

Croatian government unveils new property tax initiative

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Effective January 1, 2025, a new property tax law will be introduced in Croatia. This new law will replace the current vacation home tax and apply to all residential properties, with certain exemptions. Local governments will institute the new law and set tax rates within a specified range by taking into account property characteristics and other factors.

1 New property tax details

Taxable properties: All residential properties, including houses, apartments, and functional living spaces. Properties used for agriculture, production, and non-production activities are not subject to taxation.

Exemptions: Properties that are owner-occupied or under long-term leases (10+ months annually), uninhabitable / unusable (e.g., severely damaged), corporate property allocated for sale in the financial records for a period shorter than 6 months, properties acquired through claim set-off less than 6 months from acquisition, public-purpose properties (e.g., nursing homes), owned by municipalities or the state.

Taxpayers: Domestic and foreign individuals and legal entities that own real estate or, in certain cases, users under the communal fee regulation.

Tax rates: Rates will be set by local governments within a range of between 0.6 to 8 EUR/m². For 2025, the tax rate must be set by February.

Regulatory flexibility: Local governments are allowed to implement zoning (different rates for different areas), apply increases based on property age or added features and exempt socially vulnerable citizens.

Tax assessment date: Taxes are assessed as of March 31 each year. Property owners must report any changes to their properties that may affect their tax obligations by this date or face fines ranging from EUR 1,000 to EUR 6,000.

2 Conclusion – What Next?

The new property tax will apply to all properties that are either rented out for short-term stays or vacant, meaning properties that are not actively used. The new tax is expected to act as an incentive for all property owners (both individuals and legal entities, including foreigners) to consider putting their unused or rarely used properties to functional use, such as by renting them out more frequently or selling them, in order to avoid the additional tax burden. The new law is part of a wider tax reform proposal that is set to undergo a parliamentary legislative process.

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