



Personal income tax Reform in Croatia

Increasing local government fiscal autonomy

Subnational government (SNG) structure

- 20 Counties (regional units)
- 127 Towns (urban units)
- 428 Municipalities (rural units)
- City of Zagreb (dual local+regional status)

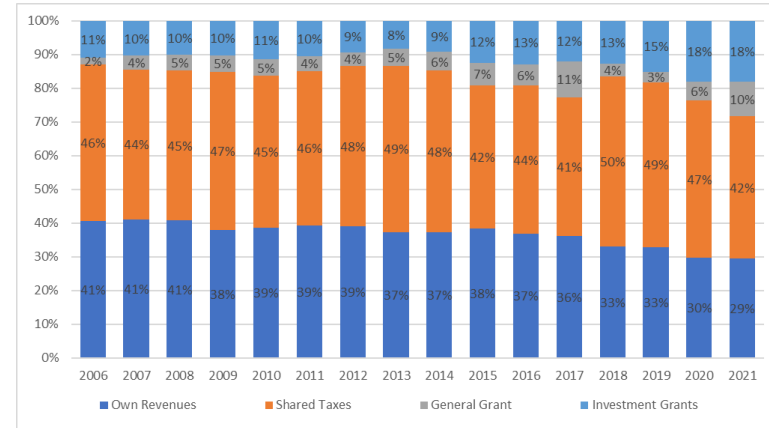


SNG competencies

- Regional level carries out financially intensive tasks (health, education, social) and relies on governmental transfers
- Local level carries out local tasks (child care, firefighting, infrastructure) and relies on shared/own taxes and fees
- Regional disparities are addressed through fiscal equalization

Fiscal arrangements

- Personal Income Tax (PIT) is single most important revenue source
- Local fees and tax rates are at discretion of LGUs or capped
- Fiscal equalization accounts for maximum tax utilization (incentive for increased local autonomy)
- Functional grants are based on service performance needs indicators

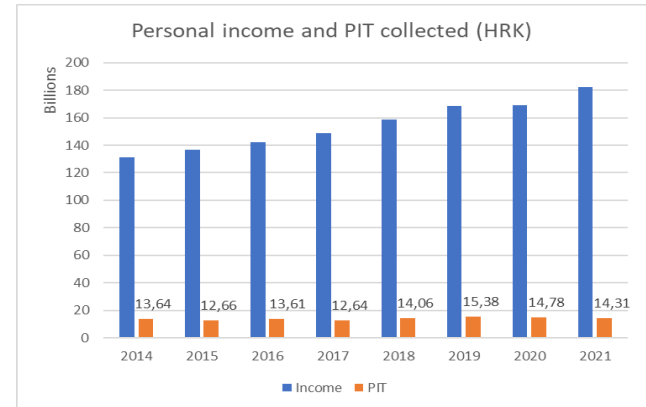
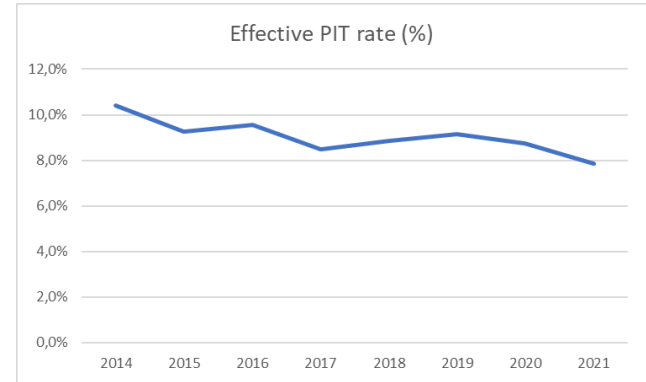


PIT in a nutshell

- Residence based
- Actual PIT rates: 20%, 30%
- Local Surtax rate: 0-18%
- Government sets tax rates and deductions
- Youth, pension and disadvantaged areas deductions (55% tax payers exempted)
- LGs sets surtax

- PIT is shared tax revenue, non-earmarked
- Surtax is own tax revenue, non-earmarked

- Sharing structure:
 - 74% cities/municipalities
 - 20% counties
 - 6% decentralized functions



Personal Income Tax reform

PIT in 2023

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PIT in 2024

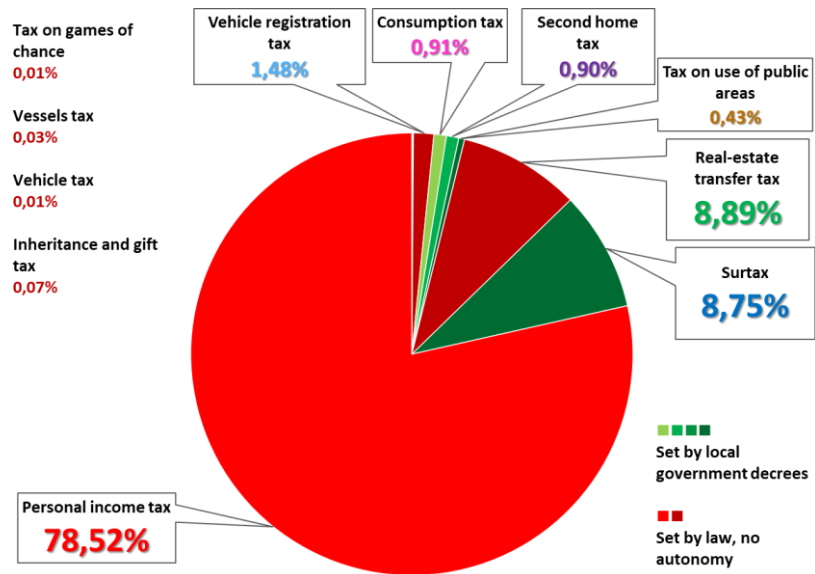
- Residence based
- **Default** PIT rates: 20%, 30%
- ~~• Local Surtax rate: 0-18%~~
- Government sets tax deductions
- LGs sets tax rates (15-23,6%; 25-35,4%)

- PIT is shared tax revenue, non-earmarked
- ~~• Surtax is own tax revenue, non-earmarked~~

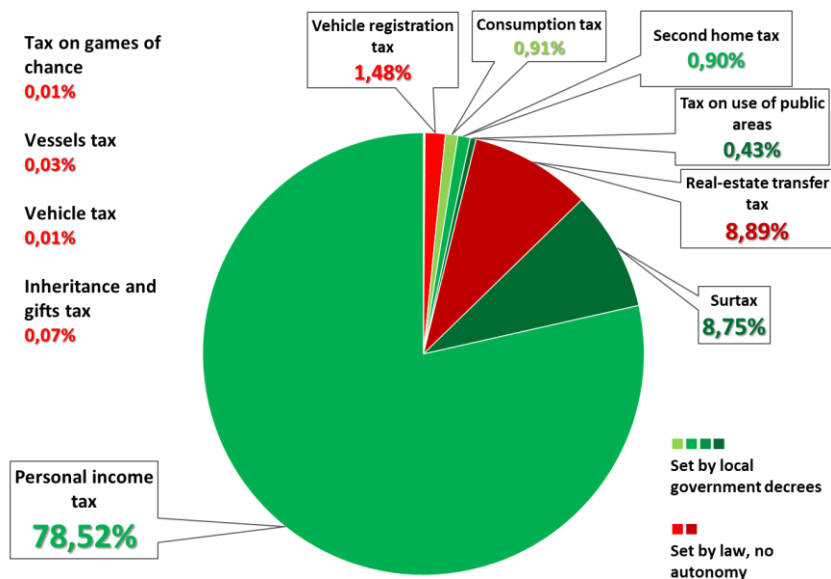
- Sharing structure:
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 - 20% counties
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Tax autonomy

2023



2024



Thanks!

Do you have any questions?

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