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CROATIA URGED TO REFORM PROPERTY TAX TO FUND TAX CUTS 1

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In its latest report for the country, the International Monetary Fund has recommended that Croatia modernize its property tax system to enable the country to lower the burden of taxes that weigh more heavily on economic growth.

It said a "modern, well-designed real estate tax that is based on objective criteria would be more equitable and would yield more revenue than the existing communal fees."

Revenue from the change could enable Croatia to further reduce income taxes or value-added tax. However, to maintain fiscal discipline, revenue lost to tax cuts should be offset by increases in the property tax burden.

The IMF praised Croatia for bringing its fiscal house in order, having exited the EU's Excessive Deficit Procedure in June 2017. It said that revenue receipts had consistently outperformed budget targets, partly due to tax administration reforms. The 2018 Budget, it said, will have a negligible impact on the country's fiscal deficit this year, with it expected to hover around 0.8 percent of GDP. The IMF has said that Croatia should target a reduction in the fiscal deficit over the period to 2022, to achieve a small surplus and begin to bring public debt down to below 60 percent of gross domestic product.