

## New deadlines for submitting mandatory pension insurance applications to the Croatian Pension Insurance Institute

**The Pension Insurance Act (Official Gazette No. 157/13) was amended by an Ordinance of the Government of the Republic of Croatia (Official Gazette No. 151/14) effective 1 January 2015.**

The most significant change relates to the deadlines under which employers, as mandatory contribution payers, need to report the beginning of mandatory pension insurance for their employees to the Croatian Pension Insurance Institute ("HZMO").

Under the previous legal framework, employers were required to submit applications for the beginning of mandatory pension insurance for their employees within 24 hours after the start of their employment. Although we are not aware that this rule proved itself to be inefficient or that employers were avoiding the deadline, the Government of the Republic of Croatia believed that amendments to the Pension Insurance Act were necessary. Employers must now submit the application for the start of mandatory pension insurance for their employees (or persons having an equivalent insurance status) no more than 8 days *prior* to employment and no less than a day *before* the start of employment. The deadline for reporting the insurance termination date has remained unchanged and is still 24 hours after the termination of employment. Accordingly, regardless of the hiring urgency, it will no longer be possible to employ employees "from tomorrow", i.e., from the day following the selection of the candidate and entering into the employment agreement, but rather "from the day after tomorrow", considering that the employer has to submit the application for the employee to the Croatian Pension Insurance Institute at least a day prior to the employment. We believe that this obligation will encounter practical application issues, especially with the employment of seasonal workers. The fine is HRK 50,000 (approximately EUR 6,666) for employers who fail to submit the mandatory pension insurance beginning/termination application within the statutory deadline.

If the employee does not start working on the date set out in the employment agreement, the employer needs to so inform the HZMO on the same day. If the employer fails to do so, the amount of the possible fine is extremely high – up to HRK 100,000 (approximately EUR 13,333).

The insurance beginning/termination applications are filed electronically via the e-application available on HZMO's website, with the exception of employers who employ fewer than 4 employees and who must physically file the application.

Even though the mentioned amendment of the Pension Insurance Act, as well as other amendments that were not specifically elaborated in this text, are significant, it is unclear why the Pension Insurance Act was not amended through a regular parliamentary procedure, but rather by an Ordinance passed by the Government of the Republic of Croatia. It remains to be seen in what manner and how quickly these legislative changes will be implemented in practice.

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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:

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