



## CROATIA - April 2017

---

<b>IN ADDITION TO PROPERTY TAXES, CONSTRUCTION FEE TO BE INTRODUCED IN 2018? .....</b>	<b>1</b>
<b>MINISTERS DEFEND INTRODUCTION OF PROPERTY TAX .....</b>	<b>2</b>

---

### **In Addition to Property Taxes, Construction Fee to Be Introduced in 2018?**

The new draft law has entered the public consultation procedure.

Starting in January 2018, Croatia will introduce a construction fee. The provision is included in the draft Law on Communal Economy which Minister of Construction and Physical Planning Lovro Kušćević has submitted to the public consultation. The introduction of the construction fee is one of the biggest novelties in the law because it represents a completely new burden for citizens which has not been mentioned until now, reports Večernji List on April 14, 2017.

According to the law, “the construction fee is paid for the use of already built utility infrastructure in the local government units.” As described, the construction fee is actually a new name for the existing utility fee paid by owners of real estate in Croatia. However, the government previously argued that, starting from 1 January 2018, the utility fee will be transformed into the property tax, which has already been decreed by the law on local taxes, which was adopted last year by Parliament. The property tax should on average be similar to the utility fee, somewhat more expensive for apartments and houses built after 1988, and cheaper for buildings built earlier.

However, the Ministry of Construction has now prepared a law that will introduce the construction fee also as a replacement for the current utility fee. Minister Kušćević says that the proposal is “an early draft.” According to him, the construction fee would be smaller than the current utility fee and would be paid by those who used the existing infrastructure. The amount of the fee would depend on the level of infrastructure built, so owners of properties in areas with better infrastructure would pay more.

If the law is indeed passed, starting from 1 January 2018, owners of properties in Croatia will pay a contribution for the construction of municipal infrastructure, property taxes and the construction fee for the already built infrastructure, which would in total certainly exceed the current fees paid on the basis on the ownership of real estate, whether it is land, houses or apartments.

“The construction fee is paid by the owner of the land on which the building has been built or is being built,” states the draft text of the law. The amount of the fee would be determined by towns and municipalities according to zones, with the “unit value of the construction fee for the first zone not allowed to be higher than 10 percent of the average cost of construction.” The current reference price for construction per square metre is 6,000 kuna, which means that the construction fee per square metre of a house in the first zone could reach as much as 600 kuna, which would certainly be unacceptable.

Minister Kušćević says that the current law has been changed 20 times and that he wants to introduce a more equitable payment model.

### **International Property Tax Institute**

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

## Ministers Defend Introduction of Property Tax

Government says that nothing much will change for citizens.

Minister of State Property Goran Marić and Finance Minister Zdravko Marić commented on the introduction of the property tax in Croatia, which is supposed to enter into force on 1 January. They said that the tax would not be a new burden for citizens and local self-government units, and that there is enough time for preparations prior to its introduction.

Asked by journalists how the property tax would impact citizens and local government units, Minister Goran Marić said that the recent session of the Association of Towns discussed the issues of financing of local government bodies and management of state assets. He added that any tax which would increase the existing tax burden would not be acceptable and that property tax can only be a replacement for the existing fees.

“If this is a replacement for the current utility fee, as this type of tax is now called, or a substitute for the tax on holiday homes, in other words if there is no additional tax burden, then it is an acceptable tax for local government units as well, since it will not affect their revenues and will also not be additional burden for citizens”, said Goran Marić. “It is absolutely impossible for the property tax to be introduced if utility fee is not discontinued.

That would be unacceptable and that will certainly not happen”, he said.

Asked by reporters about the main benefits of the property tax, Finance Minister Zdravko Marić pointed out that the legislative proposal introducing the tax passed two readings in Parliament. “We have said that the utility fee, tax on holiday homes, and monument annuity would be consolidated into the single property tax, which will be introduced on 1 January 2018. This year will be used for adjustment to the new law, and that is precisely what we are doing”, said Zdravko Marić.

He added out that towns and municipalities are preparing for the introduction of the property tax, and that they have at their disposal the Tax Administration, the State Geodetic Administration, and the Ministry of Construction. “We believe that we have enough time, because, since the introduction of the value-added tax in 1997, there has never been a full year left for adjustment”, said Zdravko Marić.

He denied that local elections, which will be held in May, could slow down the preparation process, explaining that all deadlines have so far been met. “By 31 March, all local government units will receive all registries from the government institutions, Tax Administration, Geodetic Administration and the Ministry of Construction. Then towns and municipalities will have eight months to prepare, adapt and check the registries. Before we start sending tax notices to citizens next year, we will make a final check to once again be certain that everything is ready”, said the Finance Minister.

## International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or anyh opinions expressed in the articles.