

## Act on Amendments to the General Tax Act

**The Act on Amendments to the General Tax Act (“Act”) introducing significant changes to the Croatian tax system, such as binding opinions of the Tax Authority, administrative agreements and administrative settlements enters into force on 17 March 2015.**

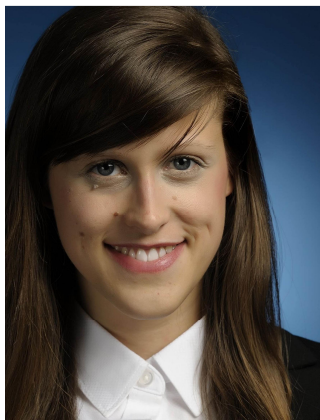
The most significant change introduced by the Act is the obligation of the Tax Authority to issue binding opinions. The issuing of binding opinions is aimed at mitigating the negative influence of frequent legislative changes on the business and investment climate, and is certainly the change yearned for by the investment community.

The binding opinions relate to the treatment of future and intended transactions or business operations of taxpayers, and are issued at the request and cost of the taxpayer. The purpose of binding opinions is to provide entrepreneurs and investors with advance information on consequences of their actions and to impose additional responsibilities to the Tax Authority. Since a binding opinion cannot be amended during the transaction it relates to, this institution is particularly important for the planning of large business projects by making their tax treatment predictable. Details of the procedure of issuing binding opinions such as the scope of application, methods, terms and costs of issuing should be subsequently defined by an ordinance of the Minister of Finance.

The Act provides for the administrative agreement which may be entered into between the Tax Authority and a taxpayer for the purpose of regulating the payment of a due tax debt. As a measure of improving the position of entrepreneurs in the still ongoing financial crisis, entering into such agreement is an opportunity for reprogramming the payment of tax debts for a term of up to 24 months. The taxpayers whose accounts are blocked by other creditors or against whom a procedure for abuse of tax rights is being conducted may not enter into such agreements.

The Act also introduces the tax settlement which is aimed at shortening a tax procedure and motivating taxpayers to settle their tax obligations. A settlement may be reached in respect of new obligations established during a tax inspection. The prerequisite for reaching a settlement is the taxpayer’s acceptance of the newly established obligations and the waiver of the right to use legal remedies. On the other hand, the Tax Authority may waive statutory interest and initiating misdemeanor proceedings against the taxpayer.

## Contacts:



**Lucia Močibob**  
**Associate**  
**[lucia.mocibob@wolftheiss.com](mailto:lucia.mocibob@wolftheiss.com)**

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If you would like to know more about the topics covered in this memorandum or our services in general, please get in touch with the contacts listed above, or with:

Wolf Theiss – Zagreb Branch  
Ivana Lučića 2a  
Eurotower, 19th Floor  
HR-10000 Zagreb, Croatia  
Tel.: +385 1 4925 400  
Fax: +385 1 4925 450  
[www.wolftheiss.com](http://www.wolftheiss.com)