

THE CROATIAN PARLIAMENT

Pursuant to Article 89 of the Constitution of the Republic of Croatia, I hereby issue the

DECISION

PROMULGATING THE INVESTMENT PROMOTION ACT

I hereby promulgate the Investment Promotion Act, passed by the Croatian Parliament at its session on 27 May 2022.

Class: 011-02/22-02/46

Registry number: 71-10-01/1-22-2

Zagreb, 31 May 2022

the President of the Republic of Croatia
Zoran Milanović, m.p.

INVESTMENT PROMOTION ACT

I GENERAL PROVISIONS

Scope

Article 1

This Act regulates the granting of regional state aid for investment promotion.

Compliance with the *acquis*

Article 2

(1) This Act ensures the implementation of Commission Regulation (EU) No. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in the application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014), as last amended by Commission Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No. 651/2014 declaring certain categories of aid compatible with the internal market in the application of Articles 107 and 108 of the Treaty (Text with EEA relevance) (OJ L 270, 29.7.2021) (hereinafter: Commission Regulation (EU) No. 651/2014).

(2) This Act contains provisions on regional state investment aid and provisions on state training aid in accordance with Commission Regulation (EU) No. 651/2014. Individual aid granted on the basis of this Act shall be exempt from the prior notification requirement to the Commission in accordance with Article 108, paragraph 3 of the Treaty on the Functioning of the European Union (hereinafter: Treaty), provided that the conditions set out in this Act are met.

(3) The annual amount of budgetary resources for regional state aid for the investment promotion scheme set out in this Act shall be determined in accordance with the provisions of Article 1, paragraph 2, subparagraph (a) of Commission Regulation (EU) No. 651/2014.

(4) Training aid and regional aid pursuant to this Act shall be granted in accordance with the provisions of Articles 1 to 14 and Articles 31, 58 and 59 of Commission Regulation (EU) No. 651/2014 and its amendments included in Commission Regulation (EU) 2017/1084 of 14 June 2017 amending Regulation (EU) No. 651/2014 regarding aid for port and airport infrastructures, notification thresholds for aid for culture and heritage conservation, and for aid for sport and multifunctional recreational infrastructures, and regional operating aid schemes for the outermost regions and amending Regulation (EU) No. 702/2014 regarding the calculation of eligible costs (OJ L 156, 20.6.2017) (hereinafter: Commission Regulation (EU) 2017/1084), in Commission Regulation (EU) 2020/972 of 2 July 2020 amending Regulation (EU) No. 1407/2013 in terms of its extension and amending Regulation (EU) No. 651/2014 in terms of its extension and appropriate adaptations (Text with EEA relevance) (OJ L 215, 7.7.2020), (hereinafter: Commission Regulation (EU) 2020/972) and in Commission Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No. 651/2014 declaring certain categories of aid compatible with the internal market in the application of Articles 107 and 108 of the Treaty (Text with EEA relevance) (OJ L 270, 29.7.2021) (hereinafter: Commission Regulation (EU) 2021/1237). Aid under this Act shall be granted in full compliance with the relevant provisions of Commission Regulation (EU) No. 651/2014 and its amendments contained in Commission Regulation (EU) 2017/1084, Commission Regulation (EU) 2020/972 and Commission

Investment aid beneficiaries

Article 3

(1) Entrepreneurship, within the meaning of this Act, consists of entities – micro, small and medium-sized enterprises – aid beneficiaries, in accordance with Annex I of Commission Regulation (EU) No. 651/2014, and large enterprises – aid beneficiaries who do not fulfil the criteria set out in Annex I of Commission Regulation (EU) No. 651/2014.

(2) The aid beneficiary is an undertaking – a company or a natural person (craftsman), who is a profit tax payer, registered in the territory of the Republic of Croatia.

(3) Pursuant to this Act, legal and natural persons who have been convicted of economic crime cannot be aid beneficiaries.

Objectives of promoting investment

Article 4

(1) The objective, that is, the purpose of promoting investment is the promotion of economic growth and fulfilling of the economic policy of the Republic of Croatia, its integration in international trade and strengthening the investment capability and competitiveness of Croatian enterprise.

(2) At the level of economic operators, the objective and purpose of promoting investment is to build an internationally competitive, transparent and attractive system of aid for investments made by legal or natural persons registered in the Republic of Croatia, which are profit tax payers that, by engaging in economic activity, participate in the circulation of goods and services in the Republic of Croatia.

Eligible activities

Article 5

(1) Investment promotion, within the meaning of this Act, constitutes a system of aid for investment and timely performance of investment activities, with the aim of successful and time-bound performance of sustainable and technologically advanced high added value investment projects in the territory of the Republic of Croatia.

(2) Aid regulated by this Act pertains to sustainable investment projects focused on strengthening competitiveness in:

- manufacturing and processing activities
- development and innovation activities
- business support activities
- high added value services.

(3) Aid regulated by this Act pertains to projects set out in paragraph 2 of this Article, which ensure environmentally sound and sustainable entrepreneurial activity and one or more of the following objectives:

- contribution to the green and digital transition of the economy of the Republic of Croatia
- contribution to the sustainable industry concept and technologically advanced Industry 4.0 solutions.
- introduction of new equipment and modern technologies
- higher employment and level of training of employees
- development of products and higher added value services
- increase in entrepreneurial competitiveness
- uniform regional development of the Republic of Croatia
- economic activation of inactive assets owned by the Republic of Croatia
- growth in productivity of economic operators in the Republic of Croatia.

Definitions

Article 6

Within the meaning of this Act, the following definitions shall apply:

1 *regional investment aid* is regional aid granted for:

- initial investment or
- initial investment in favour of a new economic activity.

2 *initial investment* is an investment in tangible and intangible assets, relating to the setting-up of a new business unit, extension of the capacity of the existing business unit, diversification of the output of the business unit into products not previously produced by the unit, or a fundamental change in the overall production process of the existing business unit:

- a) in the minimum amount of EUR 150,000.00 expressed in equivalent HRK value and with the condition of creating

at least five new jobs associated with the investment project during the period of carrying out of the project

b) in the minimum amount of EUR 50,000.00 expressed in equivalent HRK value and with the condition of creating at least three new jobs for microenterprises during the period of carrying out of the project

c) in the minimum amount of EUR 50,000.00 expressed in equivalent HRK value and with the condition of creating at least ten new jobs in association with the investment project during the period of carrying out of the project for ICT system and software development centres, referred to in Article 16, paragraph 1, point b) subpoint 3 of this Act

d) in the minimum amount of EUR 3,000,000.00 expressed in equivalent HRK value and with the condition of creating at least 15 new jobs in association with the investment project during the period of carrying out of the project for investment projects through economic activation of inactive assets owned by the Republic of Croatia

e) in the minimum amount of EUR 500,000.00 expressed in equivalent HRK value for investment projects in modernisation and growth in productivity of business processes.

The period of carrying out of the initial investment, that is, the period of carrying out of the investment project, shall be three years from the starting date of the investment project and shall include all investments initiated by the aid beneficiary during that period.

3 *initial investment in favour of a new economic activity* is an investment in tangible and intangible assets owned by the aid beneficiary related to the setting-up of a new business unit or the diversification of the activities of the business unit, provided that the new activity is not the same or similar to the previously performed activity.

4 *same or similar activity* is an activity belonging to the same class (four-digit numerical code) of the statistical classification of economic activities, as set out in the Decision on National Classification of Activities 2007 – NKD 2007 (Official Gazette, No. 58/07 and 72/07 – corrigendum).

5 *assisted areas* designated by the regional aid map are areas that fulfil the requirements of Article 107 of the Treaty. In the assisted areas that fulfil the requirements of Article 107, paragraph 3, point (a) of the Treaty, aid for initial investment may be granted, regardless of the size of the beneficiary. In assisted areas that fulfil the requirements of Article 107, paragraph 3, point (c) of the Treaty, aid may be granted to small and medium-sized enterprises for any type of initial investment. Aid may be granted to large enterprises exclusively for the initial investment in a new economic activity in the area concerned.

6 *a large investment project* is an initial investment whose eligible costs exceed the amount of EUR 50,000,000.00 expressed in equivalent HRK value, calculated according to the prices and exchange rates on the date of granting of the aid.

7 *adjusted amount of aid* is the maximum amount allowed for a large investment project, calculated according to the following formula:

a) adjusted amount of aid = $R \times (A + 0.50 \times B + 0 \times C)$, where:

– R – maximum aid intensity applicable in the area concerned, set out in the approved regional aid map and already in force on the date of granting of the aid, excluding the increased aid intensity for small and medium-sized enterprises

– A – initial eligible costs amounting up to EUR 50,000,000.00 expressed in equivalent HRK value

– B – part of eligible costs amounting from EUR 50,000,000.00 to EUR 100,000,000.00 expressed in equivalent HRK value

– C – part of eligible costs exceeding the amount of EUR 100,000,000.00 expressed in equivalent HRK value

b) due to the expected distortion of competition, the increased maximum aid intensities for small and medium-sized enterprises cannot be used for large investment projects

c) for aid intended for large investment projects, it must be ensured that the aid does not exceed the adjusted maximum amount of aid.

8 *annual amount of aid* that the investment aid beneficiary may use under this Act shall be an amount which may not exceed the amount of EUR 7,000,000.00 expressed in equivalent HRK value.

9 *fixed assets* are tangible and intangible assets owned by the aid beneficiary and reported in its balance sheet. It must be in accordance with accounting standards and operating for at least five years for large enterprises or three years for micro, small and medium-sized enterprises, that is, for the entire duration of the use of incentive measures. It is possible to include in the investment project fixed assets with a purchase value of less than HRK 3,500.00, but when including these assets, it is necessary to ensure that these assets, in addition to meeting accounting standards, also meet the minimum period for maintaining the investment in accordance with the provisions of this Act.

10 *new job in association with the initial investment* is a net increase in the number of employees compared to the initial state of employees, excluding employment from affiliated enterprises. The initial state of employees shall be determined as the average number of employees in the past 12 months prior to the start of the investment. Jobs lost during the three-year period of carrying out of the investment project shall be subtracted from the apparent number of new jobs. The number of seasonal employees in the tourism sector shall be calculated in the corresponding parts of their annual work units. The undertaking does not benefit from incentives for creating new jobs for seasonal employment in the tourism sector.

11 *start of the investment or start of works on the investment project* is the start of construction works on the investment concerned, which is determined by the starting date of construction specified in the construction application, or

the first legally binding commitment assumed by an undertaking in the sense of ordering equipment or another commitment that makes the investment irreversible, whichever is the first in time. Buying land and preparatory works such as obtaining permits and conducting feasibility studies shall not be considered the start of the investment or the start of works on the investment project.

12 *minimum period for maintaining the investment project* is:

a) the maintaining of investments for five years after the completion of the investment for large enterprises, and three years after the completion of the investment for micro, small and medium-sized enterprises, but not less than the period of the use of aid set out in this Act. This shall not prevent the replacement of the plant or equipment, but without the right to use new aid and provided that the economic activity has remained in the area concerned during the appropriate period

b) the maintaining of jobs in the area concerned for five years after the first filling of the posts for large enterprises, that is, three years for micro, small and medium-sized enterprises, but no than the period of the use of aid set out in this Act

c) the aid beneficiary may start a new investment project after the expiration of the three-year period from the beginning of the carrying out of the previous investment project, provided that the economic activity of the investment project carried out has remained in the area concerned during the minimum period for maintaining the investment project.

13 *eligible investment costs* constitute investment costs for which regional aid may be granted on the basis of this Act.

14 *gross grant equivalent* is the amount of aid granted to the beneficiary in the form of a grant, before the deduction of tax or other charges.

a) Aid payable in several instalments shall be discounted to its value at the time of the grant. Eligible costs shall be discounted to their value at the time of the grant. The interest rate to be applied shall be the discount rate applied at the time of the grant.

b) This Act provides for an aid ceiling in the form of tax advantages that ensure that the applicable threshold is not exceeded.

c) All amounts used for the calculation of the aid intensity and eligible costs shall be amounts before the deduction of tax and other charges.

15 *aid intensity* is the gross amount of aid expressed as a percentage of eligible costs, before the deduction of tax or other charges.

Eligible investment costs

Article 7

(1) Eligible costs of investments in tangible assets shall be construction costs on the basis of a construction permit, that is, on the basis of a confirmation of the main project and the purchase of new equipment and/or machinery (standard base), where:

a) acquired assets shall be new, that is, not previously used

b) costs related to the lease of tangible assets can be taken into account, on condition that, for plants or machinery, the lease must take the form of financial leasing and contain the commitment of the aid beneficiary to purchase the assets after the expiry of the term of the lease.

(2) Eligible investment costs shall not include land, previously built buildings and previously used equipment and/or machinery, and tangible assets acquired from affiliated enterprises or created by the aid beneficiary.

(3) For investment projects carried out by microenterprises set out in Article 6, point 2, subpoint b) of this Act, used equipment and/or machinery that is not older than five years shall be included in the eligible investment costs.

(4) For aid granted to large enterprises for a fundamental change in the production process, eligible costs must exceed the value of the depreciation of the assets associated with the activity being modernised during the previous three tax years. For aid granted for diversification, eligible costs must exceed 200% of the carrying amount of assets being reused, registered in the fiscal year preceding the start of the works.

(5) Eligible costs of investments in intangible assets must fulfil the following conditions:

a) assets must be used exclusively in the business unit receiving the aid

b) assets must be regarded as depreciable assets

c) assets must be purchased on market terms from a third party, excluding affiliated enterprises

d) assets must be included in the assets of the aid beneficiary and remain associated with the project for which the aid was granted for at least five years for large enterprises or three years in the case of micro, small and medium-sized enterprises.

(6) For large enterprises, the costs of acquiring intangible assets shall be eligible only up to a limit of 50% of the total eligible investment costs.

(7) Eligible costs of the creation of new jobs associated with the investment shall be calculated as wage costs. Wage costs are the total amount that the aid beneficiary must actually pay in respect of the jobs concerned, which over a defined period of time consists of the gross wage increased by the amount of the base contribution under that wage.

Regional aid is calculated in relation to the expected wage cost resulting from the creation of new jobs associated with the initial investment. The aid may only cover the wage costs of employees calculated over two years, where the intensities must not exceed the applicable intensities set out in Article 9 of this Act.

(8) A minimum of 25% of the amount of eligible investment costs must be provided by the aid beneficiary through its own resources or by external financing and must not contain any state aid.

(9) All initial investments started by the same beneficiary (at group level) within a period of three years from the starting date of works on another aided investment project shall be considered part of the same investment project. If that investment project is a large investment project, the total amount of aid for the investment project must be in accordance with the adjusted amount of aid for large investment projects.

(10) The investment aid beneficiary must confirm that in the two years prior to the application for acquiring the status of a beneficiary of incentive measures, it has not carried out the relocation of investment project or activity from the EEA to the area where the initial investment for which the aid is requested will take place, and must commit that it will not do so within a period of at least two years after the investment, for which aid is requested, is completed, in accordance with the provisions of Article 6 of this Act, determining the minimum period for maintaining of the investment.

Notification thresholds

Article 8

(1) This Act shall not apply to aid that exceeds the following thresholds:

- 1 for regional investment aid: “adjusted amount of aid” for investments with eligible costs amounting to EUR 100,000,000.00 expressed in equivalent HRK value
- 2 for training aid: EUR 2,000,000.00 per training project.

(2) Thresholds set out in paragraph 1 of this Article must not be circumvented by artificially splitting up aid schemes or aid projects.

Maximum aid intensity

Article 9

(1) Maximum aid intensity is defined by the regional aid map and can be increased by ten percentage points in cases of the promotion of investments made by medium-sized enterprises, or by 20 percentage points in cases of promoting small and microenterprises.

(2) Maximum aid intensity set out in paragraph 1 of this article must not exceed the ceiling of the allowable intensity established in the regional aid map already in force at the time of the grant of aid in the area concerned.

(3) If the initial investment is implemented in two or more assisted areas, the maximum aid intensity shall be the one applied in the assisted area with the lower allowable aid intensity.

(4) The maximum aid intensity set out in paragraph 1 of this Article pertains to the aid specified in Article 11 of this Act, including aid for the same eligible investment costs from all other sources.

Cumulation of aid

Article 10

(1) Investment aid may be granted simultaneously under several aid schemes or together with aid not granted on the basis of the scheme, provided that the total aid from all sources for the investment project does not exceed the maximum allowable aid intensity calculated in advance by the first granting authority.

(2) In determining whether the notification thresholds to the Commission and the maximum aid intensities set out in this Act are respected, the total amount of state aid for the aided activity, project or undertaking shall be taken into account.

(3) Where European Union funding centrally managed by the institutions, agencies, joint undertakings or other bodies of the Union that are not directly or indirectly under the control of the Member State is combined with state aid, only the latter shall be considered for determining whether notification thresholds and maximum aid intensities or maximum amounts of aid are respected, provided that the total amount of public funding granted in relation to the same eligible costs does not exceed the most favourable funding rate set out in the applicable regulations of Union law.

(4) Aid whose costs can be determined, and which is granted on the basis of this Act, may be cumulated with any other state aid, provided that the measures concerned relate to different eligible costs that can be determined, or with any other state aid relating to the same eligible costs, whether they overlap partially or completely, only if this cumulation does not result in exceeding the maximum aid intensity or the amount of aid applicable to that aid based on this Act.

(5) State aid set out in this Act shall not be cumulated with *de minimis* aid in relation to the same eligible costs if such cumulation would lead to exceeding the maximum aid intensity set out in Article 9 of this Act.

- (6) The competent ministry for investment promotion is the ministry responsible for the economy.
- (7) Regional state investment aid and training aid cannot be granted in accordance with this Act:
 - 1 for activities relating to the export to third countries or Member States, that is, aid directly relating to exported quantities, the establishment and operation of a distribution network or other running costs relating to the export activity
 - 2 for the payment of aid contingent upon prioritising the use of domestic goods over imported goods
 - 3 for aid granted in the sector of processing and marketing of agricultural products, if the amount of aid is determined on the basis of the price or quantity of products purchased from primary producers or put into circulation by the undertakings concerned, or if the aid is contingent upon it being partially or completely passed on to the primary producers
 - 4 for the payment of individual aid in favour of undertakings subject to an outstanding recovery order under the previous Commission's decision that rules the aid as illegal and incompatible with the internal market
 - 5 to undertakings in difficulty, as prescribed in Article 1, paragraph 4, point (c) of Commission Regulation (EU) No. 651/2014; however, it can be granted to undertakings that were not in difficulty on 31 December 2019, but became undertakings in difficulty in the period from 1 January 2020 to 31 December 2021
 - 6 for measures which by themselves, with regard to the conditions relating to them or with regard to the method of financing, imply a non-severable violation of European Union law, as prescribed in Article 1, paragraph 5 of Commission Regulation (EU) No. 651/2014
 - 7 to fishery, aquaculture and primary agricultural production sector, as prescribed in Article 1, paragraph 3, points (a) and (b) and Article 2, point 9 of Commission Regulation (EU) No. 651/2014
 - 8 to steel sector, coal sector, synthetic fibres sector, transport sector and related infrastructure, as prescribed in Article 2, points 13 and 43 to 45 of Commission Regulation (EU) No. 651/2014
 - 9 for energy production and distribution and energy infrastructure
 - 10 for the development of broadband networks
 - 11 for research infrastructures
 - 12 to shipbuilding sector
 - 13 to financial and insurance sector
 - 14 to health sector, social care sector and education sector
 - 15 to trade sector
 - 16 to construction and real estate sector
 - 17 to water management, waste management and environmental upgrading sectors
 - 18 to mining and quarrying sectors
 - 19 to transportation and storage sectors.

(8) For aid beneficiaries operating in fishery, aquaculture or primary agricultural production sectors and in sector for processing or marketing of agricultural products, which are excluded from the application of this Act in accordance with paragraph 7 of this Article, and those operating in sectors included in the scope of this Act, this Act shall apply only to aid granted in relation to these other sectors or activities, provided that aid beneficiaries shall separate those activities or distribute the costs, so that the activities in excluded sectors do not benefit from aid granted on the basis of this Act.

II INVESTMENT PROMOTION

Aid

Article 11

Aid includes:

- 1 tax aid for microenterprises
- 2 tax aid
- 3 aid for eligible costs of new jobs associated with the investment project
- 4 aid for eligible training costs associated with the investment project
- 5 aid for:
 - a) development and innovation activities
 - b) business support activities and
 - c) high added value services
- 6 aid for capital costs of the investment project

7 aid for labour-intensive investment projects

8 aid for economic activation of inactive assets owned by the Republic of Croatia

9 aid for modernisation of business process - automation, robotisation and digitalisation of manufacturing and processing operation.

1 Tax aid for microenterprises

Article 12

(1) For investments made by microenterprises in the minimum amount of EUR 50,000.00 expressed in equivalent HRK value, the profit tax rate shall be reduced for the aid beneficiary by 50% of the statutory profit tax rate for a period of up to five years from the year of the start of the investment, on condition of creating at least three new jobs in association with the investment project.

(2) The total amount of tax advantages that the aid beneficiary for microenterprises may use during the period of use of tax advantages shall be expressed in the absolute amount resulting from the difference between the due amount of profit tax calculated on the basis of the regulations governing the profit tax and the amount calculated pursuant to this Act, while respecting the maximum aid intensity set out in Article 9 of this Act.

(3) If the aid beneficiary ceases to be a profit tax payer during the period of the use of aid set out in this Act, it shall lose the right to use tax advantages for the remaining period for which they were granted, with the obligation to maintain new jobs and investment project in accordance with the provisions of Article 6, point 12 of this Act.

(4) If the aid beneficiary does not fulfil the condition of creating new jobs or reduces the number of new jobs established by the provisions of paragraph 1 of this Article before the end of the prescribed minimum period for maintaining of the investment set out in Article 6, point 12 of this Act and/or if it does not observe the minimum period for maintaining the investment, it shall lose the right to use tax advantages for the entire period for which they were granted, with the obligation to return the funds generated by the use of approved advantages, increased by the amount of the base reference rate determined and published on the basis of the state aid rules, increased by 100 basis points.

2 Tax aid

Article 13

(1) For investments amounting from EUR 150,000.00 to EUR 1,000,000.00 expressed in equivalent HRK value, the profit tax rate shall be reduced for the aid beneficiary by 50% of the statutory profit tax rate for a period of up to ten years from the year of the start of the investment, on condition of creating at least five new jobs related to investment, that is, for investments in ICT system and software development centres referred to in Article 16 of this Act, and in the amount from EUR 50,000.00 to EUR 1,000,000.00 expressed in equivalent HRK value, the profit tax rate shall be reduced for the aid beneficiary by 50% of the statutory profit tax rate for a period of up to ten years from the year of the start of the investment, on condition of creating at least ten new jobs in association with the investment.

(2) For investments amounting from EUR 1,000,000.00 to EUR 3,000,000.00 expressed in equivalent HRK value, the profit tax rate shall be reduced for the aid beneficiary by 75% of the statutory profit tax rate for a period of up to ten years from the year of the start of the investment, on condition of creating at least ten new jobs in association with the investment.

(3) For investments amounting to more than EUR 3,000,000.00 expressed in equivalent HRK value, the profit tax rate shall be reduced for the aid beneficiary by 100% of the statutory profit tax rate for a period of up to ten years from the year of the start of the investment, on condition of creating at least fifteen new jobs in association with the investment.

(4) The total amount of tax aid for micro, small, medium-sized and large enterprises that the aid beneficiary may use during the period of the use of tax aid shall be expressed in the absolute amount resulting from the difference between the due amount of profit tax calculated on the basis of the regulations governing the profit tax and the amount calculated pursuant to this Act, while respecting the maximum aid intensity set out in Article 9 of this Act.

(5) The minimum period for maintaining of the investment project and the number of new jobs established by the provisions of paragraphs 1 to 3 of this Article shall be prescribed by Article 6, point 12 of this Act.

(6) If the aid beneficiary ceases to be a profit tax payer during the period of the use of aid set out in this Act, it shall lose the right to use tax advantages for the remaining period for which they were granted, with the obligation to maintain new jobs and investment project in accordance with the provisions of Article 6, point 12 of this Act.

(7) If the aid beneficiary does not fulfil the condition of creating new jobs established by the provisions of paragraph 1 of this Article before the end of the prescribed minimum period for maintaining of the investment set out in Article 6, point 12 of this Act and/or if it does not respect the minimum period for maintaining of the investment, it shall lose the right to use tax advantages for the entire period for which they were granted, with the obligation to return the funds generated by the use of approved aid, increased by the amount of the base reference rate determined and published on the basis of the state aid rules, increased by 100 basis points.

3 Aid for eligible costs of new jobs associated with the investment project

Article 14

(1) To aid beneficiaries who ensure the creation of new jobs in association with the investment project in counties where the registered unemployment rate is up to 10% according to the data of the Croatian Bureau of Statistics valid on the date of the start of the investment, a non-repayable grant for eligible costs of creating new jobs in association with the investment shall be approved, amounting to up to 10% of eligible costs for creating a new job, while also amounting to a maximum of EUR 3,000.00 expressed in equivalent HRK value per new job.

(2) To aid beneficiaries who ensure the creation of new jobs in association with the investment project in counties where the registered unemployment rate is from 10% to 15% according to the data of the Croatian Bureau of Statistics valid on the date of the start of the investment, a non-repayable grant for eligible costs of creating new jobs in association with the investment shall be approved, amounting to up to 20% of eligible costs for creating a new job, while also amounting to a maximum of EUR 6,000.00 expressed in equivalent HRK value per new job.

(3) To aid beneficiaries who ensure the creation of new jobs in association with the investment project in counties where the registered unemployment rate is more than 15% according to the data of the Croatian Bureau of Statistics valid on the date of the start of the investment, a non-repayable grant for eligible costs of creating new jobs in association with the investment shall be approved, amounting to up to 30% of eligible costs for creating a new job, while also amounting to a maximum of EUR 9,000.00 expressed in equivalent HRK value per new job.

(4) If the aid beneficiary does not fulfil the condition of opening the minimum number of new jobs in accordance with Article 6, point 2 of this Act, that is, if it does not maintain new jobs established by paragraphs 1 to 3 of this Article in a particular area for at least five years from the first filling of the posts for large enterprises, or three years for micro, small and medium-sized enterprises, but not less than the period of the use of aid set out in this Act for which the job concerned is a precondition, it shall lose the right to use non-repayable grants for a new job, as well as training, with the obligation to return the funds generated by the use of approved incentives, increased by the amount of the base reference rate determined and published on the basis of the state aid rules, increased by 100 basis points.

(5) The total amount of non-repayable grants set out in this Article, tax aid and other types of incentives that the aid beneficiary may use during the period of the use of aid shall be expressed in absolute amount, while respecting the maximum aid intensity set out in Article 9 of this Act.

(6) The criteria for determining the amount of aid for eligible costs of creating new jobs in association with the investment project set out in paragraphs 1 to 3 of this Article are introduced by the Government of the Republic of Croatia by regulation.

4 Aid for eligible training costs associated with the investment project

Article 15

(1) The aid beneficiary shall be granted a non-refundable grant for the training of employees in new jobs associated with the investment project. Aid shall not be granted for training carried out by undertakings to ensure compliance with national mandatory standards on training.

(2) A non-refundable grant for training costs associated with the investment project shall be granted in accordance with the training state aid rules.

(3) The eligible expenses shall be as follows:

- a) Trainers' personnel costs, for the hours during which the trainers participated in training
- b) Operating costs in relation to trainers and participants, which are directly related to the training project, such as travel expenses, costs of materials and supplies directly related to the project, depreciation of tools and equipment, if they are used exclusively for the training project. Accommodation costs shall be excluded.

(4) The aid intensity shall not exceed 50% of the eligible costs, and may be increased up to 70% of the eligible costs set out in paragraph 3 of this Article as follows:

- a) by ten percentage points if the training is carried out for workers with disabilities
- b) by ten percentage points if the aid is granted to a medium-sized enterprise
- c) by 20 percentage points if the aid is granted to a small and microenterprise.

(5) Training grants set out in this Article shall be approved up to 50% of the amount of aid for eligible costs of creating new jobs in association with the investment project set out in Article 14 of this Act.

5 Aid for development and innovation activities, business support activities and high added value services

Article 16

(1) For investment projects in development and innovation activities, business support activities and high added value services, additional aid shall be approved for the following investment projects:

–Development and innovation activities affecting the development of new and significant improvement of the existing:

- a) products

- b) production series
- c) production process
- d) production technologies.

– Business support activities:

a) centres for business activities are:

focused on outsourcing and/or pooling of business activities, such as: data centres, centres for product design, multi-media contact centres and centres for IT development

b) logistics and distribution centres are:

focused on establishing and constructing high-tech logistics and distribution centres providing: intermodal transportation of goods, packaging and handling of goods in order to significantly improve logistics and distribution activities within business process and delivery of goods, relating to investment projects in manufacturing and processing industry

c) ICT system and software development centres for:

- 1 the development and application of IT management operating systems
- 2 outsourcing of IT management operating systems
- 3 the development of telecommunications and network operation centres
- 4 the development and application of new software solutions.

– High added value services:

a) creative service activities are:

activities in the field of architecture, design, media communications, marketing and other creative industry activities

b) activities of sustainable high added value tourism services that enable operating tourism business to the aid beneficiary after the end of the three-year period of carrying out of the investment project for a minimum of six months during the calendar year, constituting:

- 1 projects of catering and tourist facilities offering accommodation, categorised as four- or more stars: hotel, aparthotel, tourist resort and camps
- 2 projects of catering and tourist facilities: heritage hotel and diffuse hotel, created by the restoration of heritage, in accordance with the regulations governing the protection and conservation of cultural assets
- 3 projects of supporting services for all previously mentioned types of accommodation facilities, which are related to health, congress, nautical, cultural, golf, recreational, entertainment and ecological tourism or contain other innovative content in high added value tourism.
- 4 projects of nautical tourism, categorised as four- or more anchors
- 5 projects of amusement and theme parks

c) industrial engineering services activities are focused on: modelling, design, restructuring and optimisation of manufacturing and processing business operation.

(2) For investments in development and innovation activities, in addition to the aid set out in this Act, the aid beneficiary shall be granted an increase in aid for the costs of creating new jobs in association with the investment project by 50% of the amount prescribed in Article 14 of this Act.

(3) For investments in business support activities and high added value services, in addition to the aid set out in this Act, the aid beneficiary shall be granted an increase in aid for the costs of creating new jobs in association with the investment project by 25% of the amount prescribed in Article 14 of this Act.

(4) For investments in development and innovation activities, a non-refundable grant shall be approved for the purchase of equipment and/or machinery, in the amount of up to 20% of the eligible costs for the purchase of equipment and/or machinery, amounting to a maximum of EUR 500,000.00 expressed in equivalent HRK value, on condition that the purchased equipment and/or machinery must be high-tech.

(5) The total amount of non-repayable grants set out in this Article, tax aid and other types of aid that the aid beneficiary can use during the period of use of the aid shall be expressed in absolute amount, while respecting the maximum aid intensity set out in Article 9 of this Act.

6 Aid for capital costs of the investment project

Article 17

(1) The investment project for which aid for capital costs of the investment project are approved represents an investment in the fixed assets of the aid beneficiary amounting to at least 5,000,000.00 EUR expressed in equivalent HRK value, on condition of creation of at least 50 new jobs in association with the investment project. Aid for capital costs exclusively pertains to investment projects in the manufacturing and processing industry, that is, to investment projects in manufacturing and processing activities set out in Article 5, paragraph 2 of this Act.

(2) To the aid beneficiary who carries out the investment project set out in paragraph 1 of this Article in counties

where the registered unemployment rate is from 10% to 15% according to the data of the Croatian Bureau of Statistics valid on the date of the start of the investment project, in addition to the provided aid set out in this Act, the aid for capital expenses shall be approved:

non-repayable grant in the amount of 10% of eligible costs of investment in fixed assets, for:

- a) costs of constructing a new factory, industrial plant
- b) costs of purchasing new machines or production equipment

amounting to a maximum of EUR 500,000.00 expressed in equivalent HRK value, on condition that the part of the investment in machinery or manufacturing equipment amounts to a minimum of 40% of the total value of investment, where a minimum of 50% of the purchased machinery or manufacturing equipment must be high-tech equipment.

(3) To the aid beneficiary who carries out the investment project set out in paragraph 1 of this Article in counties where the registered unemployment rate is higher than 15% according to the data of the Croatian Bureau of Statistics valid on the date of the start of the investment project, in addition to the provided aid set out in this Act, the aid for capital expenses shall be approved:

non-repayable grant in the amount of 20% of eligible costs of investment in fixed assets, for:

- a) costs of constructing a new factory, industrial plant
- b) costs of purchasing new machines or production equipment

in the total maximum amount of EUR 1,000,000.00 expressed in equivalent HRK value, on condition that the part of investment in machinery or manufacturing equipment amounts to a minimum of 40% of the total value of investment, where a minimum of 50% of the purchased machinery or manufacturing equipment must be high-tech equipment.

(4) If the aid beneficiary does not maintain the investment concerned in accordance with the provisions of Article 6, point 12 of this Act and does not maintain the new jobs established by the provisions of this Article for at least five years from the first filling of posts for large enterprises, or three years for micro, small and medium-sized enterprises, it shall lose the right to use the aid for the capital costs of the investment project, with the obligation to return the funds generated by the use of the approved aid, increased by the amount of the base reference rate determined and published on the basis of the state aid rules, increased by 100 basis points.

(5) The total amount of non-repayable grants set out in this Article, tax aid and other types of aid that the aid beneficiary may use during the period of the use of aid shall be expressed in absolute amount, while respecting the maximum aid intensity set out in Article 9 of this Act.

7 Aid for labour-intensive investment projects

Article 18

(1) The investment project for which the aid for labour-intensive investment projects is approved represents an investment in fixed assets of the aid beneficiary enabling the creation of at least 100 new jobs in association with the investment project, within a period of three years from the start of the investment.

(2) To the aid beneficiary who carries out the investment project from paragraph 1 of this Article, an increase in aid by 25% of the amount prescribed in Article 14 of this Act for the costs of creating new jobs in association with the investment project shall be granted.

(3) To the aid beneficiary who completes an investment project enabling the creation of at least 300 new jobs in association with the investment project, an increase in aid by 50% of the amount prescribed in Article 14 of this Act for the costs of creating new jobs in association with investment project shall be granted.

(4) To the aid beneficiary who completes an investment project enabling the creation of at least 500 new jobs in association with the investment project, an increase in aid by 100% of the amount prescribed in Article 14 of this Act for the costs of creating new jobs in association with investment project shall be granted.

(5) The total amount of non-repayable grants set out in this Article, tax aid and other types of aid that the aid beneficiary can use during the period of use of the aid shall be expressed in absolute amount, while respecting the maximum aid intensity set out in Article 9 of this Act.

8 Aid for economic activation of inactive assets owned by the Republic of Croatia

Article 19

(1) Inactive assets within the meaning of this Act consist of land and/or buildings owned by the Republic of Croatia and managed by the ministry responsible for the management of state assets which are not in operation and on which no economic activities are being performed. Inactive assets owned by the Republic of Croatia for which the aid for investment project is intended to be used through economic activation of inactive assets owned by the Republic of Croatia shall not be inactive assets owned by the Republic of Croatia that have unresolved property issues, assets on which any type of lien has been placed, and land classified as agricultural, forest or tourist land.

(2) The investment project for which the aid for the economic activation of inactive assets owned by the Republic of Croatia is approved represents an investment in fixed assets of the aid beneficiary in the amount at least EUR 3,000,000.00 expressed in equivalent HRK value, on condition of creating at least 15 new jobs in association with the investment

project, within a period of three years from the start of the investment.

(3) To the aid beneficiary who carries out the investment project set out in paragraph 2 of this Article, in the territory of units of local self-government classified in accordance with the regulation of classification of units of local and regional self-government according to the development index from Group I to Group IV, leasing of inactive assets owned by the Republic of Croatia and managed by the ministry competent for the management of state assets shall be approved without remuneration for a period of ten years from the start of the investment, if the assets form an economic unit suitable for the carrying out of the investment project. In the territory of those units of local self-government classified, according to the development index, from Group V to Group VIII, leasing without remuneration shall be approved only after three tender rounds for the sale of inactive assets have been conducted by the ministry responsible for the management of state assets, within a period of 90 days from the date of submission of an application for leasing of inactive assets without remuneration by the applicant.

(4) The total amount of aid, including the aid for the economic activation of inactive assets owned by the Republic of Croatia, which the aid beneficiary may use during the period of the use of aid is expressed in absolute amount, while respecting the maximum aid intensity from Article 9 of this Act.

(5) During the period of carrying out of the investment project set out in paragraph 2 of this Article, the aid beneficiary is obliged to make a direct material investment in inactive assets leased without remuneration in the amount of at least 50% of the estimated market value of the inactive assets at the time of leasing of the assets without remuneration, not including in that calculation the value of the equipment constituting an investment.

(6) Aid in the form of leasing without remuneration of inactive assets owned by the Republic of Croatia and managed by the ministry responsible for the management of state assets for a period of ten years from the year of the start of the investment, with the prescribed condition set out in paragraph 5 of this Article, shall be granted to the investment aid beneficiary on the basis of an agreement on the leasing of inactive assets concluded between the Republic of Croatia and the investment aid beneficiary set out in this Act, in accordance with the regulations governing the management of state assets owned by the Republic of Croatia, after submitting an application for the approval of the status of the investment aid beneficiary.

(7) If the conditions set out in paragraph 5 of this Article are not fulfilled, that is, if the investment aid beneficiary set out in this Act does not increase the value of the inactive assets by 50% after the three-year period of carrying out of the investment project, compared to the estimated value of inactive assets at the time of leasing without remuneration, the agreement set out in paragraph 6 of this Article shall be terminated and the investment aid beneficiary set out in this Act shall lose the right for return of the funds invested in inactive assets.

(8) After the end of the lease period of inactive assets owned by the Republic of Croatia without remuneration, set out in paragraph 3 of this Article or after the maximum aid intensity set out in Article 9 of this Act has been reached or upon fulfilment of the contractual obligations set out in paragraph 5 of this Article, the investment aid beneficiary set out in this Act may conclude with the Republic of Croatia either an agreement on the purchase of that assets or may extend the agreement on leasing of inactive assets owned by the Republic of Croatia without the use of aid for economic activation of inactive assets owned by the Republic of Croatia for a period of ten years.

(9) Aid in the form of leasing of inactive assets owned by the Republic of Croatia without remuneration is permissible only when the estimated market value of that assets has been determined by an independent expert authorized for real estate valuation in accordance with the real estate valuation regulations and in relation to publicly available, regularly updated and generally accepted benchmarks.

(10) The regulation set out in Article 14, paragraph 6 of this Act shall prescribe the procedure and methodology for calculating state aid value in the form of leasing of inactive assets owned by the Republic of Croatia without remuneration, as well as the procedure and methodology for calculating the value of inactive assets in the event of concluding the agreement set out in paragraph 8 of this Article.

9 Aid for modernisation of business process – automation, robotisation and digitalisation of manufacturing and processing operation

Article 20

(1) Aid for the modernisation of business process pertains exclusively to investment projects in the manufacturing and processing industry, that is, to investment projects in manufacturing and processing activities set out in Article 5, paragraph 2 of this Act.

(2) The principal purpose of the aid for the modernisation of business process is the improvement of existing technological level of business process in the manufacturing and processing industry and its transformation in accordance with the level of technology of Industry 4.0.

(3) Modernisation, that is, a fundamental change in the manufacturing and processing operation, implies the introduction of durable material assets – equipment and/or machinery by the investment aid beneficiary, which shall be categorised as a technologically more advanced generation of high-tech fixed assets compared to fixed assets that are being modernised, such as: specialized robots, robotic systems and robotic cells, equipment and/or machinery for automation and self-regulation of manufacturing processes, manufacturing execution systems and equipment and/or machinery for

digitalisation of the manufacture and production process.

(4) Modernisation, that is, a fundamental change in the manufacturing and processing operation, also implies the introduction of fixed intangible assets by the investment aid beneficiary, which shall be categorised as a technologically more advanced generation of high-tech fixed intangible assets compared to fixed assets that are being modernised: the latest generation of manufacturing automation software in the manufacturing and processing industry, software for the digitalisation of production, software for the development of self-adaptive systems, logic controllers and automated production lines, and software for machine learning, artificial intelligence development and system visualisation.

(5) The effect of the modernisation of business process in the sense of increase in productivity per employee shall be expressed as an increase in the value of the total income of investment aid beneficiaries on an annual basis, in relation to the number of employees of aid beneficiaries on an annual basis.

(6) The investment project for which the aid for modernisation of business process is approved represents an investment in fixed assets of the aid beneficiary in the amount of EUR 500,000.00 expressed in equivalent HRK value, on condition that the initial state of employees of the aid beneficiary is maintained for the entire period of the use of aid, and not less than the minimum period of the maintaining of investment project for which the use of aid for the modernisation of business process set out in Article 6, point 12 of this Act is intended to be used.

(7) For investments set out in paragraph 6 of this Article in the amount from EUR 500,000.00 to EUR 1,000,000.00 expressed in equivalent HRK value, the profit tax rate shall be reduced to the aid beneficiary by 50% of the statutory profit tax rate for a period of up to ten years from the year of the start of the investment.

(8) For investments set out in paragraph 6 of this Article in the amount from EUR 1,000,000.00 to EUR 3,000,000.00 expressed in equivalent HRK value, the profit tax rate shall be reduced to the aid beneficiary by 75% of the statutory profit tax rate for a period of up to ten years from the year of start of investment.

(9) For investments set out in paragraph 6 of this Article in the amount higher than EUR 3,000,000.00 expressed in equivalent HRK value, the profit tax rate shall be reduced to the aid beneficiary by 100% of the statutory profit tax rate for a period of up to ten years from the year of the start of investment.

(10) For large enterprises, eligible costs for a fundamental change in the manufacturing process for which the aid for modernisation of business process is approved, must exceed the value of depreciation of the assets associated with the activity being modernised during the previous three tax years.

(11) The level of productivity per employee of the aid beneficiary to whom the aid for the modernisation of business process was approved in the year after the end of the three-year period of carrying out of the investment project must be increased by a minimum of 10% compared to the level of productivity per employee in the year prior to the application of the investment project for which the aid is intended to be used for fundamental modernisation of business process.

(12) If the aid beneficiary does not maintain the investment in accordance with the provisions of Article 6, point 12 of this Act and does not maintain the initial state of employees set out in accordance with the provisions of Article 6, point 10 of this Act for at least five years for large enterprises, or three years for micro, small and medium-sized entrepreneurs, it shall lose the right to use the aid for the modernisation of business process, with the obligation to return the funds generated by the use of approved incentives, increased by the amount of the base reference rate determined and published on the basis of the state aid rules, increased by 100 basis points.

(13) The total amount of non-repayable grants, tax aid and other types of aid that the aid beneficiary may use during the period of the use of aid shall be expressed in absolute amount, while respecting the maximum aid intensity set out in Article 9 of this Act.

Incentive funds

Article 21

(1) Non-repayable grants for investment promotion set out in this Act shall be secured from the state budget of the Republic of Croatia by the competent ministry referred to in Article 10, paragraph 6 of this Act.

(2) The competent ministry referred to in Article 10, paragraph 6 of this Act is obliged to keep records of all approved aid set out in Article 1 of this Act by using personal identification numbers of aid beneficiaries.

(3) The collaterals for ensuring the recovery of claims in case of violation of the provisions of this Act are:
– a blank promissory note for claims in the amount of less than EUR 500,000.00 expressed in equivalent HRK value and
– a bank guarantee for claims in the amount of EUR 500,000.00 or more, expressed in equivalent HRK value.

Application, approval and control

Article 22

(1) Undertakings intending to use the aid on the basis of this Act shall submit an application for the approval of the status of the aid beneficiary, that is, an application for the use of aid. They shall submit the application to the competent ministry referred to in Article 10, paragraph 6 of this Act, before the start of the investment project.

(2) On the basis of the submitted application, the competent ministry referred to in Article 10, paragraph 6 of this Act,

shall, in cooperation with the ministry competent for finances, other competent state administration bodies whose scope involves the planned investment project and other competent authorities for investment promotion, determine whether the submitted application is in accordance with the provisions of this Act and shall inform the applicant, that is, shall issue an approval of the status of the investment aid beneficiary, no later than 60 days from the date of submission of the application in accordance with the provisions of this Act.

(3) During the period of the use of the status of aid beneficiary, aid beneficiaries are obliged to submit an annual written report on the execution of the investment project, eligible costs, use of incentive measures and the maintaining of the investment and jobs created in association with the investment to the competent ministry referred to in Article 10, paragraph 6 of this Act and to the Ministry of Finance – Tax Administration. Aid beneficiaries are obliged to submit an annual written report on the maintaining of the investment and jobs created in association with the investment to the competent ministry referred to in Article 10, paragraph 6 of this Act and to the Ministry of Finance – Tax Administration during the minimum period of the maintaining of the investment.

(4) The annual reports set out in paragraph 3 of this Article shall be submitted together with income tax filings, in accordance with the time limits prescribed by the special regulation regulating income tax.

(5) If, during the period of the use of the status of an investment beneficiary, significant changes occur in the investment itself, and in connection with preconditions on the basis of which the status of an investment aid beneficiary was approved, the aid beneficiary shall notify the competent ministry referred to in Article 10, paragraph 6 of this Act within 30 days from the date of occurrence of changed circumstances.

(6) If the aid beneficiary does not submit a report within the period set out in paragraph 3 of this Article on justified grounds, it shall lose the right to use the approved aid and the status of an aid beneficiary.

(7) Mandatory contents of the application for the approval of the status of an aid beneficiary with its relevant forms, the criteria and the method of calculating the amount of state aid, the application process and the process of approving and using the aid set out in this Act, the documentation necessary for the use of aid and exercise of the right to payment of approved aid set out in this Act, as well as the content of the report on the use of aid, set out in paragraphs 1 and 3 of this Article, shall be prescribed by the Government of the Republic of Croatia, by a regulation set out in Article 14, paragraph 6.

(8) The competent ministry referred to in Article 10, paragraph 6 of this Act shall, in cooperation with the ministry competent for finances and other competent state administration bodies whose scope involves the planned investment, supervise the use of aid by aid beneficiaries in order to detect and sanction any irregularities and illegalities.

Repayment of aid in case of bankruptcy or winding-up of the aid beneficiary

Article 23

(1) In the event of bankruptcy or winding-up of a company or a natural person (craftsman) who is a profit tax payer before the end of the period for using the aid, that is, before the end of the requirement to maintain the investment and jobs, the aid beneficiary is obliged to return the utilised aid, increased by the amount of the base reference rate determined and published on the basis of state aid rules, increased by 100 basis points.

(2) In the case of bankruptcy filing or the start of winding-up proceedings set out in paragraph 1 of this Article, the aid beneficiary shall be obliged to file a report to the competent ministry referred to in Article 10, paragraph 6 of this Act within 30 days from the date of bankruptcy filing or start of winding-up proceedings.

Monitoring and determining the maximum aid intensity for investment promotion

Article 24

(1) For the purpose of monitoring and determining the maximum intensity of aid granted, the competent ministry referred to in Article 10, paragraph 6 of this Act shall have the right to request from other ministries and other authorities competent for granting aid, as well as from the aid beneficiaries, information on all state aid granted.

(2) The competent ministry referred to in Article 10, paragraph 6 of this Act shall be obliged to calculate the gross grant equivalent for an individual investment and to monitor total aid for investment promotion, including aid from other sources in accordance with Article 9 of this Act, and to calculate the utilisation of the maximum aid intensity for investment promotion set out in this Act.

(3) When the competent ministry referred to in Article 10, paragraph 6 of this Act determines that an individual aid beneficiary has used the maximum aid intensity for investment promotion, it shall file a written report to the aid beneficiary and the Ministry of Finance – Tax Administration.

III – FOSTERING THE IMPROVEMENT OF THE ENTREPRENEURIAL AND INVESTMENT CLIMATE

Investment Climate

Article 25

(1) In a broad sense of this Act, investment climate constitutes the totality of all pre-investment, investment and post-investment activities, at national, regional and local level, which affect the success and the time limit of the

performance of investment project in the territory of the Republic of Croatia.

(2) In the narrow sense of this Act, investment climate constitutes the activities set out in paragraph 1 of this Article, which include: the issuing of acts approving the construction and use of buildings, the award of concessions, rights of construction and other approvals for construction by the units of local self-government or by the competent ministries and other competent authorities, building of the infrastructure and issuing prior energy or infrastructure approvals related to the investment project, physical planning and condominium conversion by units of the local or regional self-government or by the competent ministries, including the regulations on the construction procedure and conditions aimed at the promotion of investment projects, activities of change of use of land, activation of inactive assets in public ownership aimed at performing the investment project.

(3) In addition to the activities set out in paragraph 2 of this Article, the activities of decision-making, issuing approvals, issuing decisions, permissions or other stipulated acts at local, regional and national level, which have an impact on the success and time limit of the performance of the investment project, also constitute the investment climate within the meaning of this Act.

Fostering the improvement of investment climate

Article 26

(1) In order to improve the investment climate in the Republic of Croatia, the competent ministry referred to in Article 10, paragraph 6 of this Act coordinates the activities of the performance of investment project in cooperation with investors and competent ministries, units of local and regional self-government and with other legal persons involved in the performance of investment project in the territory of the Republic of Croatia.

(2) The competent ministry referred to in Article 10, paragraph 6 of this Act, in coordination with local and regional development agencies and other support entities in the units of local and regional self-government, shall provide active support to investors in all stages and activities of the investment project that affect the success and time limit of performance of the investment project in the Republic of Croatia.

(3) The competent ministry referred to in Article 10, paragraph 6 of this Act, local and regional development agencies and other support entities competent for promotion and investment promotion in units of local and regional self-government, on the basis of this Act, provide administrative, professional and technical assistance in the process of drawing up the application set out in Article 22 of this Act.

Disclosure of information on aid

Article 27

(1) On the comprehensive website on state aid of the Ministry of Finance, within the period set out in Article 9, paragraph 6 of Commission Regulation (EU) No. 651/2014, the following shall be published:

a) the summary of information set out in Article 11 of Commission Regulation (EU) No. 651/2014 in the standardized format set out in Annex II of Commission Regulation (EU) No. 651/2014 or the link providing access to that summary

b) the full text of the aid measure based on this Act and the regulation referred to in Article 14, paragraph 6 of this Act

c) information set out in Annex III of Commission Regulation (EU) No. 651/2014 on the granting of each individual aid that exceeds the amount of 500,000.00 EUR expressed in equivalent HRK value.

The information set out in this paragraph shall be published within six months from the date of the granting of the aid, and for aid in the form of tax relief within the period of one year from the time limit for the submission of tax return, and shall be available for at least ten years from the date of granting of aid.

(2) In order to enable monitoring of aid, which is exempt from reporting to the Commission under Commission Regulation (EU) No. 651/2014, the competent ministry referred to in Article 10, paragraph 6 of this Act, by using the personal identification numbers of the aid beneficiaries, shall keep detailed records of information and required accompanying documentation in order to determine if all conditions established by this Act and Commission Regulation (EU) No. 651/2014 have been fulfilled. The information and accompanying documentation shall be kept for ten years from the day that the last aid was granted under this Act.

IV MINOR OFFENCE PROVISIONS

Fines in kunas

Article 28

(1) The legal person that is an aid beneficiary shall be fined in the amount from HRK 100,000.00 to HRK 500,000.00 for a minor offence if it does not submit an annual written report on the use of aid to the competent ministry set out in Article 10, paragraph 6 of this Act and to the Ministry of Finance – Tax Administration, in accordance with the provisions of Article 22, paragraphs 3 and 4 of this Act.

(2) The responsible person of the legal person shall also be fined for a minor offence set out in paragraph 1 of this Article in the amount from HRK 10,000.00 to HRK 50,000.00.

(3) The natural person, that is, the craftsman who is an aid beneficiary shall also be fined in the amount from

HRK 10,000.00 to HRK 100,000.00 for a minor offence set out in paragraph 1 of this Article.

Fines in euros

Article 29

(1) The legal person that is an aid beneficiary shall be fined in the amount from EUR 13,270.00 to EUR 66,360.00 for a minor offence if it does not submit an annual written report on the use of aid to the competent ministry referred to in Article 10, paragraph 6 of this Act and to the Ministry of Finance – Tax Administration, in accordance with the provisions of Article 22, paragraphs 3 and 4 of this Act.

(2) The responsible person for the legal person shall also be fined in the amount from EUR 1,320.00 to EUR 6,630.00 for a minor offence set out in paragraph 1 of this Article.

(3) The natural person, that is, the craftsman who is an aid beneficiary shall also be fined in the amount from EUR 1,320.00 to EUR 13,270.00 for a minor offence set out in paragraph 1 of this Article.

V TRANSITIONAL AND FINAL PROVISIONS

Article 30

(1) The Government of the Republic of Croatia shall, within 60 days from the date of entry into force of this Act, adopt the resolution set out in Article 14, paragraph 6 of this Act.

(2) The Regulation on Investment Promotion (Official Gazette, No. 31/16, 2/19 and 146/20) shall remain in force until the adoption of the regulation set out in paragraph 1 of this Article.

Article 31

(1) Beneficiaries of the investment aid, which they received according to the Investment Promotion Act (Official Gazette, No. 138/06 and 61/11), The Act on Investment Promotion and Improving the Investment Climate (Official Gazette, No. 111/12 and 28/13) and the Investment Promotion Act (Official Gazette, No. 102/15, 25/18, 114/18, 32/20 and 20/21) reserve the right to use approved aid until the end of the period for which they were approved.

(2) To aid beneficiaries for whom the obligation to return used aid has been determined under The Act on Investment Promotion and Improving the Investment Climate (Official Gazette No. 111/12 and 28/13) and the Investment Promotion Act (Official Gazette No. 102/15, 25/18, 114/18, 32/20 and 20/21) the return of funds generated by the use of incentives will be calculated from the date of payment of the approved aid funds to the date of the establishment of obligation to return the funds used, increased by the amount of the base reference rate, determined and published based on the basis of state aid rules, increased by 100 basis points.

Article 32

(1) To investment aid beneficiaries and the investment aid applicants under the Investment Promotion Act (Official Gazette, No. 102/15, 25/18, 114/18, 32/20 and 20/21) whose investment projects started in the period from 12 March 2017 to 30 June 2020, that is, for those investment projects whose three-year period of the carrying out of the project is within the period of the beginning of the COVID-19 pandemic, and who submitted a written request to the competent ministry for a one-year extension of the three-year period of the carrying out of the investment project, at the end that four-year period, an additional extension of one year shall be allowed for the creation of new jobs in association with the investment project.

(2) In order to exercise the rights referred to in paragraph 1 of this Article, aid beneficiaries and applicants must submit a written request to the competent ministry within 90 days from the date of entry into force of this Act.

(3) Aid beneficiaries to whom the competent ministry approves the exercise of the rights set out in paragraph 1 of this Article shall be able to use tax aid for 2021.

Article 33

(1) If investment aid beneficiaries under The Act on Investment Promotion and Improving the Investment Climate (Official Gazette, No. 111/12 and 28/13) and the Investment Promotion Act (Official Gazette, No. 102/15, 25/18, 114/18, 32/20 and 20/21), in the period from 1 January 2020 to 30 June 2021, during the mandatory maintaining of new jobs, had permanently or temporarily closed new jobs and fired employees due to the COVID-19 pandemic, the reduction in the number of newly created jobs shall not be considered a violation of the obligation to maintain new jobs in the area concerned.

(2) In the event of the occurrence of the circumstances set out in paragraph 1 of this Article, the aid beneficiary shall have no obligation to return the aid used until the period of occurrence of the circumstances set out in paragraph 1 of this Article, on condition that the further use of the aid set out in this Act ceases.

(3) If the beneficiary set out in paragraph 1 of this Article does not fulfil the obligation to maintain new jobs after 30 June 2021, that is, if it does not fulfil the obligation to maintain the investment project in accordance with the provisions of Article 6, point 12 of this Act, its right to use the aid ends, with an obligation to return the funds generated by the use of approved aid, increased by the amount of the base reference rate determined and published on the basis of state

aid rules, increased by 100 basis points.

Article 34

Proceedings initiated pursuant to the provisions of the Investment Promotion Act (Official Gazette No. 102/15, 25/18, 114/18, 32/20 and 20/21), but not completed before the entry into force of this Act, shall be completed according to the provisions of the Investment Promotion Act (Official Gazette, No. 102/15, 25/18, 114/18, 32/20 and 20/21)

Article 35

The provisions of Article 28 of this Act shall cease to be valid on the date of introduction of the euro as the official currency in the Republic of Croatia.

Article 36

On the date this Act enters into force, the Investment Promotion Act (Official Gazette, No. 102/15, 25/18, 114/18, 32/20 and 20/21) shall cease to be valid.

Article 37

This Act shall enter into force on the first day following its publication in the Official Gazette, except for Article 29 of this Act, which shall enter into force on the day of introduction of the euro as the official currency in the Republic of Croatia.

Class: 022-02/22-01/34

Zagreb, 27 May 2022.

THE CROATIAN PARLIAMENT

The Speaker of the Croatian Parliament
Gordan Jandroković, m.p.