

Croatia

1. Croatia was first reviewed during the 2017/2018 peer review. This report is supplementary to Croatia's 2017/2018 peer review report (OECD, 2018_[1]). The first filing obligation for a CbC report in Croatia applies to reporting fiscal years commencing on or after 1 January 2016.

Summary of key findings

2. Croatia's implementation of the Action 13 minimum standard meets all applicable terms of reference (OECD, 2017_[2]).

3. Croatia's 2017/2018 peer review included a recommendation that Croatia take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. Croatia now has measures in place to ensure the appropriate use of information in all six areas identified in the *OECD Guidance on the appropriate use of information contained in CbC Reports* (OECD, 2017_[4]). The recommendation with respect to appropriate use issued in the 2017/2018 peer review is removed.

Part A: The domestic legal and administrative framework

4. Croatia has primary and secondary laws in place to implement the BEPS Action 13 minimum standard¹ establishing the necessary requirements, including the filing and reporting obligations. Since the 2017/2018 peer review, guidance has also been published.² Croatia has provided an update with respect to the processes it has in place to ensure effective implementation.

(a) Parent entity filing obligation

5. No changes were identified with respect to the parent entity filing obligation.

(b) Scope and timing of parent entity filing

6. No changes were identified with respect to the scope and timing of parent entity filing.³

(c) Limitation on local filing obligation

7. No changes were identified with respect to the limitation on local filing obligation.

(d) Limitation on local filing in case of surrogate filing

8. No changes were identified with respect to the limitation on local filing in case of surrogate filing.

(e) Effective implementation

9. Croatia's 2017/2018 peer review included a general monitoring point concerning the fact that there was no specific process to that would allow it to take appropriate measures in

case Croatia is notified by another jurisdiction that such other jurisdiction has reason to believe that an error may have led to incorrect or incomplete information reporting by a Reporting Entity or that there is non-compliance of a Reporting Entity with respect to its obligation to file a CbC report. Since the 2017/2018 peer review, Croatia has provided updated information, explaining that, in such a situation, responsible regional tax office will be in charge to send the notification to the Reporting Entity specifying to correct or submit the CbC report in due time. Tax Administration has powers to perform compliance audits and impose penalties if the Reporting Entity fails to correct or submit the report. In view of this update and specific process, the monitoring point is removed.

10. No other changes were identified with respect to the effective implementation.

Conclusion

11. There is no change to the conclusion in relation to the domestic legal and administration framework for Croatia since the previous peer review. Croatia meets all the terms of reference relating to the domestic legal and administrative framework.

Part B: The exchange of information framework

(a) Exchange of information framework

12. As of 31 May 2019, Croatia has 67 bilateral relationships in place, including those activated under the CbC MCAA, bilateral QCAAs and under the EU Council Directive (2016/881/EU). Within the context of its international exchange of information agreements that allow automatic exchange of information, Croatia has taken steps to have qualifying competent authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions.⁴ Regarding Croatia's exchange of information framework, no inconsistencies with the terms of reference were identified.

(b) Content of information exchanged

13. Croatia has processes in place that are intended to ensure that each of the mandatory fields of information as required in the CbC template are present in the information exchanged. It has provided details in relation to these processes.

(c) Completeness of exchanges

14. Croatia has processes in place that are intended to ensure that CbC reports are exchanged with all tax jurisdictions listed in Table 1 of a CbC reporting template with which it should exchange information as per the relevant QCAAs. It has provided details in relation to these processes.

(d) Timeliness of exchanges

15. Croatia has processes in place that are intended to ensure that the information to be exchanged is transmitted to the relevant jurisdictions in accordance with the timelines provided for in the relevant QCAAs and terms of reference. It has provided details in relation to these processes.

(e) Temporary suspension of exchange or termination of QCAA

16. Croatia has processes in place that are intended to ensure that a temporary suspension of the exchange of information or termination of a relevant QCAA be carried

out only as per the conditions set out in the QCAA. It has provided details in relation to those processes.

(f) Consultation with other Competent Authority before determining systemic failure or significant non-compliance

17. Croatia has processes in place that are intended to ensure that the Competent Authority consults with the other Competent Authority prior to making a determination that there is or has been significant non-compliance with the terms of the relevant QCAA or that the other Competent Authority has caused a systemic failure. It has provided details in relation to those processes.

(g) Format for information exchange

18. Croatia indicates that it uses the OECD XML Schema and User Guide (OECD, 2017^[3]) for the international exchange of CbC reports.

(h) Method for transmission

19. Croatia indicates that it uses the Common Transmission System to exchange CbC reports.⁵

Conclusion

20. Croatia has in place the necessary processes to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework. Croatia meets all the terms of reference regarding the exchange of information.

Part C: Appropriate use

21. The 2017/2018 peer review included a recommendation that Croatia take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. Since the 2017/2018 peer review, Croatia has issued an internal instruction⁶ and provided details in relation to these measures, enabling it to answer “yes” to the additional questions on appropriate use. Croatia now has measures in place to ensure the appropriate use of information in all six areas identified in the *OECD Guidance on the Appropriate use of Information contained in CbC Reports* (OECD, 2017^[4]). In light of the update provided by Croatia the recommendation on appropriate use is removed.

22. No information or peer input was received for the reviewed jurisdiction suggesting any issues with appropriate use. There are no concerns to be reported in respect of appropriate use.

Conclusion

23. Croatia meets all the terms of reference relating to the appropriate use of CbC reports.

Summary of recommendations on the implementation of Country-by-Country Reporting

Aspect of the implementation that should be improved		Recommendation for improvement
Part A	Domestic legal and administrative framework	-
Part B	Exchange of information framework	-
Part C	Appropriate use	-

Notes

¹ Primary law consists of the Act on Administrative Cooperation in the Field of Taxation (the “Act”) (See Section 4 Articles 34 and 35 for Automatic exchange of information on the country-by-country report). Amendments to the Act are in force as from 1 of January 2018 (Official Gazette 130/2017). Secondary law consists of the Ordinance issued by the Ministry of Finance (hereafter referred to as the “Ordinance”) on the automatic exchange of information in the field of taxation. The Ordinance transposes the provisions of the following European Directives into the legal order of the Republic of Croatia: (1) Annex I and Annex II of Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (hereinafter: Directive 2014/107/EU) and (2) Annex III of Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (SL L 146, 3. 6. 2016).

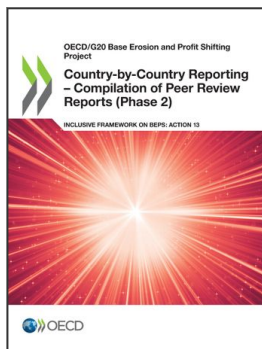
² Guidance on Automatic Exchange of Information has also been published on the official web site www.porezna-uprava.hr/HR_publicacije/Prirucnici_brosure/10A_RazmjenaInformacija_web.pdf.

³ Croatia’s 2017/2018 peer review included a monitoring point relating to the definition of “related enterprises”. This monitoring point remains in place.

⁴ No inconsistency with the terms of reference will be identified where a QCAA is not in effect with one or more jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions, but this is due to circumstances that are not under the control of the reviewed jurisdiction. This may include, for example, where the other jurisdiction intends to exchange CbC reports using the MCAA but it does not have the Convention in effect for the relevant fiscal period, or where the other jurisdiction has declined to have a QCAA in effect with the reviewed jurisdiction.

⁵ Countries exchanging under the EU Council Directive (2016/881/EU) use the Common Communication Network (CCN).

⁶ Croatia provided the internal instruction named “Instruction on carrying out the procedures of receiving and using information, documents and data contained in the obtained Country-by-Country Reports”, which is entered into force on 14 September 2018.



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