



## Tax-Optimized Investment Model for Croatia

### Objective of the Model

This model is designed to enable international investors – particularly from the Netherlands, Germany, and Austria – to invest in Croatian real estate and development projects in a tax-efficient manner. The core principles include:

- Financing through loans instead of equity
- Minimization of direct tax burden
- Reinvestment of profits within Croatia
- Maximum legal control and fiscal transparency

The model complies with EU law, bilateral tax treaties, and Croatian legal frameworks.

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### Structural Overview

[Foreign Investor (Holding / Private Individual – NL, DE, AT)]

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➤ Loan at market interest rate (5–8%)

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[Croatian d.o.o. (Project Company)]

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Project A   Project B   Project C

(Construction) (Rental) (Renovation)

### Advantages of this structure:

- Interest is tax-deductible in Croatia

- Loan allows for control without ownership transfer
- No immediate profit distribution = no dividend tax

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### Legal & Fiscal Framework

Element	Croatia	Netherlands / Germany / Austria
Loan	Recorded as long-term liability	Interest taxable in the home country
Interest Payments	15% withholding tax → reduced to 5% (DTT)	Creditable under tax treaties
Dividends	10% withholding tax	Less efficient than interest payments
Depreciation	Up to 5% annually on buildings	Not applicable
Profit Reinvestment	No tax as long as retained in entity	No tax until payout
Property Sale (> 2 years)	0% tax for individuals	No implications

### Additional Advantages:

- No capital gains tax if asset held longer than 2 years
- Avoidance of double taxation via bilateral treaties
- Eligibility for regional or sector-specific incentives

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### Private Individuals in Croatia

Income Source	Tax Rate	Notes
Short-term rental (tourism)	10% income tax + local fee	Flat-rate tax per bed available
Long-term rental	10% income tax	After deducting allowable expenses
Property sale < 2 years	10% on net profit	Applies to speculative gains

Property sale > 2 years      0% tax

Fully tax-exempt for private  
individuals

Note: If rental becomes substantial, registration as a business (obrt or d.o.o.) may be required.

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### Detailed Example Scenarios (EUR)

#### Scenario 1: Private Investor – Buy, Rent, Sell

- Purchase Price: €200,000
- Renovation: €50,000
- Rental Income: €20,000/year
- Sale after 3 years: €400,000
- Tax: approx. €1,200/year (rental), sale tax-free → Net Profit: approx. €170,000 (tax-free)

#### Scenario 2: d.o.o. with Reinvestment

- Financing: €500,000 loan
- Construction Costs: €450,000
- Other Costs: €50,000
- Sales Revenue: €1,000,000
- Annual Interest: €30,000 → tax-deductible → No direct tax liability → cash retained locally for reinvestment

#### Scenario 3: Rental Portfolio

- 3 d.o.o. with 5 properties total
  - Total Value: €1,200,000
  - Gross Rent: €96,000/year
  - Tax Burden: 10–15% depending on costs → Profits managed via interest or reinvestment
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### Scalable Legal Structure

[Foreign Holding / Family Office]



► Loan 6% interest



[Croatian Holding d.o.o.]



[Project A d.o.o.] [Project B d.o.o.] [Rental d.o.o.]

#### Advantages:

- Risk segregation per project
- Clear reporting and accounting
- Easy exit from one project without affecting others

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#### Tax Optimization Strategies

##### Fiscal:

- Loan structure reduces taxable profit → lower corporate tax (10–18%)
- No dividends required = no double taxation
- Tax treaties reduce interest withholding to 5%
- VAT on construction costs is reclaimable
- Reinvested profits remain untaxed within Croatia

##### Legal:

- Market-rate loan contracts (terms, interest, collateral)
- Transfer pricing documentation required for related parties
- Formal resolutions for profit reinvestment and distributions

##### Operational:

- Reinvest cash flow into new developments
- Access EU grants for green or energy-efficient construction (up to 60%)
- ESG-aligned projects = more attractive for resale

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## **Conclusion & Strategic Overview**

**This model offers a transparent, scalable, and tax-optimized structure for investing in Croatia.**

- ✓ Tax benefits: 0% capital gains tax, interest deductions, reduced withholding tax**
- ✓ Legal protection: d.o.o. per project, risk separation**
- ✓ Scalability: easy expansion through project cycles**
- ✓ EU compliance: DTT usage, funding access, regulatory alignment**
- ✓ Flexibility: suitable for family offices, funds, co-investors**

**Recommendation: Use Vera Vento as your local partner for structuring, managing, and scaling real estate projects in Croatia – with legal precision, fiscal optimization, and operational reliability.**