



# Financial Market Report

## Croatia

# Country Profile: Croatia

Raiffeisen Research. As in April 2009.

**Currency:** kuna

## Gross Domestic Product and Budget

	2007	2008	2009 (est.)
Real GDP growth, % p.a.	5.6	2.4	(3.2)
Nominal GDP, €bn	37.5	41.2	39.6
Per capita GDP, PPP basis, €	13,300	13,600	13,300
Growth in industrial output, % p.a.	5.6	1.6	(5.3)
Consolidated budget deficit, % of GDP	2.3	2.4	3.0

## Inflation and Employment

Jobless rate, annual average, %	14.7	13.5	14.5
Average monthly gross wage, €	960	1,039	1,040
Consumer price inflation, annual average, % p.a.	2.9	6.1	2.8

## Balance of Trade and Current Account

Goods exports, €bn	9.2	9.7	7.6
Goods imports, €bn	18.6	20.6	16.3
Current account deficit, €bn	3.2	4.5	3.5
Current account deficit, % of GDP	8.6	10.9	8.9
Foreign debt, % of GDP	88.7	94.7	108.5

## Rates of Exchange and Interest Rates

Local currency/US\$ (average)	5.36	4.91	5.26
Local currency/€ (average)	7.34	7.22	7.47
3-month money market rate (ZIBOR), average, %	4.98	6.69	10.00

## Country Ratings

S&P	BBB
Moody's	Baa3

# The Croatian Financial Market

1. The Economic and Political Situation in Croatia .....	4
2. Company Law .....	5
3. Accounting .....	17
4. Taxes and Legislation .....	18
5. Arbitration .....	24
6. Support and Subsidies .....	25
7. Risk Mitigation and Finance .....	28
8. Payment and Account Services at Raiffeisenbank Austria d.d. ....	33
9. Raiffeisenbank Austria d.d. ....	37
10. Your International Business Specialists at Raiffeisenbank Austria d.d. and the Global Raiffeisen Network .....	38

## Important:

Despite thorough research and the use of reliable sources, we cannot accept responsibility or liability for the completeness or accuracy of this brochure's contents. The purpose of this brochure is to give you initial, general information to help you develop business relationships in Croatia. The content of this brochure does not constitute any form of advice or offer or invitation to make an offer.

Prepared in cooperation with AUSSENWIRTSCHAFT ÖSTERREICH (AWO) at WKÖ (the Austrian Federal Economic Chamber).

## Sources:

Raiffeisen Zentralbank Österreich AG

WKO: AWO Croatia Country Report; AWO Special Reports: Setting up a Company and Taxes in Croatia, Property and Receivables in Croatia.

Copy deadline: April 2009.

# 1. The Economic and Political Situation in Croatia

## EU membership negotiations continue

In 2008, Croatia registered *per capita* GDP of 54 per cent of the EU-27 average (PPP basis), putting it close to Poland. Having finally managed to begin accession negotiations with the EU at the beginning of 2006, Croatia joined NATO on 1 April 2009 (together with Albania, taking NATO's membership up to 28). As a NATO member, Croatia has all the rights and duties of a member of this common security system. However, the planned date for EU succession has been moved back from 2009 to 2011.

Applying purely economic criteria, Croatia should undoubtedly have been one of the countries in the European Union's first wave of eastward enlargement. It has been making impressive economic progress since the turn of the century and now arguably has the strongest, most resilient economy of any of the candidates for accession. In the wake of political democratization, its economy has stabilized and is growing steadily. Thanks to annual rates of growth of 3 per cent or more, its GDP expanded by nearly 40 per cent between 2000 and 2007. However, the global economic downturn slowed growth to 2.4 per cent in 2008.

Relatively high trade deficits are one typical feature of the economies of Southeastern Europe. On the other hand, citizens working abroad transfer substantial amounts of money back to their families at home, and tourism also generates income. The latter especially true in Croatia, where the tourism has revived strongly in recent years and accounts for a growing proportion of total GDP. Moreover, outside investors also find it reassuring that foreign capital and management have found their way into Croatia's financial system. On the other hand, the predominance of foreign interests within the Croatian financial sector has contributed to a deterioration in Croatia's balance of payments in recent years. The current account deficit is massive and foreign debt is high. This is because foreign banking interests have been stoking consumer demand — and, therefore, the demand for imports — by generously granting loans. Croatia heads Central and Eastern Europe's foreign and private household debt statistics, posing a degree of risk to economic stability. On the other hand, EU membership negotiations and the associated reforms in the economy, legal system and institutions are a solid basis for the economy's continued positive development. The transition to a market economy fuelled a particularly extreme de-industrialization process in Croatia. In 1990, industry still accounted for 36.6 per cent of the country's GDP, but this figure had nearly halved to 20.5 per cent by 2006. The revival of tourism as a key income generator reduced the proportion of GDP accounted for by services and other sectors to just under 50 per cent by 2006.

## 2. Company Law

Croatia's companies act is very similar to Austrian company law and essentially provides for the same types of enterprise:

- the sole trader (*Trgovac pojedinac*, abbreviated as t.p.);
- the general partnership (*Javno trgovačko društvo*, abbreviated as j.t.d.);
- the limited partnership (*Komanditno društvo*, abbreviated as k.d.);
- the silent partnership (*Tajno društvo*);
- the joint-stock company (*Dioničko društvo*, abbreviated as d.d.);
- the limited liability company (*Društvo s ograničenom odgovornošću*, abbreviated as d.o.o.).

Although mixed forms like the limited liability company and partnership (d.o.o. k.d.) are not explicitly regulated by law, legal practice does recognize them as permissible. In contrast to Austrian company law, all the forms listed above apart from the sole trader and silent partnership are considered to be legal entities and have full legal personality. Consequently, they can own movable and immovable property, acquire rights and obligations and sue or be sued before a state court or court of arbitration.

Besides the legal forms listed above, foreign investors can also set up branches (*Podružnica*) and representative and liaison offices (*Predstavništvo strane osobe*). However, the latter do not themselves have legal personality. They acquire all rights and obligations on behalf of their founder.

Another form of enterprise is the association of business interests (*Gospodarsko interesno udruženje*).

Generally, enterprises are free to choose any legal form with which to carry on their activities. A specific legal form is only required to carry on certain activities (banking, insurance, etc.).

Instead of setting up a new company, a foreign investor can acquire interests in a business or shares in an existing company (of whatever legal form) and thus take over enterprises that are already active.

Croatian company law has already been brought broadly into line with EU law. The most recent major reform took place in 2003 and 2007.

### 2.1. General provisions of Croatia's companies act

The trade name used by a sole trader must contain both the first name and the surname of the sole trader and the designation t.p. (*trgovac pojedinac*).

A company's name must be in Croatian and must express the company's object and legal form. An abbreviated form can also be recorded in the companies register (*sudski registar*) that can then be used in the course of business.

A company's name must differ clearly from the name of another trader or company registered in the companies register at the same trade court. Consequently, before forming a company, one should make sure that the same name has not already been recorded in the companies register at the trade court in question.

The object of a company will be assigned to various areas of activity in accordance with the classification that applies in Croatia. In principle, a company can only carry on the activities that have been recorded in the trade register. For this reason, the company's object must already be described exactly in the deed of formation.

When a company is formed, contributions in cash, in kind or in the form of rights can be contributed as original capital (capital stock).

A so-called *predecessor company* comes into being through a deed of formation (in the case of a d.o.o.) or through the adoption of a memorandum and articles of association once the founders have taken all the shares (in the case of a d.d.). Prior to the company's registration in the companies register, relations between the founders are governed by the partnership agreement or memorandum and articles of association. If obligations are assumed in the company's name prior to its registration in the companies register, those persons who have assumed them in the company's name and the founders will be personally and jointly and severally liable. If they have been assumed by two or more persons, those persons will be jointly and severally liable and without limit with all their assets.

Croatian legislation does not contain any provision specifying that a manager or member of the managing board must be employed or have a contract of service. Consequently, the status of a *managing board member's employment contract* (as it is called in Croatia) and whether the periods of notice provided for in employment law and regulations regarding termination benefits will apply if a manager or member of a managing board is dismissed are a matter of dispute.

A company or sole trader can appoint one or more authorized signatories ("procurators"). Their appointment must be recorded in the companies register. Although limitation of a procuration is, in principle, permissible, it will only affect the internal relationship between the company and the procurator.

## 2.2. Companies register

The companies register is kept by the competent local trade courts (in Croatian, *Trgovački sud*). They are responsible for the administrative district in which an enterprise has its registered office.

The companies register is publicly accessible. In other words, without proving any legal interest, one can inspect the information recorded in the main book and the public information contained in the collected documents. In addition, one can ask for an extract from this register and/or a notarized copy. The companies register can also be accessed in the Internet — without any guarantee as to the accuracy of information for legal purposes — at <https://sudreg.pravosudje.hr/SUDREG3/index.jsp>. Companies must be registered in the companies register. Registration in the companies register gives a company the status of legal entity. Any changes to a registered company (e.g. to its name and similar) must be recorded in the companies register.

## 2.3. Sole traders

Croatia's companies act defines a sole trader as an individual independently carrying on a business activities in accordance with the regulations governing business activities who is registered as such in the companies register.

An individual acting in accordance with the regulations governing business activities can apply for registration in the companies register as a sole trader if his or her annual revenues exceed HRK2 million. If such an individual's annual revenues exceed HRK15 million, registration in the companies register is mandatory. A sole trader's registration in the companies register has a constitutive effect.

The trade name used by a sole trader must contain both the first name and the surname of the sole trader and the designation t.p. (*trgovac pojedinac*).

## 2.4. Partnerships

Partnerships are not very common in Croatia. Usually, they are only set up if this legal form is mandatory to carry on a specific activity.

This partner is personally liable without limit to the company's creditors for all of the company's obligations.

### **General partnership**

A general partnership (in Croatian, *Javno trgovačko društvo*, abbreviated as j.t.d.) is a company in which two or more individuals or legal entities have united to carry on an activity on a permanent basis under a shared company name. The partners are liable to creditors for the company's obligations jointly and severally liable and without limit with all their assets. Unless otherwise specified in the partnership agreement, each partner is severally entitled and obliged to manage and represent the company. A general partnership is a legal entity. It gains legal personality upon being registered in the companies register.

### **Limited partnership**

A limited partnership (in Croatian, *Komanditno društvo*, abbreviated as k.d.) is a company in which two or more individuals or legal entities have united to carry on an activity on a permanent basis under a shared company name, at least one of which is liable for the company's obligations without limit and, as applicable, jointly and severally with all of his/her/its/their assets (general partner) and in which at least one other person is liable for the company's obligations but only up to the amount of a specific capital contribution (limited partner). The company's business activities are managed by the general partner(s). The limited partner(s) is/are not allowed to manage its business activities, but they do have a right of control. The limited partnership too is a legal entity that gains legal personality upon being registered in the companies register.

## 2.5. Corporations

The corporations provided for in Croatia are the limited liability company (in Croatian, *društvo s ograničenom odgovornošću*, abbreviated as d.o.o.) and the joint-stock company (in Croatian, *dioničko društvo*, abbreviated as d.d.). The limited liability company is by far the most popular form of company in Croatia (accounting for about 80 per cent of all companies).

There are no requirements regarding either the nationality or the place of residence of the individual partners, shareholders or managers of corporations.

### **Limited liability company**

A limited liability company is a company to which one or more legal entities or individuals contribute capital as a result of which they have a stake in the company's capital stock, the amount of which has been agreed in advance. The company is liable with all its assets but the partners only up to the amount of they have subscribed to the company's capital stock. A single-person company is allowed. There is no limit on the number of partners. Founding a limited liability company has been made much easier and faster by the creation of one-stop-shop called HITRO.HR. HITRO.HR's website contains an English guide to setting up a company that lists all the documents that are needed for each step of the formation process, and forms can be downloaded from the website as well.

Three of the four steps needed to set up a company can be carried out at Croatia's finance agency FINA within the scope of HITRO.HR. On average, it takes at most than two weeks to set up a company.

Despite the simplification of the formation process, one should always consult a lawyer and a tax advisor.

Under Croatian company law, a limited liability company can be set up by a deed of formation (either a declaration of formation or memorandum and articles of association) by one or more individuals or legal entities.

If the limited liability company is set up by one person, a unilateral written founder's declaration of the foundation of a limited liability company (in Croatian, *Izjava o osnivanju*) will be required. This too must take the form of a notarial deed.

If the limited liability company is set up by more than one person, a memorandum and articles of association (in Croatian, *društveni ugovor*) are required. Both a declaration of formation and a memorandum and articles of association must take the form of a notarial deed or a notarized (solemnized) private document.

By law, the memorandum and articles of association or declaration of formation of a limited liability company must contain at least the following:

- information about the founder(s): first name and surname or name of the company and place of residence or registered office of (each of) the founder(s), and also, in the case of individuals, ID number or passport number;

- the company's name and registered office;
- the company's object;
- the company's total capital stock and the amount of capital contributed by each founder including information as to whether each contribution was made in cash, in kind or in the form of rights;
- information about the company's duration: a stipulation that makes it clear whether the company is being formed for a specific period or for an indefinite period;
- the mutual connections between the company and the partners other than the capital contributions made.

Since the entire formation process must take place in the Croatian language, the Croatian notaries act specifies that a sworn court interpreter (in Croatian, *Sudski tumač*) must always be present if one of the founders of a company cannot speak Croatian.

#### Capital stock and capital contributions

The capital stock of a limited liability company must be denominated in the currency of the Republic of Croatia and must be at least HRK20,000. Each founder's capital contribution must be at least HRK200. The original capital can be contributed in cash, in kind or in the form of rights. If the company is founded through cash contributions, every founding partner must have paid in at least one quarter of his/her/its capital contribution before the company can be registered in the companies register, and the total amount contributed in cash must not be less than HRK10,000. If the limited liability company is founded by one person, the entirety of its capital stock must be paid in or payment of the remainder must be guaranteed. If the limited liability company is formed through contributions in kind or in the form of rights, an appropriate certificate must be issued by an auditor. Contributions in kind and in the form of rights must be made in full before the company can be registered in the companies register, and at least half of the capital stock must be contributed in cash. If a contribution has been made in kind and/or in the form of rights, an audit of the formation must also be carried out by an auditor appointed by the court before the company can be registered in the companies register. One must also bear in mind that if the company is formed on the basis contributions in kind and/or in the form of rights, a cash contribution in the amount of the value of the contributions in kind and/or in the form of rights must also be made.

#### Appointment of the company's boards (managing board and, as applicable, supervisory board)

If the management (*Uprava*) has not already been appointed in the deed of formation, it will be appointed through a decision by the company's founders. The company's management can consist of one or more individuals—known as directors (in Croatian, *Direktori*)—who must then declare acceptance of their appointment in the presence of a public notary.

If the deed of formation provides for a supervisory board (*Nadzorni odbor*), it too will be appointed through a decision by the company's founders. A supervisory board is not generally mandatory in a limited liability company. However, a supervisory board must be appointed if the limited liability company

- a) has more than 200 employees, or
- b) carries on an activity for which a special act requires the appointment of a supervisory board, or
- c) has over 50 partners and capital stock of more than HRK 600,000 or
- d) manages corporations that must have a supervisory board.
- e) is a limited partner in a limited partnership, and the average number of employees in both the limited liability company and limited partnership is above 200

Application for registration in the companies register, company stamp, tax reference number

The court responsible for the company's registration in the companies register is the trade court competent for the limited liability company's registered office. The registration form and certain enclosures must be notarized.

The application for registration must state the following:

- the company's name, registered office and object;
- the amount of the company's capital stock;
- a declaration by the directors that they are aware of their duty of disclosure to the trade court and that no circumstances exist that could stand in the way of their appointment pursuant to article 239 of the Croatian trade act;
- the name(s) and/or company name(s) of the partner(s) and, insofar as they are individuals, their standard citizen ID number(s) (in the case of Croatian citizens) or passport number(s) (in the case of foreign citizens).

Following registration, the registry court will release details for publication in Croatia's official gazette (*Narodne novine*). In addition, the limited liability company will be assigned its companies register number (in Croatian, *Matični broj subjekta*, abbreviated as MBS).

Once the ruling regarding registration in the companies register has been received, a company stamp must be made.

In the next phase, an application for assignment of the company's activities in accordance with the national classification system must be made to the state statistical office (*Državni zavod za statistiku*). The statistical office will issue the company a tax reference number (in Croatian, *Matični broj*, abbreviated as MB) and a code for its activities. In addition, the formation of the new company must be reported to the Croatian Tax Administration.

The cost of setting up a company

As a rule, setting up a company with capital stock of HRK20,000 will cost about €2,700 inclusive of lawyers' and notaries' fees and court fees. The capital stock must at all events be paid in separately.

Pension insurance, health insurance

Employers, legal entities and individuals obliged to pay pension insurance contributions must report the commencement of their activities to the responsible pension insurer (will depend on the location of the company's registered office) within 15 days. Similarly, every new employee must be reported to the insurer. Similarly, registration with the responsible health insurer must take place within 15 days.

Opening a current account

Once the ruling regarding classification by the statistical office has been received, a current account (in Croatian, *Tekući račun*) must be opened at a commercial bank. The registration ruling from the trade court and the classification ruling from the state statistical office must always be included with the account opening application.

### **Joint-stock company**

This is a company in which the partners (shareholders) acquire a stake by subscribing to its capital stock, which is divided into shares. The company is liable to its creditors with all its assets, whereas the shareholders' liability is limited to the amount of their contribution to its capital stock. A joint-stock company may also have just one shareholder.

When setting up a joint-stock company, one should always consult a lawyer and a tax advisor.

A joint-stock company can be set up by one or more individuals or legal entities.

There are two forms of formation, namely simultaneous formation and successive formation. In what follows, we will look solely at the simultaneous formation of a joint-stock company.

The joint-stock company's memorandum and articles of association should specify the form in which the shares are to be issued (share certificates or an intangible form). The joint-stock company must keep a share register (in Croatian, *registar dionica*) recording all the bearers of registered shares, the number of shares that they hold and, if par value shares have been issued, their par value and the numbers of the shares.

To be treated by the company as one of its shareholders, one must be recorded in the share register. If the shares have been issued in an intangible form, the balance on the account of the respective shareholder that it held for the company's shares with the institution thus empowered by law (the central custody agency, in Croatian *Središnje klirinško depozitarno društvo*) is decisive. Shares issued in a material form can be transferred by endorsement or assignment. If the shares are not fully paid, their transfer will be preceded by a written assignment or sale and purchase agreement bearing the seller's notarized signature.

The joint-stock company's founders will agree the memorandum and articles of association. This process requires notarization and also, if third parties are involved, a notarized power of attorney.

The resolution on adoption of the memorandum and articles of association must state at least the following:

- the founders and their place of residence or registered office;
- if par-value shares are being issued, their par value; otherwise, the number of no-par shares, their issue price and, if there are shares of several classes, the class(es) of the shares subscribed to by each shareholder;
- the amount of paid-in capital stock;
- the founders' declaration of adoption of the memorandum and articles of association.

The company's memorandum and articles of association must state at least the following:

- the company's name and registered office;
- the company's object;
- the amount of capital stock;
- the subdivision of the capital stock into par-value and no-par shares, the par values and quantity of par-value shares and/or quantity of no-par shares and, if there is more than one class of shares, the classes of the shares and the quantity of shares in each class;
- whether the shares are bearer shares or registered shares;
- the number of members of the managing board and supervisory board or the number of board of directors;
- the way and form in which the company will make announcements;
- the company's duration and how it can be wound up.

The founders must declare in the presence of a public notary that they are forming a joint-stock company and are thus assuming the obligation to pay up the shares.

Since the entire formation process must take place in the Croatian language, the Croatian notaries act stipulates that a sworn court interpreter must always be present if one of the founders of a joint-stock company cannot speak Croatian.

#### Capital stock and initial contributions

The capital stock of a joint-stock company must be denominated in the currency of the Republic of Croatia and must be at least HRK200,000. The company can issue either par-value shares or no-par shares. The minimal par values of a par-value share must also be stated in Croatian kuna and must be at least HRK10. If no-par shares are issued, the capital stock will be split into equal amounts. Here too, the interest in the company's capital stock represented by one share must not be less than HRK10.

A joint-stock company can be formed on the basis of contributions in cash, in kind or in the form of rights, with the shareholders subscribing to the shares by making contributions in cash, in kind or in the form of rights. For a joint-stock company to be formed on the basis of cash, there must be an entry in the companies register to the effect that every founding shareholder has paid at least one quarter of the value of each share. If the joint-stock company is founded through contributions in kind or in the form of rights, an appropriate certificate must be issued by an auditor. Moreover, if the joint-stock company is founded through contributions in kind or in the form of rights, the capital must be fully paid up.

The shares can be bearer shares or registered shares. If the shares have not been fully paid at the time the company is formed, it is only permissible to issue registered shares or scrips that confirm the stake in the joint-stock company. Intangible shares must also be issued as registered shares. The shares can either be issued at par (i.e. the par value of a share or the interest in the company's capital stock it represents is the same as the amount paid) or above par (i.e. the par value of the share or the interest in the company's capital stock it represents is less than the amount paid).

#### Appointing the managing board and supervisory board

The appointment of the first supervisory board and the auditor for the first financial year must take place by way of a notarized resolution by the company's founders. The supervisory board must have at least three members, one of whom will be the chairman. The members of the supervisory board cannot be appointed for a longer period than until the first shareholders' meeting, during which the supervisory board will be elected by simple majority.

The managing board can have one or more than one member, elected by the supervisory board for a maximum of five years.

The board of directors is responsible for running the company, supervises the conduct of business and appoints one or more executive directors for a maximum of six years.\*

#### Reporting the company's formation

The founders must prepare a written report on the formation process that must, in particular, include everything that is necessary to verify the suitability of contributions in cash or in kind or in the form of rights.

The formation process must be examined by the managing board and supervisory board or the members of managerial board.

If a member of the supervisory board or managing board is also one of the company's founders, if, during the formation process, shares were subscribed for for the account of a member of one of above boards, if a founder has been granted special advantages or if the company has been formed by way of contributions in kind, a special audit report by an auditor must be included.

#### Application for registration in the companies register

The application must be made to the trade court competent for the joint-stock company's registered office. A notarized application is a prerequisite for registration. It must contain at least the information that is legally required for entry in the companies register. In addition, the company or an agent authorized by the company must fill in a special form in duplicate using the "Courier" font and have it notarized.

By law, the application must at least state the following:

- the company's name, registered office and object;
- the amount of the company's capital stock;

---

\* in accordance with Anglo-American legal system and opposite to European dual system of managing

- the amount paid for the shares in issue and the form in which payment took place;
- a declaration by the members of the managing board that they are aware of their duty of disclosure to the trade court and that no circumstances exist that could stand in the way of their appointment pursuant to article 239 of the Croatian trade act;
- the names of the members of the managing board and the supervisory board and their ID numbers (in the case of Croatian citizens) or passport numbers (in the case of foreign citizens);
- if the company has only one shareholder, information about that shareholder (name of individual/company, place of residence/registered office, passport number).

The other stages of the process (company stamp, assignment by the statistical office, registration for tax, pension and health insurance, opening of a current account and ruling on the minimum organizational requirements) are the same as when forming a limited liability company.

Continuing the formation process

Contracts concluded between the company and shareholders holding a stake of more than 10 per cent of the company's capital stock within the first two years following the company's registration under which the company is to acquire property, goods or rights for a price equal to or exceeding 10 per cent of its capital stock will only be valid if they are approved by the shareholders' meeting and registered in the companies register. Insofar as the law does not lay down stricter formal requirements (notarial deed, solemnized private document), such a contract must at least be in writing.

## 2.6. Branches

Both a company and a sole trader can set up a branch (in Croatian, *Podružnica*) in a place other than their registered office where they carry on their activities. Branches are not legal entities. Their rights and obligations are ascribed to the (parent) company. A branch operates under its own name and, while doing so, must state its registered office and the registered office of its founder.

Domestic branches must be distinguished from branches of foreigners. A domestic branch can be set up by a company registered in Croatia if this provided for in its deed of formation (declaration of formation or memorandum and articles of association). Foreign legal entities must set up a branch to carry on their business activities in Croatia.

Foreign companies and sole traders are generally on an equal footing with Croatians when it comes to their activities in Croatia (with the sole exception that proof of reciprocity must be provided if they are from a country that is not a WTO member).

Note: Branches must have a branch manager who is resident in the Republic of Croatia.

If a foreign company already has a Croatian subsidiary (e.g. in the form of a Croatian limited liability company), this does not stand in the way of its setting up a branch.

The founding company bears the branch's rights and obligations. A branch can carry on any activities in the founding company's name that are part of the object of the founding company. A branch always operates both under its own name and under the name of its founder and, when doing so, must state its own address and the registered office of its founder.

Regulations governing the branches of Croatian individuals and entities apply analogously to the branches of foreigners.

A branch is created by way of a decision made by a sole trader or the responsible board or body of a company in accordance with its deed of formation or memorandum and articles of association.

The founder must appoint at least one representative for each branch. It does not matter if the appointed persons are identical. In other words, the same person can be appointed as representative of several branches. If two or more branches are set up, one of them must be designated as the main branch.

## 2.7. Representative offices of foreign individuals and entities

A foreign individual or entity may set up a representative office if this serves to promote economic relations with other countries and engender business relationships between foreign and Croatian enterprises and other legal entities.

According to Croatia's commercial code and the directive laying down the prerequisites for the setting up and operation of representative offices of foreigners in Croatia, a foreigner can set up one or more representative offices

- to carry out market research;
- to make preparations for the conclusion of certain contracts (including: contracts to export and import goods and services that will serve to promote and develop production; contracts concerning long-term cooperation in the manufacturing field; commercial and technical collaboration agreements; and foreign investment contracts); and
- for marketing and informational purposes.

National defence is an exception. Only representative offices acting as agents in the aviation field are allowed to sell transport documents (e.g. tickets), and such activities must be in conformity with contracts for the sale of such transport documents, with international treaties and with exchange control regulations.

A representative office has no legal personality of its own and is associated with a foreign (legal) entity. Its founder can give the representative office instructions. The manager of the representative office or another person employed by the representative office and authorized to do so by its founder can represent it. To commence its business activities, a representative office must be registered in the register of representative offices of foreign individuals and legal entities at the ministry of economic affairs (in Croatian, *Ministarstvo gospodarstva*).

## 2.8. Mergers and acquisitions

An unconditional takeover bid (permissible condition: the bidder can specify in the bid that the bidder will not accept the encumbered or lodged shares if the number of votes they confer and the number of votes that the bidder already has would together not exceed 50 per cent of the voting rights at the meeting of the shareholders of the takeover target) must be published within seven days from the time of service of approval by HANFA or after the passing of the 14-day period in which HANFA approval should have been granted. The bid is valid for 30 days, and in the cases provided for by law (e.g. if a competing bid is published), this period can be extended. All bids must be published in the Republic of Croatia's official gazette and in one of Croatia's national daily newspapers.

## 2.9. Business lobby group

A business lobby group is a legal entity set up by two or more individuals and/or legal entities without profitable intent to facilitate or develop the business activities of its members and to improve and enhance the results of those activities. The activity of such a business lobby group should be connected with a business activity of its members and should only play an auxiliary role in relation to that activity.

# 3. Accounting

Enterprises (persons and entities carrying on a business activity for profit) must keep books in Croatian in accordance with the Croatian accounting act and international standards.

All entries in the books must take place on the basis of properly kept and plausible accounting records.

The books must comprise:

- the journal, where accounting entries are recorded in chronological order;
- the ledger, containing accounting records of changes in assets, liabilities, capital, expenses, income and the results of the company's operations;
- auxiliary ledgers.

The journal and ledger must be kept for at least 11 years, and auxiliary ledgers for at least seven.

At the end of a reporting period (financial year = calendar year), companies must prepare the following financial reports:

- balance sheet;
- income statement;
- cash flow statement;
- equity statement;
- notes to the annual report.

Financial reports must be kept for at least 11 years.

For accounting purposes, enterprises are classified as small, medium-sized or large enterprises.

Small enterprises:

- total assets of not more than HRK27 million;
- revenues of not more than HRK54 million;
- not more than 50 employees.

Medium-sized enterprises:

Satisfy two of the above criteria and do not exceed more than two of the following three criteria:

- total assets of not more than HRK108 million;
- revenues of not more than HRK216 million;
- not more than 250 employees.

Large enterprises:

Exceed at least two of the above three criteria for medium-sized enterprises.

Large enterprises also include:

banks, building societies, insurers and leasing companies.

The classification of an enterprise will determine whether it is obliged to publish financial reports and to have its financial reports audited. Joint-stock companies must publish their financial reports.

## 4. Taxes and Legislation

Under the present tax system, Croatia has the following taxes:

- profit tax (*Porez na dobit*);
- income tax (*Porez na dohodak*);
- value added tax (*Porez na dodanu vrijednost*);
- special taxes on certain products (mineral oils and oil derivatives, tobacco products, alcohol, non-alcoholic beverages, beer, coffee, passenger cars and other motor vehicles, vessels and aircraft, luxury products) (*Posebni porezi*);
- real estate transfer tax (*Porez na promet nekretnina*);
- city, municipal and county taxes (local administration revenues) (*Zupanijski porez* and *Opcinski porez*).

Hint: The Croatian Tax Administration's website contains a useful overview of all the Croatian taxes, tax legislation and tax directives that is also available in English at <http://www.pu.mfin.hr/en/index.asp>.

### 4.1. Profit tax

Croatian profit tax is regulated by the profit tax act (*Zakon o porezu na dobit*) and the associated directives. Profit tax must be paid by companies and other legal entities and by the Croatian branches of foreign companies engaged in an activity for the purpose of deriving a profit.

Profit tax must also be paid by individuals who derives income pursuant to the income tax regulations if they declare that they intend to pay profit tax instead of income tax and by individuals who derive income from small business or activities deemed to be the equivalent thereof if they recorded

- total revenues in excess of HRK2 million, or
- income in excess of HRK400,000, or
- long-term assets in excess of HRK2 million or
- employed an average of more than 15 employees during the preceding tax period.

Open-end investment funds are not liable for profit tax.

The basis of assessment for tax purposes is book profit, reduced or increased in accordance with the legislative provisions. Unless the tax regulations expressly specify otherwise, this is determined on the basis of the books and financial reports as prepared in accordance with IASs.

Profit tax is charged at a rate of 20 per cent.

The Croatian profit tax act includes a withholding tax of 15 per cent on the following payments made by taxpayers to foreign legal entities:

- 1) licence fees (for copyrights, patents, licences, trademarks, production formulae, etc.);
- 2) dividends and other profit shares;
- 3) interest;
- 4) payments for market research, tax counselling, business consultancy services and auditing.

Withholding tax must be assessed and paid by the Croatian enterprise that is liable for profit tax.

As exceptions, withholding tax is not charged on:

- 1) interest on loans taken out to buy production plant used for the taxpayer's activities;
- 2) interest on loans from foreign banks and other foreign financial institutions;
- 3) interest on government and industrial bonds issued by foreign legal entities.

However, the double tax agreement between Austria and Croatia provides for the following limitations on withholding tax:

- Licence fees: payments of licence fees are exempt from withholding tax.
- Dividends: in the case of equity investments of not less than 10 per cent held for at least one year, dividends distributed to Austria are exempt from withholding tax. In the case of equity investments of less than 10 per cent, the withholding tax rate is reduced to 10 per cent.
- Interest: The withholding tax rate on interest is reduced to 10 per cent.
- Advisory services (tax counselling, business consultancy services, auditing) and market research carried out by Austrian enterprises are exempt from withholding tax.

## 4.2. Income tax

Income tax in Croatia is regulated by the income tax act (*Zakon o porezu na dohodak*).

Every Croatian and foreign individual with income in Croatia is liable for income tax. A Croatian taxpayer pays income tax on his or her income in Croatia and anywhere abroad (world income principle). Personal tax allowances can be claimed and, in the case of certain kinds of income, tax losses from previous years can also be carried forward.

A foreign taxpayer only pays income tax on income in Croatia (source principle). A basic personal allowance can be claimed and, in the case of certain kinds of income, tax losses from previous years can be carried forward.

Croatia's income tax act distinguishes between the following kinds of income:

- income from employment;
- income from self-employment: small businesses, professions, agriculture and forestry;
- income from property and property rights: letting or reselling of real estate, income from copyrights and industrial property rights;

- income from capital: Croatia treats this income category differently from other countries; it does not include the following:
  - dividends and other shares in company profits;
  - interest on savings deposit balances and other deposits with banks, savings banks and savings and credit cooperatives;
  - interest on securities that meet the requirements of the act;
  - income from the non-commercial sale of financial assets;
- insurance income;
- other income.

Income tax rates in 2007, in % of monthly gross income (after the deduction of any tax allowances)	Tax Rate
Up to HRK3,200	15%
Over HRK3,200 up to HRK8,000	25%
Over HRK8,000 up to HRK22,400	35%
Over HRK22,400	45%

Taxpayers can claim a basic tax allowance of HRK1,600 a month. Other personal allowances will depend on the taxpayer's family status. Municipalities and cities may charge a surtax on income tax (*Prizez* city tax; see the section on city, municipal and county taxes).

## 4.3. Value added tax

Value added tax is regulated by the value added tax act. In most points (place of supply of services, etc.), the regulations it contains are the same as in the EU.

### *Tax liability*

All business proprietors and their enterprises are liable for value added tax, regardless of whether they are individuals (professionals, small businesses) or legal entities (corporations or partnerships). The current threshold for small enterprises is HRK85,000.

### *Taxable items*

The following are subject to value added tax (hereinafter VAT):

- domestic deliveries of all kinds of goods and services (supplied by the enterprise against payment);
- items for one's own consumption (goods from one's own enterprise acquired for private use, private use of services, etc.);
- imports of goods.

Among others, VAT is not payable on the following imports to Croatia:

- temporary imports of duty-free goods;
- imports of humanitarian aid supplies (except mineral oils and oil derivatives, tobacco and tobacco products, alcohol, alcoholic beverages);
- imports within the scope of transit trade (including all forwarding and delivery services)

No VAT is payable on exports to abroad.

### *The VAT rate*

A standard VAT rate of 22 per cent applies to all VATable sales. A zero rate applies to dairy products, bread, drugs on the drugs list of the state health insurance institution, implants, reference books and textbooks, scientific magazines and cinema showings. In addition, a VAT rate of 10 per cent applies to the accommodation of guests in commercial premises in the hospitality industry, including ships.

### *Pseudo-exemptions*

The following are VAT exempt (without the right to reclaim input tax):

- the letting of residential premises;
- services rendered by banks, savings banks, savings and credit cooperatives, insurers and reinsurers (these exemptions are associated with the institution itself rather than with the service rendered, which is not in line with EU standards);
- gambling and betting;
- health services;
- goods and services from social security offices, kindergartens, halls of residence for schoolchildren and students and religious communities;
- services rendered by public cultural institutions such as museums, galleries, libraries, etc.

### *Basis of assessment*

Generally, the VAT is charged on the payment agreed or received.

In the case of goods imports, the basis of assessment is their dutiable value plus customs duties, other import levies, special excise duties and other costs arising from customs clearance.

#### *The time when VAT is due, interim VAT returns*

The assessment period is a calendar year. In the case of newly formed enterprises, periods of business activity during the year will be taken into account. The base period and, therefore, interim return period for enterprises with revenues of not less than HRK300,000 is a calendar month. VAT that is due must be paid by the end of the month following the end of the interim return period.

Croatian enterprises can deduct input tax. Foreign enterprises can only deduct input tax in very few, exceptional cases.

Enterprises must themselves calculate the VAT in their monthly interim VAT returns. The interim VAT return must be submitted using the required form by the last day of the month following the base period. The annual VAT return must be submitted to the Croatian Tax Administration by the end of April of the following year with the exception of small enterprises and small business proprietors using a simplified accounting system, who must submit it by the end of February of the following year. All the necessary records and documents must be kept for at least five years (from the end of the respective VAT year).

#### *Deducting input tax*

Enterprises domiciled in Croatia can deduct VAT (turnover tax) incurred on purchases as input tax, and branches of foreign enterprises in Croatia can also deduct input tax. If the taxpayer so requests, a VAT overpayment will be repaid by the Croatian Tax Administration within 30 days of the date of submission of an interim VAT return.

## 4.5. Real estate transfer tax

Real estate transfer tax is regulated by the real estate transfer tax act (*Zakon o porezu na promet nekretnina*).

If a piece of real estate is acquired by way of

- purchase,
- exchange,
- inheritance or gift,
- contribution to or withdrawal from a company, or
- liquidation or bankruptcy proceedings

or in another way, the acquirer must pay real estate transfer tax on the market value of the real estate.

The tax rate is 5 per cent.

The exemptions are contributions of real estate to a company's nominal capital (capital stock) and the acquisition of real estate through a merger, demerger or takeover of a company. VAT and real estate transfer tax are mutually exclusive. VAT is payable on turnover of new buildings. Real estate transfer tax is payable on older buildings and land.

## 4.6. City, municipal and county taxes

Some kinds of tax are imposed by municipalities, cities and counties. They include inheritance and gift tax, the tax on holiday houses, a special tax on road motor vehicles, the tax on vessels, the tax on coin-operated gaming machines and consumption tax.

Foreigners must also pay a number of city, municipal and county taxes:

- The consumption tax payable by legal entities and individuals operating in the hospitality industry is up to 3 per cent of the beverage turnover in a hospitality business.
- Municipalities and cities may charge a surtax on income tax (*Priraz* surtax). In the city of Zagreb, this surtax is 18 per cent of the income tax paid. The amount of the surtax is limited as follows

City of Zagreb	up to 30%
Cities with more than 30,000 inhabitants	up to 15%
Cities with up to 30,000 inhabitants	up to 12%
Municipalities	up to 10%

One can look up the current amount of the surtax in individual cities on the website of Croatia's Ministry of Finance and Tax Administration at [http://www.pu.mfin.hr/en/porezi/v\\_poreza.asp?id=b01d1#3.1\\_SUR-TAX\\_ON\\_INCOME\\_TAX](http://www.pu.mfin.hr/en/porezi/v_poreza.asp?id=b01d1#3.1_SUR-TAX_ON_INCOME_TAX). Cities that are not listed do not have a surtax.

# 5. Arbitration

Croatia has ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention). In it, the contracting states undertake to recognize and enforce arbitral awards made in another contracting state.

Consequently, the jurisdiction of the International Chamber of Commerce (ICC) or another arbitrator can be agreed in a contract concluded with a foreign party.

The International Chamber of Commerce is a globally represented organization based in Paris.

The arbitration clause of the International Chamber of Commerce (ICC) reads as follows:

“All disputes arising out of or in connection with the present contract shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules.”

This arbitration clause is also available in many other languages.

Useful agreements to supplement the arbitration clause:

- The number of arbitrators shall be ..... (one or three).
- The applicable law shall be .....
- The language used in arbitration proceedings shall be .....

Note: As the application of Croatian legislative provisions is mandatory in many areas, it does not make much sense to agree a foreign legal jurisdiction or applicable law. Proceedings in civil cases already take a very long time in the court of first instance, so agreeing on a court of arbitration in Croatia — or an international court of arbitration abroad if the majority of the shares are held by foreign shareholders — is generally advisable.

## 6. Support and Subsidies

### The EU Cohesion Policy (2007 – 2013)

#### Point of Departure and Status Quo

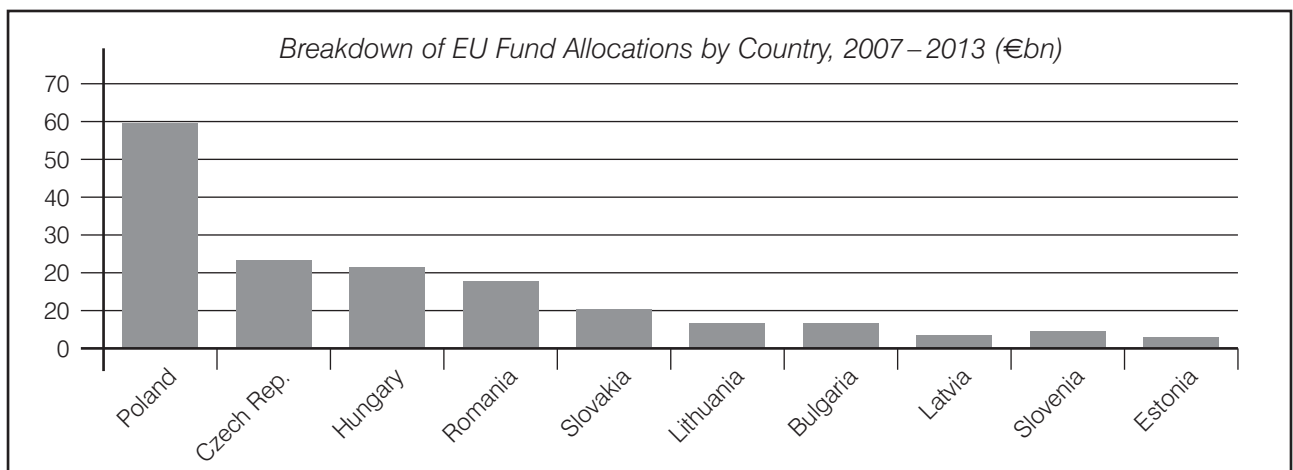
There are considerable economic and social disparities between the different regions of Europe, and this is particularly true in Central and Southeastern Europe.

The EU has set itself three policy objectives to create a balance within these regions:

Objective	Priorities
Convergence	Support for development and restructuring in the less developed regions (formerly Objective 1)
Regional competitiveness and employment	Promotion of innovation and sustainable development, support for the adaptation and modernization of education, training and employment policies
European territorial cooperation	Strengthening of cross-border, transnational and interregional cooperation (formerly INTERREG)

Source: Enterprise Europe Network.

In order to realize these policy objectives, the European Union has allocated structural funds (European Regional Development Fund [ERDF], European Social Fund [ESF] and European Cohesion Fund)) in the amount of €347.4 billion. This EU aid consists of non-repayable grants.



**Structure of the Support Programmes: From EU Objective to National Promotional Programme**

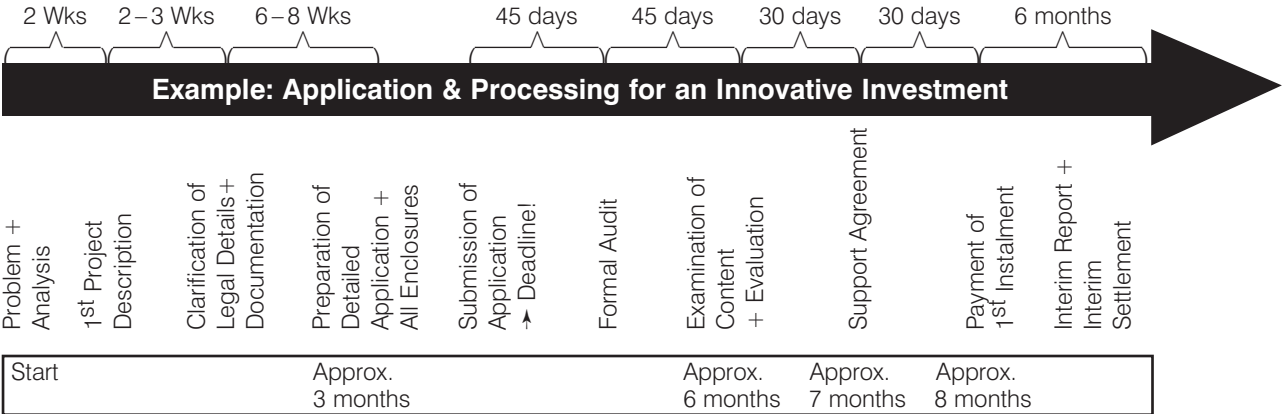
The individual EU Member States define their national and regional priorities on the basis of the EU objectives named above and derive individual operational support programmes (OPs) from them. The OPs are structured according to region and theme. Support focuses (so-called *priority axes*) regulated by guidelines approved by Brussels are defined within these programmes. The following themes are deemed to be the principal focuses for the individual countries: innovation, research and development, creating jobs, environmental protection, training, SMEs, transportation and regional support.

Special national funding agencies (ministries and investment agencies) are responsible for distributing promotional funds. While support can be continuously applied for in Austria within the scope of framework programmes, in Eastern Europe it is granted within the scope of “calls” (tender invitations). Calls for each of the focuses of support named above take place once or twice a year, and they are open for between one and three months. The principal criteria of assessment for the granting of support to companies are the size of a company, its location and the nature of the project to be supported.

**How can your company apply for support?**

One can submit applications for clearly defined projects while calls are open. Applications will only be accepted if they are complete (project description, approvals, budgeting, ...) and in the language of the country concerned. Projects that have been submitted are then assessed by evaluators using a points system in accordance with the guidelines that have been stipulated or laid down in the programme. All the projects in a call compete with one another. Only those with the largest number of points will be shortlisted for support.

*Timescale of a project receiving support:*



A complex and time-consuming process takes place between the time of the application and any disbursement of funds. One needs experience dealing with public authorities and the targets they set.

## **National Subsidies**

In addition to the EU structural funds, companies can also apply for support from national funds. To be worthy of support, it is very important for an investment project to be of economic importance to the country or region. The criteria of assessment are the minimum size of the investment, the number of jobs it will create and the minimum period those jobs will continue to exist.

The following investment incentives are possible:

- tax reductions, tax deferrals and tax exemptions;
- grants;
- loans;
- guarantees;
- equity investments;
- cheaper land.

However, these incentives are subject to the national regulations applicable in the particular country (special economic zones, investment certificates, ...) and must be applied for to regional funding bodies.

### **Please note:**

- An application for support must be made before the project begins.
- The guidelines for support must be mirrored in the project description.
- Details of the guidelines may change during a call, so one must always keep up to date with them.
- Investment plans must never depend on support. A project must also be viable without support.
- There is no legal right to support.

For more information, go to <http://www.ri.co.at/index.php?id=307&L=1> or contact our support and subsidy expert:

Ivona Vegar  
Raiffeisenbank Austria d.d.  
SR Njemacke 2 i 8  
HR-1000 Zagreb  
Phone: +385-1-617 4312  
email: [ivona.vegar@rba.hr](mailto:ivona.vegar@rba.hr)

# 7. Risk Mitigation and Finance

## Guarding against investment risks abroad

aws (Austria Wirtschafts Service GmbH = the federal government's funding agency)

aws provides guarantees to protect Austrian companies against financial risks arising from their equity investments abroad within the scope of *Ost-West-Fonds* (East-West Fund) guarantees.

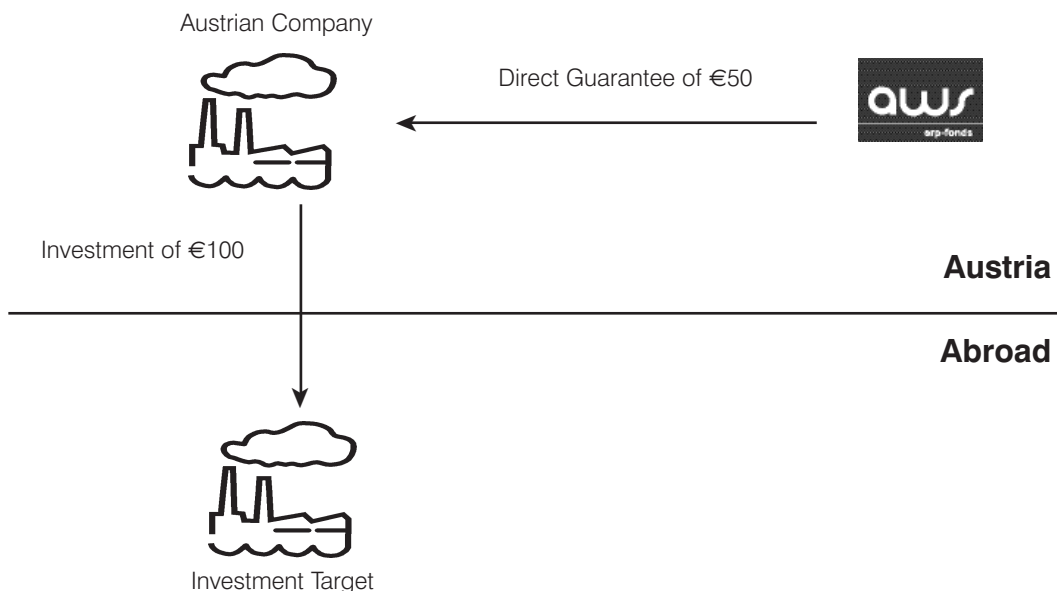
Two kinds of protection are available, the direct guarantee and the finance guarantee (with or without risk sharing).

[www.awsg.at](http://www.awsg.at)

### The Direct Guarantee

An aws direct guarantee provides protection against the possible failure (insolvency or similar circumstances) of an equity investment project. aws undertakes to provide a specific capital sum up to the maximum guaranteed amount.

Direct guarantee to cover project risk:



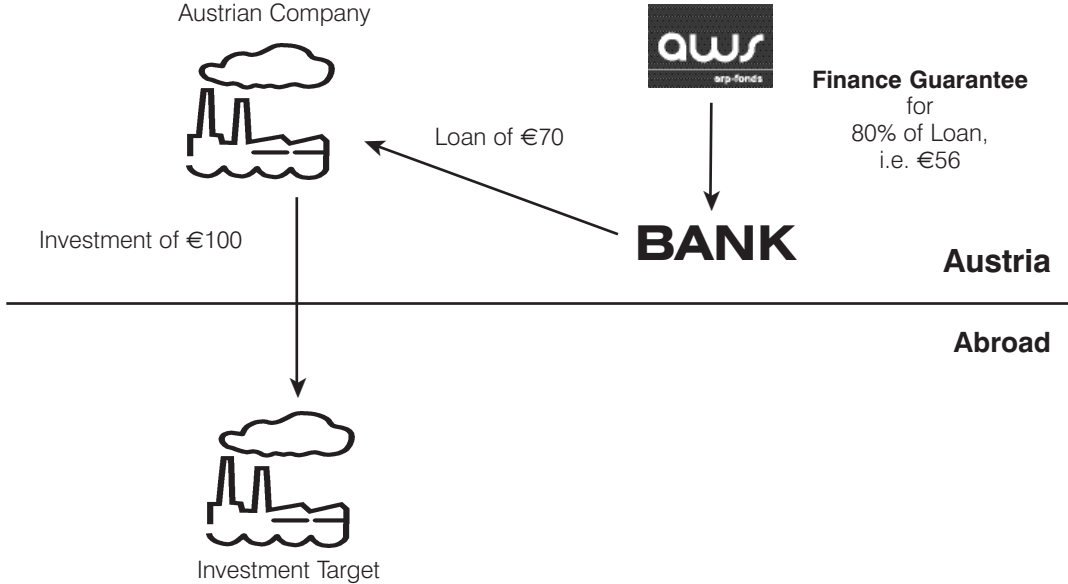
aws guarantees up to 50 per cent of the amount invested by the Austrian company should a project in another country fail. The guarantee will cost SMEs 0.5 per cent of the guaranteed outstanding loan amount per half year.

In the case of large enterprises, the maximum guarantee is one third of the value of the project. The guarantee fee will be set in line with the market.

**Finance Guarantee**

An *aws* finance guarantee safeguards the bank with protection against the investor’s financial risk (loan loss caused by the Austrian company’s insolvency). A finance guarantee covers up to 80 per cent of the loan.

Finance guarantee to provide cover against credit risk:



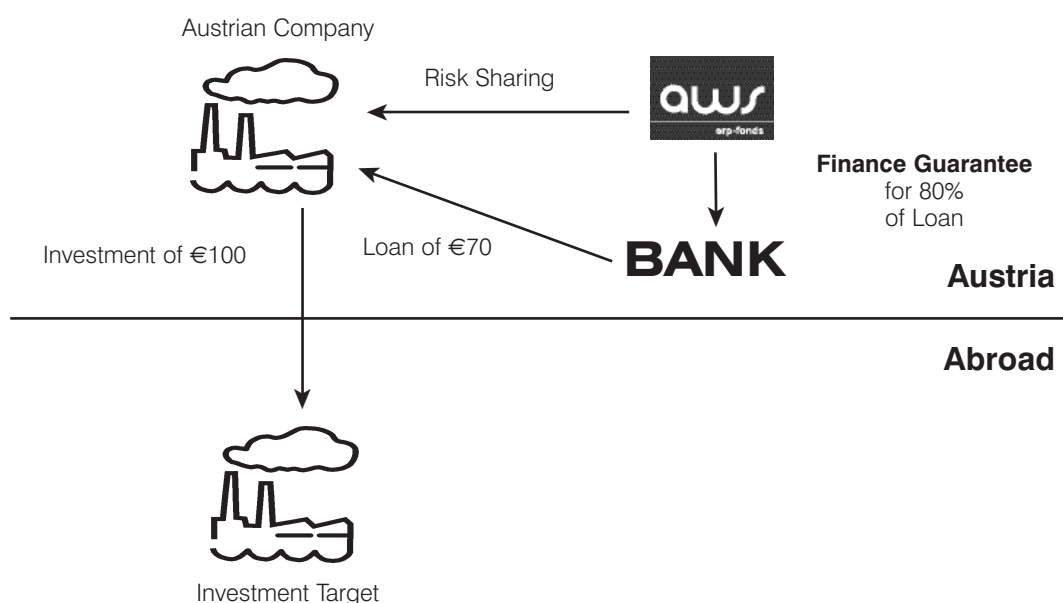
In the case of large enterprises, *aws* guarantee up to one third of a project’s value. The guarantee will cost SMEs from 0.3 per cent of the guaranteed outstanding loan amount per half year. In the case of large enterprises, the guarantee fee will be set in line with the market.

**Finance Guarantee with Risk Sharing or Combination of Direct Guarantee and Finance Guarantee**

It is possible to supplement a finance guarantee with protection against the financial risk associated with an equity investment project in another country (finance guarantee with risk sharing).

If the equity investment project fails, *aws* takes on the role of financier, offering the investor a cheaper form of finance (soft loan). Alternatively, it may offer the investor a settlement on a present value basis to allow early repayment of the loan. It is important to note that *aws* will only agree to risk sharing if it is ensured that the Austrian parent company is not in a position to deliberately make the equity investment fail (e.g. by charging excessively high internal prices).

Finance guarantee with risk sharing to cover the credit risk and project risk:



The guarantee will cost SMEs 0.3 per cent of the guaranteed outstanding loan amount per half year plus another 0.2 per cent per half year for risk sharing. In the case of large enterprises, the guarantee fee will be set in line with the market.

Low-interest finance, credit for internationalization projects:

### **OeKB (Österreichische Kontrollbank AG)**

Good risk management and attractive sources of funds are essential if companies are to achieve sustainable success as exporters and when investing abroad. *OeKB* offers federal export guarantees, bill guarantees and funding variants that are processed through a company's own bank, thus providing instruments that strengthen Austrian companies and their partners in the global competitive environment.

By issuing and processing export guarantees, *OeKB* therefore acts as the Republic of Austria's export credit agency (ECA). Export guarantees give Austrian companies protection against manufacturing and default risks when exporting abroad (whether caused by economic or political events in the importing country), and an export guarantee provides protection against political risks when investing abroad. The broad range of possible forms of protection is available to all small, medium-sized and large enterprises. If the export transaction or investment abroad helps improve Austria's current account (e.g. export of goods or services that are predominantly of Austrian origin, repatriation of dividends, repatriation of interest and capital, creation of jobs in Austria, know-how transfers), one of the key prerequisites for an *OeKB* guarantee has already been met. Further information about protecting oneself with federal export guarantees can be obtained directly from the *OeKB* website ([www.oekb.at](http://www.oekb.at)).

In addition to protecting export transactions and investments, you can also apply for *OeKB* funds to finance exports and investments abroad through your bank.

The principal prerequisites are:

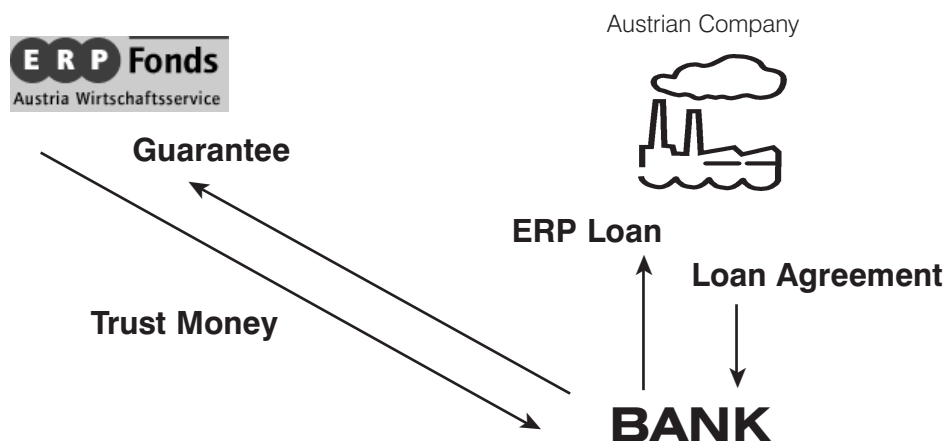
- the assumption of liability by the Republic of Austria in the form of a bill guarantee or other guarantee or
- a guarantee from a loan insurer or
- an *aws* guarantee or
- a guarantee from an international organization and
- a direct or indirect improvement to Austria's current account.

## ERP Fund

The ERP Fund is a fund with a separate legal personality that has been affiliated with *aws* (*Austria Wirtschaftsservice*) since 2002. The fund's assets derive from capital allocated within the scope of the United States' Marshall Plan. The Marshall Plan (European Recovery Program, or ERP for short) was set up to promote Europe's economic recovery after World War II. Low-interest advances with grace periods of several years are available within the scope of ERP loans:

The ERP internationalization programme for direct investments abroad:

- Target group: Austrian SMEs, large enterprises within the *de minimis* limit (present value of loan not more than €200,000 within 3 years) .
- Support for: equity and other investments that will improve the applicant's strategic position.
- Equity and other investments in the following countries: Albania, Algeria, Argentina, Bosna and Herzegovina, Brazil, China, Croatia, Egypt, India, Indonesia, Iran, Korea, Libya, Malaysia, Morocco, Macedonia, Mexico, Montenegro, Pakistan, Russia, Saudi Arabia, Serbia, Sri Lanka, Thailand, Tunisia, Turkey, the Ukraine.



- Terms and conditions:
  - Maximum loan: €7.5 million
  - Duration: 6 years
    - Period of utilization: 0.5 years
    - Grace period: 2 years, interest rate of 1.75% p.a. (fixed)
    - Redemption period: 4 years, interest rate of 2.25% p.a. (fixed)
  - In a number of programmes, longer grace periods and redemption periods are also on offer: sunrise industries within the technology programme, regional programme with a longer duration.
  - Interest charged on an accrual basis.
  - Processing fee: 0.9% of the ERP loan.
  - In addition to these costs, there will also be the guaranteeing bank's guarantee fee.
- Projects eligible for support:
  - investments in:
    - manufacturing facilities
    - setting up subsidiaries
    - manufacturing joint ventures
  - acquisition of a minority stake (at least 25%)
- Costs that can be subsidized:
  - capital contributions
  - partners' loans
  - cost of acquiring an equity investment
  - costs directly associated with investments

### **The KfW Banking Group (*Kreditanstalt für Wiederaufbau, Frankfurt, Germany*)**

*KfW-Bank* offers subsidized, fixed-rate loans to pay for investments carried out abroad in connection with internationalization projects by German companies or by their subsidiaries or joint ventures with German partners (German stake > 25%). They can be applied for through partner banks (e.g. RZB).

The following programmes come into question in connection with internationalization projects:

*Corporate Loans*, the *KfW Environmental Programme*, and *KfW Capital for Jobs and Investment* (all three programmes may be combined).

Essentially, any investment can be financed (e.g. corporate acquisitions, investments in plant, equipment, land and buildings).

Link: [www.kfw-foerderbank.de/](http://www.kfw-foerderbank.de/)

# 8. Payment and Account Services at Raiffeisenbank Austria d.d.

## 8.1. Cash management products

### Account Services

	National Currency		Foreign Currencies	
	(NC)	NC Deposits	(FCs)	FC Deposits
Residents	✓	✓	✓	✓
Non-residents	✓	✓	✓	✓
Interest on credit balances	✓	✓		✓
Overdrafts	✓			

### Cash Management: Local Products and Services

#### Payments, Deposits

- Domestic payments (NC)
- Domestic payments (FCs)  
(only for payments to travel agencies, airlines and similar)
- Foreign payments (NC)
- Foreign payments (FCs)
- Cheque collections  
(bank cheques)
- Eurocheques (collection only)
- Travellers cheques (collection only)
- Cash deposits / withdrawals (NC)
- Cash deposits / withdrawals (FCs)  
(overnight money only)
- Foreign currency buying and selling
- Credit cards
- Bank cards

#### Electronic Banking

- MultiCash
- Internet banking
- SWIFT MT 940
- SWIFT MT 101

#### Liquidity Management

- Overdrafts  
(NC only)
- Cash Pooling Zero Balancing  
(within one legal entity in NC)
- Cash Pooling  
Interest Offsetting  
(NC accounts only)
- Debit Collections  
(all accounts must be held at RBA)

### Cash Management: Group Products and Services

- Cash Management International (CMI)
- International Account Reporting
- International Disbursement Service
- Intra Group Payments (IGP)
- UniCash Member
- Cash Payments
- CMI@WEB

## 8.2. Legislative provisions and exchange control

### **Account Services**

- There are no restrictions on residents holding accounts in NC. Accounts are multi-currency accounts. Residents can only hold accounts abroad for special purposes and with the HNB's permission.
- Non-residents can open multi-currency accounts at Croatian banks.
- IBANs have been introduced for all accounts.

### **Foreign Payments**

- Customers must provide their bank with all the information needed to carry out a payment. This information is also used for statistical purposes. We recommend using Form 14. In addition, the banks has the right (or the duty in the case of capital transfers) to ask for additional documents that prove the reason for the payment (e.g. invoices, contracts, etc.).
- There are restrictions on FC payments between Croatian legal entities.
- Cross-border incoming payments: Croatian legal entities can receive foreign receivables and foreign loans.
- Forfaiting: banks are allowed to buy foreign receivables from Croatian enterprises and pay for them in a foreign currency.
- Credit agreements between residents and non-residents must be reported to the HNB.
- Croatian legal entities may, without restriction, buy securities from foreign sources. The HNB must be informed within 30 days if a threshold stake of 10 per cent is reached or exceeded.
- There are no restrictions on Croatian firms buying real estate abroad as long as they do not have any tax arrears in Croatia.
- Non-residents are free to order and receive cross-border payments and transfers.
- Long-term financial loans may be granted to foreign legal entities.
- HNB approval is not needed to carry out transfers, assignments and offsets in connection with foreign business activities.
- All restrictions on NC payments and collections by foreigners and Croatians have been abolished.
- There are no restrictions on NC cash deposits / withdrawals by corporate and business banking customers.
- There are no restrictions on FC cash deposits / withdrawals by foreign corporate and business banking customers; there are restrictions affecting Croatian corporate and business banking customers.

## 8.3. Clearing mechanisms

### **Mechanisms**

- Description:
  - National Clearing System (NKS) (mass payments)
  - Croatian Real Time Gross Settlement System (HSVP)
- Type: NC domestic payments
- Type of payment: NKS – mass payments, small amounts  
HSVP – urgent payments, large amounts
- Settlement procedure: NKS – 3 booking cycles a day  
HSVP – real-time payments (cut-off time for same-day processing: 2.30 p.m. for paper-based payments, 3 p.m. for electronic payments)

### **Banks' clearing system memberships**

Membership of NKS and HSVP is mandatory for all banks

## 8.4. Value dates

Order Type	Cut-off Times	
<ul style="list-style-type: none"> <li>• DPs, paper-based</li> <li>• DPs, electronic</li> <li>• FPs, paper-based</li> <li>• FPs, electronic</li> </ul>	<p style="text-align: right;">13:00 CET</p> <p style="text-align: right;">14:00 CET</p> <p style="text-align: right;">12:00 CET</p> <p style="text-align: right;">12:00 CET</p>	
Process	DPs	FPs
<ul style="list-style-type: none"> <li>• Debit from customer's account</li> <li>• Valuation at the receiving bank</li> <li>• Credit to customer's account</li> </ul>	<p style="text-align: center;">D</p> <p style="text-align: center;">D</p> <p style="text-align: center;">C</p> <p style="text-align: center;">(or as per payment order)</p>	<p style="text-align: center;">D</p> <p style="text-align: center;">D+2</p> <p style="text-align: center;">C</p> <p style="text-align: center;">(or as per payment order)</p>

D = Day order is received from customer

C = Day order is received from customer's bank

DPs = Domestic payments

FPs = Foreign payments

CET = Central European Time

## 9. Raiffeisenbank Austria d.d.

Assets, €m	5,984
Branches	79
Staff	2,333
As at 31 December 2008	

Shareholder structure:	
<i>Raiffeisen International</i>	74.23%
<i>Raiffeisenbank-Zagreb-Beteiligungsges.m.b.H.</i>	24.74%
Other	1.03%

Having set up *Raiffeisenbank Austria d.d.* in 1994, *Raiffeisen* has gradually built up its presence in Croatia. Its assets at the end of 2008 were 7.3 per cent up on year-end 2007 to nearly €6 billion. *Raiffeisenbank Austria* was Croatia's fourth-largest bank at the close of 2008. By 31 December 2008, the customer base had grown to roughly 582,000. This was thanks not least to accelerated expansion of the branch network in recent years, which enlarged it to 79 branches. In the same period, the workforce grew to about 2,330.

Besides servicing personal banking customers, one of the focuses of *Raiffeisenbank Austria's* business activities as a so-called *universal* bank has been on lending to large and medium-sized corporate customers. In 2008, the aggregate customer loan portfolio grew to €3.9 billion. At the same time, customer deposit balances grew to €3.3 billion.

In 2008, *The Banker* named *Raiffeisenbank Austria* "Best Bank in Croatia".

# 10. Your International Business Specialists at Raiffeisenbank Austria d.d. and the Global Raiffeisen Network

Your specialist at Raiffeisenbank Austria d.d.

Wolfgang Wöhry  
Phone: +385-1-4566 – 462  
e-mail: wolfgang.woehry@rba.hr

Your international business specialists

## **Raiffeisen Zentralbank Österreich AG**

Herwig Haidn  
herwig.haidn@rzb.at  
Phone: +43-1-71 707 – 1574

## **Raiffeisen International Bank-Holding AG**

Rudolf Lercher  
rudolf.lercher@ri.co.at  
Phone: +43-1-71 707 – 3537

## **Raiffeisenlandesbank NÖ-Wien AG**

Alfred Götsch  
alfred.goetsch@raiffeisenbank.at  
Phone: +43-5-1700 – 92 359

Irene Kammerhofer  
irene.kammerhofer@raiffeisenbank.at  
Phone: +43-5-1700 – 92 157

Andreas Hopf  
andreas.hopf@raiffeisenbank.at  
Phone: +43-5-1700 – 93 304

Eszter Ruzsa  
eszter.ruzsa@raiffeisenbank.at  
Phone: +43 / 5 / 1700 – 93307

**Raiffeisen-Landesbank Steiermark AG**

Franz Rogi  
franz.rogi@rlb-stmk.raiffeisen.at  
Phone: +43-316-4002 – 7110

Günther Geieregger  
guenther.geieregger@rlb-stmk.raiffeisen.at  
Phone: +43-316-4002 – 7170

**Raiffeisenlandesbank Oberösterreich AG**

Helmut Zeindlinger  
zeindlinger@rlbooe.at  
Phone: +43-732-6596 – 3113

Artem Snegirev  
snegirev@rlbooe.at  
Phone: +43 / 732 / 6596 – 3161

**Raiffeisenverband Salzburg**

Friedrich Buchmüller  
friedrich.buchmueller@rvs.at  
Phone: +43-662-8886 – 3860

**Raiffeisen-Landesbank Tirol AG**

Andrea Zankl  
andrea.zankl@rlb-tirol.at  
Phone: +43-512-5305 – 2230

**Raiffeisenlandesbank Vorarlberg**

Konstanze Thym  
konstanze.thym@raiba.at  
Phone: +43-5574-405 – 524

**Raiffeisenlandesbank Burgenland**

Rudolf Raimann  
rudolf.raimann@rlb-bgld.raiffeisen.at  
Phone: +43-2682-691 – 260

Hubert Wolfger  
hubert.wolfger@rlb-bgld.raiffeisen.at  
Phone: +43-2682-691 – 179

**Raiffeisenlandesbank Kärnten**

Michael Stegmüller  
michael.stegmueller@rbgk.raiffeisen.at  
Phone: +43-463-99 300 – 2280

Herbert Schöffmann  
herbert.schoeffmann@rbgk.raiffeisen.at  
Phone: +43-463-99 300 – 2269

**Raiffeisen  
Meine Bank**



Received from: