = in-work benefits. Note that each component may contain more than one benefit or tax.

Results refer to a two-adult family with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefit supplements are assumed to be available in all the four scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Figure 8. Selected output from the OECD tax-benefit model

40-year old couple with two children



Note: In Panel A, the first adult is employed full-time and full-year. The second adult is out of work and not eligible for unemployment benefits, e.g. because they have expired (the same is assumed for the first adult when earnings are zero). In Panels B to D, the first adult is out of work and claiming unemployment benefits, whereas the second adult is out of work and not eligible to unemployment benefits. Previous earnings of the first adult equal to the Average Wage. In Panels B and C, the first adult is assumed to have a ‘long’ employment record of 264 consecutive months before the job loss. Panels C and D refer to the 2nd month of unemployment benefit receipt.

Source: OECD Tax-Benefit Model.

Annex A: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Croatia that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

Benefit for users with difficulties in settling energy products expenditures (Naknada za ugroženog kupca energenata)

This is a non-contributory benefit, means-tested and not taxable. Benefit is intended for co-financing the costs of electricity, gas and/or thermal energy, in the amount of up to EUR 26.5 per month. Exceptionally, the benefit is granted in the amount of:

- up to EUR 53.09 (HRK 400) per month for the period from 1 April 2022 to 30 September 2022,
- up to EUR 66.36 (HRK 500) per month for the period from 1 October 2022 to 31 March 2023 and
- up to EUR 70 per month in the period from 1 April 2023 to 31 March 2024.

Benefit is granted to:

- beneficiary of guaranteed minimum benefit,
- beneficiary of personal disability benefit,
- beneficiary of national benefit for the elderly,
- beneficiary of cash benefit for unemployed Croatian Homeland War veterans and their family members,
- beneficiary of cash compensation for civilian victims of the Homeland War.

A beneficiary can be granted the right on just one basis..⁷

Cash assistance to a person insured in extended pension insurance on the grounds of a job contract for limited period for steady seasonal jobs (Novčana pomoć osobi osiguranoj na produženo mirovinsko osiguranje na temelju ugovora o radu na određeno vrijeme za stalne sezonske poslove)

A person insured in extended pension insurance (period of non-active employment) on the grounds of a job contract for limited period for steady seasonal jobs is a person who has performed seasonal jobs for at least 6 months for the same employer, and will work for him at least one more season. Social contributions paid during extended pension insurance, which usually burden the employer, are co-financed by the Croatian Institute for Employment within this measure.

In case of special circumstances that could not have been foreseen and which could not have been influenced, the right to cash assistance shall be extended for the duration of special circumstances, and the employer shall be granted co-financing of the costs of extended pension insurance. Special circumstances include those that endanger life or

⁷ More information available at: <https://gov.hr/hr/naknada-za-ugrozenog-kupca-energenata/746>

health of population, cause problems or significant damage to economic activity or cause significant danger to environment. (Introduced on 19 March 2020).

Basis for calculation of benefit is equal to beneficiary's average gross salary achieved in period of 3 months before termination of seasonal employment. Cash assistance granted for first 3 months of benefit duration is equal to 60% of the basis and for the remaining period it is equal to 30% of the basis. The maximum amount of benefit for the first 3 months cannot be higher than 70%, and for the remaining time cannot be higher than 35% of the average net salary paid in the Croatian economy in the previous year. Beneficiary can receive this benefit for 6 months of extended pension insurance at the most.

Temporary child support (Privremeno uzdržavanje djeteta)

Temporary child support is not a benefit specifically targeted to lone parents, but the main intention is providing support to a child whose parents had separated. This right is acknowledged to a child younger than 18 years, whose parent (the one that doesn't live with the child) is not fulfilling his commitment to support the child with full or partial amount of alimony continuously for at least three months. State will ask reimbursement for the whole amount of temporary child support paid to a child from the person obligated to support the child. Benefit can be granted regardless of child's financial position.

Amount of the benefit is equal to 50% of the prescribed minimum amount of alimony:

- For a child younger than 7 years of age – 8.5% of average net salary
- For a child older than 7 but younger than 13 years of age – 10% of average net salary
- For a child older than 13 but younger than 18 years of age – 11% of average net salary.

The amount cannot be higher than the amount of alimony determined by distraint document.

Child is entitled to receive this benefit as long as a parent who is obliged to support him doesn't start paying alimony at least in the amount of this benefit, but maximum period for receiving temporary support is 3 years. (*Because of its temporary nature the benefit is not simulated in the model.*)

Temporary child support can be combined with the full amount of guaranteed minimum benefit and assistance in settling of housing and heating costs.

Personal disability benefit (Osobna invalidnina)

Personal disability benefit is a financial support intended for persons with a fourth-degree disability in order to meet their basic needs for inclusion in the daily life of the community. The basis for the calculation of the benefit amount is equal to EUR 66.36. The full personal disability benefit amounts to 350% of the basis (EUR 232.26).

The right to personal disability benefit cannot be exercised by a person who is entitled to accommodation or organized housing service, a person who receives personal disability benefits on some other basis, or a person who receives assistance and care supplement according to the Social Welfare Act or other regulations.

Assistance and care supplement (Doplatak za pomoć i njegu)

Assistance and care supplement is a cash benefit acknowledged to a child with developmental difficulties and person with disability, who needs urgent assistance and care

of another person in organizing nutrition, food procurement, purchasing groceries, doing household chores, dressing, personal hygiene maintenance, and other basic needs.

The right cannot be exercised by a person who exercises rights to assistance and care supplement on any other basis, personal disability benefit on any basis or accommodation service.

Assistance and care supplement can be granted in full or reduced amount, depending on whether there is an urgent need of assistance and care in full or reduced volume. The basis for the calculation of the benefit amount is equal to EUR 66.36.

Benefit in the full amount is equal to 120% of the basis (EUR 79.63) and it is acknowledged to a person with a third-degree disability. In this case, beneficiary's income and property are not subjected to means test.

Benefit in the reduced amount is equal to 84% of the basis (EUR 55.74) and it is acknowledged to a person with a second-degree disability on the conditions that he doesn't own a house or apartment, beside house or apartment where he resides, that can be sold or rented to secure the means for acquiring assistance and care, and that his average monthly income doesn't exceed 250% of the basis (EUR 165.9) if beneficiary lives alone or an average monthly income per household member doesn't exceed 200% of the basis (EUR 132.72).

Income of influence for granting the benefit doesn't include: guaranteed minimum benefit, child allowance, temporary child support, alimony, national benefit for elderly and other receipts prescribed by law.

Parent caregiver/caregiver status (Status roditelja/njegovatelja/njegovatelj)

Status of parent caregiver or caregiver status is granted for providing care to a child with developmental difficulties, or of a person with disability. Status can be granted to a parent of a child with developmental difficulties and under additional conditions to a parent's spouse or a life partner or other family member that lives in the same household with the child. Status can also be granted to a person who lives in the same household with a disabled person. If, in a single family, there are more children with developmental difficulties or persons with disability, the status can be granted to both parents, or in case of a one-parent family status can be granted to parent's life partner or other family member who lives in the same household.

The basis for the calculation of the benefit amount is equal to EUR 66.36.

The parent caregiver/caregiver is entitled to the compensation in the amount of 800% of the basis (EUR 530.89), or 900% of the bases (EUR 597.25) if a person for whom he provides support cannot participate in programs and services in the community due to his health condition. Beneficiary can also exercise pension and health insurance rights as well as unemployment rights, as a person employed under special regulations.

The parent caregiver is entitled to the compensation in the amount of 1200% of the bases (EUR 796.34) if he independently provides care for two or more children with developmental difficulties or persons with disability.

Lump-sum benefit (Jednokratna naknada)

Lump-sum benefit is granted to a single person or a household who, due to current material difficulties, are not able to meet some basic needs caused by the birth or education of a

child, illness or death of a family member, natural disasters, etc. Lump-sum benefit can be granted as compensation in cash or in kind. The total annual amount of all granted lump-sum benefits cannot exceed the value of five basis (EUR 331.81) for individual, that is seven basis (EUR 464.53) for a household. In particularly justified cases, social welfare center can grant lump-sum benefit in the increased amount (up to EUR 1 327.23).

Maternity leave (Rodiljni dopust)

Employed or self-employed mother, in order to receive the full amount of benefit, has to acquire at least 6 months of insurance time in mandatory health insurance continuously or 9 months with interruptions in period of 2 years. Unless this condition is met, all salary compensations during maternity or parental leave are reduced to 125% of the budget basis (EUR 551.80).

Budgetary basis, used for the calculation of maternity and parental cash supports, has been set at EUR 441.44.

The maternity leave is granted for a period of 28 days before the expected birth up to the child's 6 months of age, which consists of compulsory and optional maternity leave. The compulsory maternity leave is 98 days, of which 28 days before the expected birth and 70 days after childbirth. Exceptionally, maternity leave can be started 45 days before expected birth if a doctor gynaecologist makes such decision. The optional maternity leave (which starts after the compulsory) can be combined with half-time working arrangement, which can be extended up to the child's 9 months of age at the most.

During the maternity leave and the usage of the right on half-time working arrangement during optional maternity leave, employed or self-employed mother has the right on monthly salary compensation in the amount of her net salary (average net salary in last 6 months before the leave).

Parental leave (Roditeljski dopust)

After the maternity leave, employed or self-employed parent has the right to parental leave, in duration which depends on the number of children and the manner of usage of the right: 6 (one parent) or 8 months (both parents) for first and second child, and 28 months (one parent) or 30 months (both parents) for birth of twins, third and every child that follows. Parental leave can be used by both parents, each one for the period of 4 or 15 months. Other combinations are also possible, but minimum duration of leave for each parent is two months. If the parental leave is used by only one parent, it is used in the duration of 6 months for first and second child, and 28 months for the birth of twins, third and every child that follows.

Employed or self-employed parent can use parental leave as the right on half-time working arrangement in duration twice the time of unused parental leave.

During the first 6 months of parental leave (if only one parent is using this right) or 8 months (if this leave is used by both parents), a parent has the right to monthly salary compensation in the amount of his/her net salary. However, in the case of the parental leave the compensation cannot be higher than 225,5% of the budgetary basis (i.e. EUR 995.45 in 2023), or less than 70% of the budgetary basis (EUR 309.01). If parental leave is used as the right on half-time working arrangement, a parent has the right to monthly salary compensation which amounts 110% of the budgetary basis (EUR 485.58). After expiration of first 6 months of parental leave, a parent has the right to compensation in the amount of 125% of the budgetary basis (EUR 551.80).

Employed or self-employed mother, in order to receive the full amount of benefit, has to acquire at least 6 months of insurance time in mandatory health insurance continuously or 9 months with interruptions in period of 2 years. Unless this condition is met, all salary compensations during maternity or parental leave are reduced to 125% of the budget basis (EUR 551.80).

Maternity and parental exclusion from work (Rodiljna i roditeljska poštuda od rada)

Maternity and parental exclusion from work is granted to: parent acquiring other income, parent agricultural worker and unemployed parent under certain conditions. Parent can use maternity exclusion from work until child fulfils 6 months of life (mother is obligated to use it for 70 days after birth). After the expiration of this right, unemployed parent can use parental exclusion from work in the duration up to child's age of one year (for first and second child) and up to child's age of three years (for birth of twins, third and every child that follows). Beneficiary has the right to a compensation in the monthly amount of 70% of the budgetary basis (EUR 309.01) during the maternity and parental exclusion from work.

Maternity and parental care for a new born child (Rodiljna i roditeljska briga o novorođenom djetetu)

Parent outside the labour system, has the right to cash assistance during maternity and parental care for the new born child if she is insured in compulsory health insurance. Under maternity care it is understood a period of time from the child birth until 6 months of child's life (mother is obligated to use it for 70 days after birth). Parental care encompasses time period from 6 months of life until child's 1 year of age (for first and second child) or 3 years of age (for twins, third and every child that follows). Beneficiary has a right to a cash benefit in the monthly amount of 70% of the budgetary basis (EUR 309.01) during maternity and parental care for a new born child.

Cash lump sum assistance for a new born child (Jednokratna novčana potpora za novorođeno dijete)

Parents insured in compulsory health insurance (and subject to certain conditions) as well as certain categories of parents outside the labour system are eligible for this benefit. This financial assistance is provided in the amount of 70% of the budgetary basis (EUR 309.01).

National benefit for the elderly (Nacionalna naknada za starije osobe)

The national benefit for the elderly was introduced on 1 January 2021. The benefit is non-contributory, means-tested and not taxable.

The right to a national benefit for the elderly may be exercised by a Croatian citizen who has reached 65 years of age and has resided in Croatia for a continuous period of 20 years immediately before submitting the application for exercising the right.

The person may exercise the right with the fulfilment of the following conditions:

- that he is not a pension beneficiary
- that he is not involved in regular employment, part-time job or other type of working relationship where the pension insurance is mandatory

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- that the user and / or members of the household earn income in the previous calendar year per household member per month which does not exceed the determined amount of national benefits for the elderly (HRK 800 per month in 2021)⁸
 - that he is not a beneficiary of the right to a guaranteed minimum benefit
 - that he has not been granted the right to accommodation service in accordance with the regulations on social welfare
 - that he has not concluded a lifelong support contract as a recipient of support.

Exception of these rules: a) beneficiary who gets a pension from compulsory pension insurance may be entitled to a national benefit for the elderly provided that payment of the pension is suspended at the request of the beneficiary and b) beneficiary of the right to a guaranteed minimum benefit may be entitled to a national benefit for the elderly provided that, at the request of the beneficiary, the right to a guaranteed minimum benefit is suspended.

The initial amount of the national benefit for the elderly was set at EUR 106.18 (HRK 800) per month. This amount shall be adjusted on 1 January of each calendar year, starting from 1 January 2022, according to the rate of change of the consumer price index from previous years compared to the year before, if the rate is greater than zero. In 2023, benefit amount is equal to EUR 120.71 € per month.

⁸ Income includes all funds earned on the basis of work, pension, receipts deriving from property or otherwise realized domestically and abroad in accordance with the regulations on income taxation, decreased for the paid tax and surtax. Income does not include various disability benefits granted according to social welfare and other regulations, as well as other benefits that are not subject to income tax payment according to tax regulations. Household refers to family or other community of persons who live and settle the living costs together, regardless of kinship.

Annex B: Measures to assist households in the cost-of-living crisis

In second half of 2022, the government of Croatia introduced measures to assist households in the cost-of-living crisis:⁹

- Mitigation of price increase for electricity, gas and thermal energy (*ublažavanje rasta cijene električne energije, plina i toplinske energije*). Prices of electricity, gas and central heating are fixed till 31 March 2023. The fixed prices represent average prices based on the actual consumption in the previous years and are more favourable than current market prices.
- Financing of housing costs for underdeveloped local units under the programme of assistance in settling of housing costs (see Section 3.2.).
- Lump-sum cash benefits for pension beneficiaries (*jednokratno novčano primanje za umirovljenike*),.
- Lump-sum cash benefits for unemployed (*jednokratno novčano primanje za nezaposlene osobe*). Lump-sum benefit in the amount of EUR 33.2 (HRK 250) per month was paid for period October-December 2022 to persons who are registered as unemployed at the Employment Office.
- Lump-sum cash benefits for child allowance beneficiaries (*jednokratno novčano primanje za korisnike doplatka za djecu*). Child allowance beneficiaries received lump-sum compensation depending on the number of children:
 - 1 child – EUR 39.82 (HRK 300)
 - 2 children – EUR 66.36 (HRK 500)
 - 3 children – EUR 92.91 (HRK 700)
 - 4 children – EUR 119.45 (HRK 900)
 - 5 and more children – EUR 146.00 (HRK 1 100)

One payment was made in September 2022, and one (in the same amount) in December 2022.

- Increase of the amount of benefit for users with difficulties in settling energy products expenditures and broadening the scope of beneficiaries (see Annex A)
- Discount for purchasing wood for heating (*popust za nabavku ogrjevnog drva*). For households that use wood for heating, it was agreed to increase the firewood production plan by Hrvatske šume (Croatian Forests) company and provide additional discount of 15% per m³ to households (total discount is 20%). Beneficiaries of guaranteed minimum benefit that use wood for heating have advantage in wood supply.
- Lump-sum cash benefits for beneficiaries in the social welfare system (*jednokratno novčano primanje za korisnike prava u sustavu socijalne skrbi*). In December 2022, cash lump-sum benefit was paid to the beneficiaries of benefit for users with difficulties in settling energy products expenditures and beneficiaries of Assistance and care supplement (see Annex A). The amount of lump sum benefit was equal to EUR 132.72 (HRK 1 000).

⁹ For more details see: Vlada Republike Hrvatske - Snažan, pravedan i sveobuhvatan paket mjera vrijedan 21 milijardu kuna zaštitit će sve i omogućiti mirnu jesen i zimu (gov.hr)