

## Regulation on Investment Promotion

# THE GOVERNMENT OF THE REPUBLIC OF CROATIA

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Pursuant to Article 14, paragraph 6, Article 19, paragraph 10 and Article 22, paragraph 7 of the Investment Promotion Act (Official Gazette, No. 63/22), at the session held on 29 December 2022, the Government of the Republic of Croatia has adopted the

## REGULATION ON INVESTMENT PROMOTION

### I GENERAL PROVISIONS

#### *Subject-matter and scope*

#### Article 1

(1) This Regulation shall ensure the implementation of the Investment Promotion Act (Official Gazette, No. 63/22) in accordance with 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 June 2014) as last amended by Commission Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No. 651/2014 declaring certain categories compatible with the internal market in the application of Articles 107 and 108 of the Treaty (Text with EEA relevance) (OJ L 270, 29 July 2021).

(2) This Regulation shall prescribe the format and mandatory content of the Application for the approval of the status of an aid beneficiary (hereinafter: Application) with its relevant forms; the application process and the process of approving and using the aid, including the criteria and the method of calculating the amount of state aid; mandatory content of the annual report on the execution of the investment project and the use of aid; the documentation necessary for the use of aid, that is, the exercise of the right to the payment of the approved aid; and other associated issues.

#### *Applicable entities*

#### Article 2

(1) This Regulation shall apply to undertakings – natural persons (craftsmen), who are profit tax payers or companies, registered in the territory of the Republic of Croatia, in accordance with Article 3 of the Investment Promotion Act (Official Gazette, No. 63/22; hereinafter: Act) that intend to use investment aid in accordance with the Act.

(2) This Regulation shall not apply to undertakings which cannot be granted regional state aid and state training aid in accordance with Article 10, paragraph 7 of the Act.

(3) The shipbuilding sector referred to in Article 10, paragraph 7, point 12 of the Act, which cannot be granted regional state aid and state training aid, does not include small shipbuilding, that is, maritime vessels below 100 gross tonnage, tugboats with less than 365 kW, as well as incomplete hulls of these vessels, within the meaning of Commission Regulation (EU) 651/2014 of 17 June 2014.

## *Format and mandatory content of the Application*

### Article 3

(1) The Application shall be submitted on the forms prescribed in this Regulation.

(2) The content of the forms under codes OP-1 to OP-8, on which the Application shall be submitted, is prescribed in Annexes 1 to 8 of this Regulation and forms the integral part thereof.

(3) The following documents and data shall be attached to the Application:

1 the statement of the applicant on registration in the profit tax system, that is, on the obligation to pay profit tax, in case an applicant is a natural person – a craftsman

2 the joint statement, which is prescribed in Annex 10 of this Regulation and forms the integral part thereof

3 a business plan for the next five years, with the projection of financial statements (a balance sheet and a profit and loss account)

4 in case of construction of buildings in accordance with regulations governing physical planning and construction – a valid construction permit or evidence of main design confirmation and a copy of the registration of the construction site or the start of construction works

5 in case of investing in a new economic activity in the assisted area c) referred to in Article 6, point 5 of the Act, evidence that in the past three months the applicant was not registered for the new economic activity in question and a written Statement by which the responsible person guarantees, under moral, material and criminal liability, that the applicant has not engaged in the new economic activity in question.

(4) The documents and data referred to in paragraph 3, points 1 and 4 of this Article shall be obtained by the ministry competent for the economy by virtue of the office in accordance with Article 12 of the Act on the State Administration System (Official Gazette, No. 66/19). Those documents and data may also be submitted to the ministry competent for the economy by the applicant themselves when submitting the Application.

(5) At the request of the ministry competent for the economy, the applicant shall also submit other required data for assessing the merit of the Application.

## II APPLICATION PROCESS AND ISSUING OF THE APPROVAL OF THE STATUS OF THE INVESTMENT AID BENEFICIARY

### *Competent ministry*

#### Article 4

The applicant shall submit the Application to the ministry competent for the economy.

### *Application and procedures after receiving the Application*

#### Article 5

(1) The ministry competent for the economy, on the basis of a proper Application, in cooperation with the ministry competent for finances and other competent state administration bodies whose scope involves the investment project shall issue the Approval of the status of the investment aid beneficiary (hereinafter: Approval), which confirms that the applicant fulfils all the conditions prescribed in the Act and this Regulation.

(2) The Application shall be considered proper if it is in accordance with the provisions of the Act and fulfils all the conditions prescribed in this Regulation regarding the format and content of the Application.

(3) The ministry competent for the economy shall issue the Approval within 60 days from the date of receipt of the proper Application.

(4) If the ministry competent for the economy determines from the Application received that the applicant does not fulfil all the conditions prescribed in the Act and this Regulation, within 60 days from the date of the receipt of the Application, it shall issue a notice stating that the conditions required for the status of the investment aid beneficiary have not been met.

*Eligible investment costs in relation to the Application and the period in which they were incurred*

Article 6

(1) The costs that are expressed in the Application as costs incurred in relation to the investment project shall not be recognised as eligible investment costs if they are incurred prior to submitting the Application.

(2) The eligible investment costs referred to in paragraph 1 of this Article are the costs incurred within three years from the start of the investment specified in OP-3 form.

III USE OF AID

*Tax aid*

Article 7

(1) If the Application indicates the intention to use tax aid, the Approval referred to in Article 5 of this Regulation shall contain a provision approving the use of tax advantage subject to the conditions of Articles 12 and 13 of the Act.

(2) The use of tax advantage is possible from the moment of acquisition of the status of the investment aid beneficiary, that is, for a period of up to 10 years from the year of the start of the investment.

(3) An undertaking with the status of the investment aid beneficiary may use a tax advantage in terms of reduction or exemption of the prescribed profit tax rate after the first year of investment, on condition that the minimum investment prescribed in Article 6, point 2, subpoints a), b), c), d) and e) of the Act was made during the first year of the investment and on condition of creating new jobs associated with the investment within a period of three years from the start of the investment. For investment projects carried out by microenterprises referred to in Article 6, point 2, subpoint b) of the Act, eligible investment costs referred to in Article 7, paragraph 3 of the Act shall not include the contribution of used equipment and/or machinery if the equipment and/or machinery has been purchased from affiliated enterprises or if aid from other sources was granted or used for the equipment and/or machinery in question.

(4) Undertakings using the tax advantage pursuant to Article 13 of the Act shall, in each subsequent year, use the reduction of the profit tax rate for which the investment level criterion prescribed in Article 13 of the Act was met in the previous year, while the criterion concerning the number of new jobs must be met within a period of three years from the start of the investment.

(5) The time limit for the use of tax advantage is prescribed in the Act as a period of up to ten years from the year of the start of the investment. The period of the use of tax advantage may

be shorter if the maximum aid intensity established by the regional aid map is reached before the end of the ten-year period.

### *Aid for eligible costs of creating new jobs and training*

#### Article 8

(1) If the Application indicates the intention to use aid for eligible costs of creating new jobs associated with the investment project, that is, aid for eligible training costs associated with the investment project, the Approval referred to in Article 5 of this Regulation shall contain the provision approving the use of aid, subject to the conditions of the Act and subject to the conditions of paragraphs 2 and 3 of this Article and Article 9 of this Regulation.

(2) Aid for new jobs, as well as training aid, are associated with the implementation of the investment project, as jobs are created as a result of increased investment capacity efficiency of the holder of the aid, enabled by the investment project, and are directly linked to the activities of the investment project and enable the engagement of the aid beneficiary in the registered activities.

(3) The amount of the non-repayable grant for creating new jobs and the training aid associated with the investment project set out in Articles 14 and 15 of the Act, shall be approved on condition that the amount of the non-repayable grant for training associated with the investment project may be up to 50% of the amount of the non-repayable grant for the creation of new jobs associated with the investment, in accordance with the maximum allowed training aid intensities.

### *Conditions for the approval of the aid for creating new jobs and training*

#### Article 9

(1) The ministry competent for the economy shall approve the payment of the non-repayable grant referred to in Article 8 of this Regulation no earlier than one year after creating new jobs, that is, training associated with the investment project, on condition that following documents and annexes relevant for the investment project in question have been obtained by the ministry competent for the economy by virtue of the office in accordance with Article 12 of the Act on the State Administration System or by the person applying for the payment of the non-repayable grant:

- 1 an employment contract with the co-financed person for a minimum duration of 12 months
- 2 a copy of the registration at the Croatian Pension Insurance Institute with a visible confirmation of application processing
- 3 payroll for 12 months, that is, for the period referred to in the employment contract in accordance with point 1 of this paragraph
- 4 financial documentation determining fulfilment of conditions for the payment of the non-repayable grant (average number of employees and the amount of paid gross wages) – prescribed remuneration report submitted to the Ministry of Finance - Tax Administration, for a period of 12 months until the date of application submission
- 5 a certificate issued by the Ministry of Finance – Tax Administration on the state of debt not older than 15 days from the date of application submission
- 6 training scheme
- 7 invoices or other documents proving the cost of training, issued by third parties
- 8 evidence of other costs linked to the execution of a training scheme

9 collateral for ensuring the recovery of claims in case of violation of the provisions of the Act and

10 a written statement by which the responsible person guarantees under moral, material and criminal liability the accuracy of the submitted data.

(2) Evidence referred to in paragraph 1, points 1 to 3 of this Article shall be submitted for each individual person requesting the payment of the non-repayable grant.

(3) In determining the amount of aid for eligible costs of creating new jobs in association with the investment project, the investment aid beneficiary shall be granted 100% of the amount of aid prescribed in Article 14, paragraphs 1 to 3 of the Act, if the employment relates to:

1 the long-term unemployed, namely:

a) persons registered in the unemployment records for at least six months, regardless of the length of service and education level

b) persons over 50 years of age registered in the unemployment records

2 persons with no years of service registered in the unemployment records of the Croatian Employment Service

3 persons dismissed due to the opening of the bankruptcy proceedings.

(4) In order to demonstrate the conditions prescribed in paragraph 3 of this Article, in addition to the evidence referred to in paragraph 1 of this Article, the investment aid beneficiary shall submit to the ministry competent for the economy as follows:

1 a certificate of opening of the bankruptcy proceedings or a certificate stating that the employment of a person for whom the payment of the grant is requested has ceased in the process of determining the collective surplus of workers

2 a certificate of registration in the unemployment records of the Croatian Employment Service and

3 a certificate of data recorded in the civil registry of the Croatian Pension Insurance Institute for each individual person for whom the payment of the non-repayable grant is requested.

(5) If the employment associated with the investment does not fulfil the conditions prescribed in paragraph 3 of this Article, the investment aid beneficiary shall be granted 40% of the amount of aid prescribed in Article 14, paragraphs 1 to 3 of the Act.

(6) In determining the justification for approving grants referred to in Article 8 of this Regulation, mutual employment and training between affiliated companies, persons and partner societies shall not be considered as new jobs and training associated with the investment project in accordance with Annex I of Commission Regulation (EU) No. 651/2014 of 17 June 2014.

(7) Mutual employment and training between affiliated companies and persons referred to in paragraph 6 of this Article shall also include the employment and training of persons having worked for aid beneficiaries, an affiliated company or a person within six months prior to the conclusion of an employment contract with the investment aid beneficiary, notwithstanding that, in the meantime, they have been employed by another company or a person not associated with the investment aid beneficiary in accordance with paragraph 6 of this Article.

## *Aid for development and innovation activities*

### Article 10

If the Application indicates the intention to use the non-repayable grant for fixed assets associated with the investment project, that is, to use aid for development and innovation activities, the Approval referred to in Article 5 of this Regulation shall contain a provision approving the use of aid for development and innovation activities subject to the conditions of Article 16, paragraph 4 of the Act and Article 11 of this Regulation.

### *Conditions for the approval of the aid for development and innovation activities*

### Article 11

(1) The ministry competent for the economy shall approve the payment of the non-repayable grant referred to in Article 10 of this Regulation after the contribution of fixed assets, that is, the equipment and/or machinery for development and innovation activities to the investment aid beneficiary, starting from the end of the first year of the investment project, on condition that the investment aid beneficiary shall submit to the ministry competent for the economy:

1 financial statements and documentation determining the contribution of fixed assets constituting eligible investment costs in accordance with Article 16, paragraph 4 of the Act to the investment aid beneficiary

2 invoices for the purchase of fixed assets referred to in paragraph 1 of this Article, that is, equipment and/or machinery for development and innovation activities with the specification of the costs of new machinery or equipment

3 material evidence that fixed assets referred to in paragraph 1 of this Article, that is, equipment and/or machinery for development and innovation activities, constitute equipment and/or machinery classified as high-tech equipment and/or machinery, in accordance with the standard national/international classification of equipment, that is, a certificate issued by a public scientific institution registered in the Republic of Croatia (faculty, institute, etc.)

4 collateral for ensuring the recovery of claims in case of violation of the provisions of the Act and

5 a written statement by which the responsible person guarantees under moral, material and criminal liability the accuracy of the submitted data.

(2) The category of high-tech equipment in terms of investment in development and innovation activities only includes an investment in new equipment used for development and innovation processes, not for business administration processes and the production process.

(3) The concept of high technology in terms of investment in development and innovation activities includes industries and knowledge-based activities with a significant part of the investment in research and development, relatively rapid technological advancement, long-term development phases and the potential for the rapid growth of production volumes.

## *Aid for capital costs of the investment project*

### Article 12

If the Application indicates the intention to use the non-repayable grant for investment in fixed assets associated with the aid for capital costs of the investment project, the Approval referred to in Article 5 of this Regulation shall contain a provision approving the use of aid for capital costs subject to the conditions of Article 17 of the Act and Article 13 of this Regulation.

## *Conditions for the approval of the aid for capital costs of the investment project*

### Article 13

The ministry competent for the economy shall approve the payment of the non-repayable grant referred to in Article 12 of this Regulation after the contribution of fixed assets to the investment aid beneficiary, on condition that the investment aid beneficiary shall submit to the ministry competent for the economy:

1 financial statements and documentation determining the contribution of fixed assets constituting eligible investment costs in accordance with Article 17 of the Act to the investment aid beneficiary

2 specification of costs of building a new factory, that is, an industrial plant and a specification of the costs of new machinery, that is, production equipment

3 invoices for the construction and purchase of fixed assets

4 material evidence that the part of the investment in machinery or production equipment is at least 40% of the total investment value

5 material evidence that a minimum of 50% of the purchased machinery, that is, production equipment, is classified as high-tech equipment, in accordance with the standard national/international classification of equipment falling within the category of high-tech equipment, that is, a certificate issued by a public scientific institution registered in the Republic of Croatia (faculty, institute, etc.)

6 collateral for ensuring the recovery of claims in case of violation of the provisions of the Act and

7 a written statement by which the responsible person guarantees under moral, material and criminal liability the accuracy of the submitted data.

## *Aid for economic activation of inactive assets*

### Article 14

(1) If the Application indicates the intention to use the aid for investment projects through the economic activation of inactive assets owned by the Republic of Croatia, the ministry competent for the economy shall, with the consent of the ministry competent for the state property management, inform the applicant within 90 days of receiving the Application whether the inactive assets owned by the Republic of Croatia constitute inactive assets within the meaning of Article 19, paragraph 1 of the Act.

(2) Investment project for which the Application referred to in paragraph 1 of this Article is submitted shall comply with the applicable spatial plans and regulations in the area of physical planning and construction for the area in which the inactive assets are located.

(3) Subject to the conditions of Article 19, paragraph 2 of the Act and subject to the conditions of paragraph 1 of this Article, the ministry competent for the state property management shall grant the lease of inactive assets owned by the Republic of Croatia without remuneration, in accordance with the provisions of Article 19, paragraph 3 of the Act, by concluding an agreement on the lease of inactive assets without remuneration, within 90 days from the closing date determined in paragraph 1 of this Article.

(4) Before the conclusion of the agreement on the lease of inactive assets owned by the Republic of Croatia without remuneration, the ministry competent for the state property management shall, in accordance with the provisions of Article 19, paragraph 9 of the Act,

conduct a preliminary assessment of the market value of inactive assets and a preliminary assessment of the annual market value of the lease and inactive assets for the entire duration of the agreement on the lease of inactive assets owned by the Republic of Croatia without remuneration in accordance with the provisions of paragraph 5 of this Article, with the aim of a preliminary calculation of the amount of aid in the form of leasing of inactive assets owned by the Republic of Croatia without remuneration.

(5) The annual market value of the lease of inactive assets after the expiration of three years from the date of the conclusion of the agreement on the lease of inactive assets owned by the Republic of Croatia without remuneration shall be subject to revaluation in accordance with the changes in the real estate market situation, and the market value of the lease without remuneration for the entire duration of the agreement on the lease without remuneration shall constitute the sum of the estimated market value of the lease without remuneration for the first three years of the lease, plus the sum of the revaluated annual lease market value for the period from the fourth year to the period of the agreement on the lease without remuneration.

(6) The applicant shall, before concluding the agreement on the lease of inactive assets owned by the Republic of Croatia without remuneration with the ministry competent for the state property management, submit to the ministry competent for the economy the collateral for ensuring the recovery of claims in case of violation of the provisions of the Act, in the amount of estimated lease value for the entire duration of the agreement on the lease of inactive assets owned by the Republic of Croatia without remuneration.

(7) The agreement on the lease of inactive assets owned by the Republic of Croatia without remuneration shall contain provisions prescribed by law regulating the lease of assets owned by the Republic of Croatia, and provisions on:

a) the preliminary assessment of the market value of inactive assets at the time of the conclusion of the agreement

b) the preliminary assessment of the annual market value of the lease of inactive assets for the entire duration of the agreement, in accordance with the provisions of paragraphs 4 and 5 of this Article

c) the mandatory execution of the investment in fixed assets of the aid beneficiary, carrying out the investment project and the mandatory execution of direct material investment in inactive assets in the amount of at least 50% of the estimated value of inactive assets at the time of the conclusion of the agreement, in the period of three years from the start of the investment project through the economic activation of inactive assets, not including in that amount the value of the contributed equipment constituting the investment

d) the duration of the agreement for a maximum period of ten years from the year of the start of the investment, that is, a period shorter than ten years, if the maximum aid intensity specified in Article 9 of the Act is reached during that period, but not shorter than three years, with the obligation of aid beneficiaries to maintain the material investment for three years in the case of medium-sized and small enterprises, that is, five years for large enterprises, starting from the completion of the investment project

e) the obligation to pay the annual market value of the lease of inactive assets owned by the Republic of Croatia if the investment aid beneficiary reaches the maximum aid intensity before the end of the contractual period

f) the termination of the agreement if the conditions referred to in Article 19, paragraph 5 of the Act have not been fulfilled



g) the activation, that is, the recovery of the collateral for ensuring the recovery of claims in case of violation of the provisions of the Act in the amount of the annual market value of the lease of inactive assets determined in accordance with paragraphs 4 and 5 of this Article, for the period from the date of the conclusion of the agreement to the date of the termination of the agreement

h) the right to conclude agreements for the purchase of inactive assets after the expiry of the agreement on the lease of assets owned by the Republic of Croatia without remuneration, that is, the right to conclude a new agreement on the lease of assets owned by the Republic of Croatia for a period of up to ten years, at the estimated market value of the lease and assets at the time of the conclusion of the new agreement on the lease of assets owned by the Republic of Croatia, in accordance with the law regulating the state property management

i) the methodology for calculating the purchase market value of assets after the expiry of the agreement on the lease of assets owned by the Republic of Croatia without remuneration

j) the mandatory submission of annual reports to the ministry competent for the economy and the ministry competent for the state property management on the investment made in fixed assets of the aid beneficiary carrying out the investment project and material investment made in inactive assets owned by the Republic of Croatia and the use of aid in the form of an annual lease without remuneration for the entire duration of the agreement on the lease of assets owned by the Republic of Croatia without remuneration, until 30 April of the current year for the previous year.

(8) The agreement on the lease of inactive assets owned by the Republic of Croatia without remuneration must be put in writing and approved (solemnised) by the notary.

(9) The investment aid beneficiary shall submit a copy of the agreement on the lease of inactive assets owned by the Republic of Croatia without remuneration to the competent office of the Tax Administration.

*The procedure and methodology for calculating the value of the state aid in the form of leasing of inactive assets owned by the Republic of Croatia without remuneration and the procedure and methodology for calculating the purchase value of assets after the expiry of the agreement on the lease without remuneration*

#### Article 15

(1) The ministry competent for the state property management shall, in accordance with the provisions of Article 19, paragraph 9 of the Act, conduct a preliminary assessment of the market value of inactive assets and a preliminary assessment of the annual market value of the lease and inactive assets owned by the Republic of Croatia constituting an integral part of the investment project for which aid for economic activation of inactive assets owned by the Republic of Croatia is granted, in accordance with the law regulating the assessment of real estate values and the ordinance regulating the methods of the assessment of real estate values.

(2) Aid for investment in the form of a lease of inactive assets owned by the Republic of Croatia without remuneration which constitutes an integral part of the investment project, shall be calculated on the basis of a preliminary assessment of the market value of inactive assets owned by the Republic of Croatia, in the amount of the annual market value of the lease and at the level of the entire duration of the agreement on the lease of inactive assets owned by the Republic of Croatia without remuneration up to ten years from the start of the investment project.

(3) The amount of aid for investment in the form of a lease without remuneration shall be the sum of all annual instalments of unpaid lease of inactive assets owned by the Republic of Croatia, and in the sum with other investment aid referred to in the Act and from other sources for the same eligible investment costs, shall not exceed the maximum allowed intensity for the investment aid specified in Article 9 of the Act.

(4) The value of annual instalment of the unpaid lease of inactive assets cannot be less than 3% of the previously estimated market value of inactive assets owned by the Republic of Croatia, determined before the conclusion of the agreement on the lease of inactive assets owned by the Republic of Croatia without remuneration.

(5) The investment aid in the form of a lease without remuneration shall be paid, that is, used, in several annual instalments during the period of up to ten years, which shall be discounted to their value at the time of the grant.

(6) The purchase value of the assets after the expiry of the agreement on the lease without remuneration shall be determined on the basis of the estimated market value of assets upon the expiry of the agreement on the lease without remuneration in accordance with the law regulating the assessment of the real estate value and the ordinance regulating the methods of assessment of the real estate value, and the determined level of the material investment made by the investment aid beneficiary in the inactive assets, not including in that amount the value of the contributed equipment constituting the investment.

(7) The purchase value of inactive assets owned by the Republic of Croatia shall be calculated as the difference between the estimated market value of the assets after the expiry of the agreement on the lease without remuneration and the estimated market value of the direct material investment in inactive assets during the period of three years from the start of the investment, excluding the value of the contributed equipment constituting the investment, according to the following formula:

$$PVIA = MVA - MVMI$$

PVIA – purchase value of inactive assets

MVA – market value of assets

MVMI – market value of material investment made during the period of carrying out the investment project – three years after the start of the investment project.

(8) The purchase value of the assets cannot be less than the estimated market value of inactive assets owned by the Republic of Croatia at the time of the conclusion of the agreement on the lease of inactive assets owned by the Republic of Croatia without remuneration.

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

Article 16

(1) If the Application indicates the intention to use the aid for modernisation of business process – automation, robotisation and digitalisation of manufacturing and processing operation, the Approval referred to in Article 5 of this Regulation shall contain a provision approving the use of aid for the modernisation of business process – automation, robotisation and digitalisation of manufacturing and processing operation subject to the conditions of Article 20 of the Act.

(2) The use of tax advantage for modernisation of business process is possible from the moment of the acquisition of the status of the investment aid beneficiary, that is, for a period of up to 10 years from the year of the start of the investment.

(3) Undertaking with the status of the investment aid beneficiary may use a tax advantage in terms of reduction or exemption of the prescribed profit tax rate after the first year of investment, on condition that the minimum investment prescribed in Article 20, paragraph 6 of the Act was made during the first year of the investment and on condition of maintaining the initial state of employees from Article 6, point 10 of the Act.

*Conditions for the approval of aid for modernisation of business process – automation, robotisation and digitalisation of manufacturing and processing operation*

Article 17

(1) Investment aid beneficiaries shall be allowed to use the aid referred to in Article 16 of this Regulation following the contribution of fixed assets referred to in Article 20, paragraphs 3 and 4 of the Act to the investment aid beneficiary, starting from the end of the first year of the investment project, on condition that the investment aid beneficiary shall submit to the ministry competent for the economy, as part of annual reports, material evidence that the fixed assets, that is, tangible and intangible assets for the modernisation of business process constitute assets categorised as a technologically more advanced generation of high-tech fixed assets compared to fixed assets that are being modernised, in accordance with the standard national/international classification of fixed tangible and intangible assets, that is, a certificate issued by a public scientific institution registered in the Republic of Croatia (faculty, institute, etc.).

(2) The category of fixed tangible and intangible assets referred to in paragraph 1 of this Article, in terms of investment in the modernisation of business process – automation, robotisation and digitalisation of manufacturing and processing operations only includes investment in new fixed tangible and intangible assets directly affecting the growth in productivity and improvement of the management of manufacturing and processing operation.

(3) The concept of high technology, that is, technology classified as a technologically more advanced generation of technology compared to fixed assets that are being modernised, includes the investment in tangible and intangible assets in industries, sectors and knowledge-based manufacturing and processing activities that have a relatively rapid technological advancement and growth in productivity of manufacturing and processing operation and the potential for the rapid growth of production and processing volumes.

*The methodology for calculating the growth in the level of productivity per employee in the year after the three-year period of carrying out the investment project, for the aid beneficiary to whom the aid for the modernisation of business process was granted*

Article 18

(1) The growth in the level of productivity per employee of the aid beneficiary shall be calculated as a quotient of the difference between the total income divided by the average number of employees in the year after the three-year period of carrying out the investment project and total income divided by the average of the number of employees in the year prior to the year of the start of the investment in relation to the total income divided by the average number of employees in the year prior to the year of the start of the investment multiplied by 100, according to the following formula:

$$\text{GPE} = \frac{\text{Total income in year after 3-year period} / \text{Average number of employees in year after 3-year period} - \text{Total income in year prior to start} / \text{Average number of employees in year prior to start}}{\text{Total income in year prior to start} / \text{Average number of employees in year prior to start}} \times 100 = >10$$

where:

GPE = growth in productivity per employee

TI = total income

n = year of the start of the investment

n+4 = year after the three-year period of carrying out the investment project

n-1 = year prior to the year of the start of the investment.

(2) The calculation of the level of productivity per employee of the aid beneficiary according to the formula referred to in paragraph 1 of this Article after the end of the three-year period of carrying out the investment project must show an increase of 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 on the basis of modernisation of business process is used.

(3) In case of failing to meet the conditions referred to in paragraph 2 of this Article, that is, if the investment aid beneficiary does not increase productivity per employee by a minimum of 10% after the end of the three-year period of carrying out the project in relation to the productivity level per employee in the year prior to the application of the investment project for which the aid based on the modernisation of business process is being used, it loses the right to use tax advantages for the entire period for which they have been approved, with the obligation to return the funds generated by the use of the approved advantages, increased by the amount of the base reference rate, which shall be determined and published on the basis of state aid rules, increased by 100 basis points.

### *Mandatory content of the annual report on the execution of the investment project and the use of aid*

#### Article 19

(1) The annual report on the execution of the investment project and the use of aid, and the maintenance of the approved investment and new jobs associated with the investment, shall be submitted to the ministry competent for the economy and the Ministry of Finance – Tax Administration, and shall contain the following:

1 a completed GI-1 form, which shall also be submitted to the ministry competent for the economy in electronic form

2 a written report describing the carrying out of the investment project for all investment items (fixed assets/wage costs) and the information on the investment level in the reporting period expressed in the official currency of the Republic of Croatia

3 profit tax filling, together with a balance sheet and a profit and loss account

4 analytical cards of the basic funds constituting an investment in fixed assets related to the investment project and/or a list of fixed assets with marked investment items related to the approved project of investment in electronic forms

5 information on the contribution of new fixed assets – name, quantity, value, inventory number, number and date of the incoming invoice and payment date in electronic form

6 a written statement that fixed assets were not acquired from affiliated companies or persons or created by the aid beneficiary

7 information on the number of employees during the reporting period (Report on receipts, income tax and surtax, and contributions for mandatory insurance – JOPPD form)

8 a written statement on the number of employees in the reporting period, per month, exclusively for persons working on the basis of employment contracts

9 a written statement confirming that new jobs are not held by persons who have been employed at affiliated companies or persons or by the aid beneficiary in the past six months

10 information on the type and the use of aid during the reporting period, including aid from other sources granted for the same eligible costs

11 other data relevant for the use of aid

12 a written statement by which the responsible person guarantees under moral, material and criminal liability the accuracy of the submitted data.

(2) GI-1 form referred to in paragraph 1, point 1 of this Article is included in Annex 9 of this Regulation and forms the integral part thereof.

(3) The period of carrying out the investment project constitutes a three-year period in which the eligible investment costs are recognised, starting from the date of the start of the investment specified in the OP-3 Application form, that is, in the Approval of the status of the investment aid beneficiary.

(4) The investment aid beneficiary shall submit an annual report to the Ministry of Finance – Tax Administration, together with a profit tax filing, and to the ministry competent for the economy until 30 April of the current year for the previous year or four months after the end of the period for which it is submitted.

(5) At the request of the ministry competent for the economy, the investment aid beneficiary shall also submit other required data for processing the annual report referred to in this Article.

(6) The investment aid beneficiary shall have the obligation to submit the annual report until the closing date for maintaining the investments and new jobs, but not shorter than the period of the use of aid in accordance with the Act. The obligation to submit the annual report also exists in cases of no longer exercising the rights to use the aid, that is, when the maximum allowed aid intensity is used before the closing date for maintaining investments and new jobs.

#### IV TRANSITIONAL AND FINAL PROVISION

##### Article 20

On the date this Regulation enters into force, the Regulation on Investment Promotion (Official Gazette, No. 31/16, 2/19 and 146/20) shall cease to be valid.

##### Article 21

This Regulation shall be published in the Official Gazette and enter into force on 1 January 2023.

Class: 022-03/22-03/73

Reg. No.: 50301-05/16-22-5

Zagreb, 29 December 2022

President

**mr. sc. Andrej Plenković, m. p.**