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Payroll Guide 2022



Croatia

CROATIA

1. Applicable Laws

The main laws that regulate employment in the Republic of Croatia include Labor Acts, Wage Directives, Social Security Acts and Employment Protection Acts. Employers, employees and trade unions can stipulate working conditions more favourable to the employees than the ones prescribed by the Croatian labor acts as well as less favourable if authorised to do so.

Labor wages in Croatia are regulated by laws, collective contracts, individual contracts, and by internal company bylaws. The minimum wage is determined annually by the Government regulation for each year and it is increasing in line with the real GDP growth from the previous year. According to the announcement of the Croatian Government for the period January 1st – December 31st 2022, the minimum gross wage is HRK 4.687,50.

2. Social Insurance Foundation

- Social Security contributions payable by the employee are subject to a ceiling defined by law.
- Employer: 16.5% calculated and paid on top of the gross salary.
- Employee: 20% calculated and deducted from the gross salary.
- Pension fund contributions are paid in two pillars.
- The 1st Pillar has a contribution rate of 15% and is based on generation solidarity, meaning current retirements are paid out from these funds.
- The 2nd Pillar is 5% and it is personal for each employee.
- There is a maximum annual base for the 1st pillar contribution calculation, and for 2021 this is HRK 686,664.00.
- If an employee exceeds this base during the year, only 5% for the 2nd pillar is calculated.

	Pension Fund	Health Insurance	Insurance at workplace	Unemployment contribution	Total
Employee	20%	-	-	-	20%
Employer	0%	16.5%	0.0%	0.0%	16.5%

3. Personal Income Tax

Taxable income is considered to be the gross salary reduced by the 20% pension contributions. The taxable base is the difference between taxable income and tax relief of each employee (personal allowance).

The minimum personal allowance (non-taxable part of income) amounts to HRK 4,000.00.

This amount can vary from employee to employee, since it is increased in case of dependent family members.

The tax scale by which the individual income is taxed is the following:

Annual tax base	Tax rates
Up to HRK 360,000.00	20%
Over HRK 360,000.00	30%

The calculated income tax is considered to be the base for additional city surtax which varies depending on the employee's city of residence and ranges from 0 to 18%.

4. Employment Procedure

When employing personnel, the employer must keep records of his/her employees and upon request from a Labor Inspector the records must be presented by the employer. At the commencement of the employment, an employment contract must be concluded in writing. Employment contracts can be either of definite or indefinite duration. The essential elements an employment contract must include are the following:

- Contracting parties and their permanent residence;
- The place and nature of work;
- Date of commencement and termination in case of a definite duration contract;
- Duration of paid annual leave;
- Basic salary;
- Working hours; and
- Notices

An employment contract can be concluded for a full-time or part-time working arrangement. The statutory full time working hours cannot exceed the limit of 40 hours per week. The time schedule can be arranged differently, whereby an employee can work some weeks over 40 hours per week, and some weeks lower than 40 hours. Such schedule is not considered as overtime work provided that certain legal requirements are met. Overtime work is possible in specific cases. Overtime work cannot exceed 180 hours per year and 50 hours per week, while the collective agreement can provide for 250 hours of overtime yearly. Minors are prohibited to work overtime.

5. Leaves

Annual Leave: Each employee that has worked for at least six months with the same employer has the right to a paid annual leave of at least four weeks for each calendar year. Leave days over the aforementioned limit must be stipulated in the employment contract or by a collective agreement. Employees with less than six-month service with the employer are entitled to a proportion of the annual leave equal to 1/12 of the annual leave for each full month of work. Holidays, non-working days as well as days of sick leave cannot be calculated as annual paid leave. An employee has the right to take annual leave in two parts, unless otherwise agreed by the employer or stated in the employment contract. In such cases the first part of the annual leave must last at least two weeks.

Illness: Each employee has the right to a sick leave for the whole period of sickness until a medical doctor confirms that he/she is able to return to his/her working duties, or until the Pension Committee declares permanent lack of ability for work.

During sick leave the employer is liable to compensate the employee's salary for the first 42 days of illness. From the 43rd day and onwards the employee is compensated by the Croatian Health Insurance Fund for at least 70% of his/her average salary for the past six months. Special cases apply where the Health Fund can cover 100% of the employee's salary.

Maternity: The employer cannot refuse to hire a pregnant woman or terminate her employment contract due to her pregnancy. Furthermore, information regarding the employee's pregnancy is strictly confidential and the employer is not allowed to inquire.

The employee is entitled to maternity leave which starts between the 28th and 45th day prior to birth and lasts until the baby is six months as well as to an additional six months parental leave. Parental leave can be extended to 30 months depending on the number of children. The parental leave can be given to either of the two parents. During maternity and parental leave the employees are compensated by the Croatian Fund for Health Insurance according to the employee's average salary during the past six months for the maternity leave and according to a limit set by the state for the parental leave (approx. €750).

6. Payroll Calculation Procedure

Monthly payroll calculation depends on the number of days or hours the employee has worked during the relevant month. The gross salary is calculated and then all statutory contributions regarding wage tax and social security are calculated and deducted from the monthly gross salary. The net salary is paid to the employee while the deductions are forwarded to the relevant authorities.

7. Termination of Employment

An employment contract ends in the following cases:

- Upon death of the employee;
- Upon death, or upon liquidation or bankruptcy of the employer;
- Expiration of a fixed-duration contract;
- When the employee has reached the age of 65 years or completed 15 years of social insurance;
- Upon mutual agreement;
- Upon a legally effective decision due to inability to work;
- By cancellation; and
- By court decision when authorised.

When terminating an employment contract the employer must prepare a notice of dismissal in writing, give reasons for the dismissal also in writing and serve the employee with the notice.

In cases of regular notice, the notice period lasts between two weeks and three months depending on the time the employee has worked continuously for the same employer. The notice period starts running on the day the notice is served and cannot run during pregnancy, maternity, parental and adoption leave or work with shortened hours. On termination the employee is entitled to all statutory compensations regarding salaries, unused paid leave days etc.

8. Contact details

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