All that you need to know about investing in real estate in Croatia through your Croatian company

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Sea View Imperial A3, Laguna Marina

I. What are the benefits of investing in real estate in Croatia through a Croatian company?

1- FULL VAT REFUND

Your Croatian company can get back 100% of VAT from buying products or services.

These funds go back to your company's account after one month.

Example:

- You pay a net price + VAT (25%) in February.
- Following your company's VAT claim (the 20th of the following month), the full amount of the VAT invoice is fully paid back to your account before the end of March.

In addition:

- Did you buy some furniture or cleaning products for your villa? Following a company's VAT claim, the full amount of the VAT amount regarding these products is fully given back to your account.

As you can see, when you have a company, the VAT is not a problem anymore.

- Additional benefit: as you are paying for your villa through gradual installments, the VAT is always refunded to your company before the next payment tranche. That means, you don't have to anticipate that amount.

2 - TAX OPTIMIZATION

Do you know the meaning of "depreciation"? You will appreciate the tax savings it gives you!

Depreciation is the process of deducting the total cost of the assets that you bought for your business (for example the property, the furniture, etc.).

Instead of doing it all in one tax year, you write off parts of it over time. For tax depreciation, different assets are sorted into different classes, and each class has its own useful life.

You can depreciate your villa in 20 years, through deducting 5% of the purchase price from your taxable income for 20 years.

Given this, in your yearly financial statement, you will also see the value of the real estate's depreciation which will significantly reduce your taxable income!

By deducting 5% of your investment for 20 years, your taxable income will be much lower.

In this way, your corporate tax will be very marginal, almost zero.

II. What are the steps for opening a company in Croatia?

First, a few decisions.

1) Decide on your company's:

- accountant & address

Accountant (in the following paragraph you can find a few options for the accountant);

The address: address at the accountant office is recommended, the address could be also in your property if you are buying a finished property.

Yearly cost of accounting: €1200-1500€ (according to the tariff of the accountant of your choice and your agreement with them). This should include monthly VAT reporting, yearly financial statements.

If you are fine with an English-speaking accountant, your accountant can be the Remiko company in Pula. 📍Mletačka 12, Pula

In this case, your company can be registered at their office, Mletačka 12, Pula.
The cost of accounting with them is the most convenient and Remiko has all the instructions for your business model.
Please contact him and request the contract for accounting:
Mr. Dean Stojanovic: remiko.dean@gmail.com, +385 95 917 6221
You sign the contract for the accounting service as soon as your business opens.

- name

It can be a name in Latin, in Croatian or a name which includes all your name/surname or some parts of it, the name can also include English words, the choice needs to be justified in a statement by a public notary and the notary will write it.

For example, "*Your Second Name* Real Estate".

Here you can check names which are taken:

https://sudreg.pravosudje.hr/registar/f?p=150:2:0::NO:RP::

- capital

The min. company capital amounts to 2.600€; the company can in n spend it for its activities after it has been set up.

In an alternative you can start up a “small company” j.d.o.o. with a capital of 2€.

After the notary, you deposit the company's capital: €2,500.00 at the following address:

📍 HITRO and Fina in Giardini 5, Pula

You can bring it in cash or pay by card.
Just make sure you don't have a limit with your bank that day that could block this payment.

As soon as the bank account is opened, we inform the lady at HITRO that she should transfer the capital to this account. In the meantime, Fina will keep it in another bank account as the court needs confirmation of the deposited capital

- activities (should include all activities related to real estate and tourism)

Second, the company set-up.

<u>In 1 day in Croatia you can</u>:

2) Obtain the OIB number, which you need for the acts at the notary

📍 Carrarina ul. 5, Pula, Tax Office (Porezna Uprava)

- Obtaining the OIB number for you as the new managing director and for the company
- The OIB numbers are immediately assigned free of charge and sent to the notary by us

3) Sign the act of the company establishment at the public notary

📍 Notary Crljenica Alida, Ul. Ćirilometodske družbe 1, Pula

- The notary receives all the information from you sooner and the documents are ready to read and sign.
- At the appointment you must provide the company name and email address of your new Croatian company.
- This should take about 1 hour.

4) Deposit the company’s capital in the bank that your company will use or in FINA (financial institution)

After the notary, you deposit the company's capital: €2,500.00 at the following address: 📍 HITRO and Fina in Giardini 5, Pula You can bring it in cash or pay by card. Just make sure you don't have a limit with your bank that day that could block this payment. As soon as the bank account is opened, we inform the lady at HITRO that she should transfer the capital to this account. In the meantime, Fina will keep it in another bank account as the court needs confirmation of the deposited capital

In most cases it takes 2-7 days until a positive decision is made by the court about opening a business.

From this point on, the company receives its own OIB number and is officially opened.

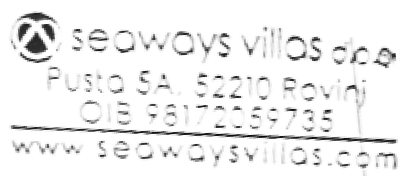
5) Stamp

As soon as you obtain the court decision on the OIB you should make the company stamp.

Insert in your stamp all the information that is needed for a supplier to make you an invoice. Include:

- company name
- company address (including street name, number, postal code, city)
- company OIB number’
- company contact information (company e-mail or company website).

Please see a sample stamp which included all the necessary information for the invoices:



6) Sign the document for opening the company’s bank account

Some banks may want you to come back a second time when the company is active. It depends on the bank you are choosing.

The documents for opening a bank account are signed on the same day after the appointment with the notary. Please send us your CV or Linkedin profile as we need to introduce you to the bank. Once the bank account is opened, the capital is transferred to your company account and

can be used for the company's activities.

7) Accountant

As soon as the company is opened and has its bank account, it is time to sign a contract with the accountant and give him the task to register the company in the VAT system and in the VAT-EU for the European transactions.

With that registration your company can be found in the VIES system and can make transaction:

https://ec.europa.eu/taxation_customs/vies/?locale=en

English speaking accounting firms:

- Remiko: remiko.dean@gmail.com (recommended, as they are managing many of our investors rental businesses)

III. How to finance your company in Croatia?

As you founded your company, in order to buy real estate, you will need to make a **loan** to your company.

It can be an interest free loan to be done in a way to optimize your investment over time.

IV. What are the costs of the company set up in Croatia?

You will need a budget of around €700 depending on how many directors your company will have and the ownership structure. In this budget you should be able to cover the following costs:

- the notary for writing and registering the acts of company establishment

The notary costs around 500 EUR. They prepare all the founding act and send it to the commercial court for the company registration.

- simultaneous sworn translator at the notary;

During the notary appointment you will need an official Croatian-Your language translator.

Simultaneous translation costs around € 60 / hour.

- FINA and HITRO for administrative fees and the company stamp

Company stet-up - Candy Brick assistance

We can organize all the steps for you and assist you during the process.

The service fee amounts to 590 Euro + VAT.

The costs for shipments, stamps, parkings etc are calculated separately based on the bills and invoices.

What happens after the company is founded?

The business should be open within a few days of this date.

V. Once the business is open:

- we collect your company's documents;

- we make 3 company stamps (2 for you and 1 for your tax advisor);

- we will send you the documentation and company stamps with DHL;

- we send the documentation and company stamps to your accountant;

- we send the documents to the bank;

- As soon as the bank account is opened, we inform the lady at HITRO that she should transfer the capital to this account. In the meantime, Fina will keep it in another bank account as the court needs confirmation of the deposited capital;

- You sign the contract with your accountant;

- You ask your accountant to register your company in the VAT system (very important);

- You can sign the contract with us for the villa ;

- You contact the bank and request access to the account (mobile banking without tokens or online banking with tokens);

- You contact the bank to authorize your accountant to at least view and insert the transaction (I suggest letting him do the transactions too).

We created this short guideline based on the questions that we have received

so far from you.

If you have some other questions, please send us an e-mail: info@candybrick.com

We will be very happy to integrate this material with other questions and answers!

Disclaimer

All the information included in this material is written based on our business experience in managing companies in Croatia and purchasing real estate through Croatian companies. This material has been prepared for informational purposes, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your tax, legal and accounting advisors before engaging in any transaction as each of us has his own individual tax, legal and financial situation.