

A World Bank Group Flagship Report



# Doing Business 2018

## Reforming to Create Jobs



Comparing Business Regulation  
for Domestic Firms in **190** Economies

## Economy Profile of Croatia

Doing Business 2018 Indicators  
(in order of appearance in the document)

<b>Starting a business</b>	Procedures, time, cost and paid-in minimum capital to start a limited liability company
<b>Dealing with construction permits</b>	Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
<b>Getting electricity</b>	Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the transparency of tariffs
<b>Registering property</b>	Procedures, time and cost to transfer a property and the quality of the land administration system
<b>Getting credit</b>	Movable collateral laws and credit information systems
<b>Protecting minority investors</b>	Minority shareholders' rights in related-party transactions and in corporate governance
<b>Paying taxes</b>	Payments, time and total tax rate for a firm to comply with all tax regulations as well as post-filing processes
<b>Trading across borders</b>	Time and cost to export the product of comparative advantage and import auto parts
<b>Enforcing contracts</b>	Time and cost to resolve a commercial dispute and the quality of judicial processes
<b>Resolving insolvency</b>	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency
<b>Labor market regulation</b>	Flexibility in employment regulation and aspects of job quality

## About Doing Business

The Doing Business project provides objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level.

The Doing Business project, launched in 2002, looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle.

Doing Business captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Doing Business also measures features of labor market regulation. Although Doing Business does not present rankings of economies on the labor market regulation indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business, it does present the data for these indicators.

By gathering and analyzing comprehensive quantitative data to compare business regulation environments across economies and over time, Doing Business encourages economies to compete towards more efficient regulation; offers measurable benchmarks for reform; and serves as a resource for academics, journalists, private sector researchers and others interested in the business climate of each economy.

In addition, Doing Business offers detailed [subnational reports](#), which exhaustively cover business regulation and reform in different cities and regions within a nation. These reports provide data on the ease of doing business, rank each location, and recommend reforms to improve performance in each of the indicator areas. Selected cities can compare their business regulations with other cities in the economy or region and with the 190 economies that Doing Business has ranked.

The first Doing Business report, published in 2003, covered 5 indicator sets and 133 economies. This year's report covers 11 indicator sets and 190 economies. Most indicator sets refer to a case scenario in the largest business city of each economy, except for 11 economies that have a population of more than 100 million as of 2013 (Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States) where Doing Business, also collected data for the second largest business city. The data for these 11 economies are a population-weighted average for the 2 largest business cities. The project has benefited from feedback from governments, academics, practitioners and reviewers. The initial goal remains: to provide an objective basis for understanding and improving the regulatory environment for business around the world.

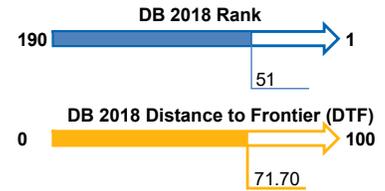
The distance to frontier (DTF) measure shows the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. The ease of doing business ranking ranges from 1 to 190. The ranking of 190 economies is determined by sorting the aggregate distance to frontier scores, rounded to two decimals.

More about [Doing Business](#) (PDF, 5MB)

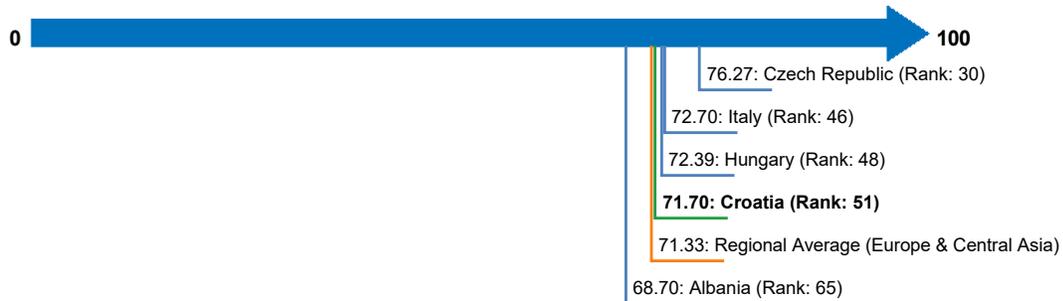
Ease of Doing Business in Croatia



Region	Europe & Central Asia
Income Category	Upper middle income
Population	4,170,600
GNI Per Capita (US\$)	12,110
City Covered	Zagreb

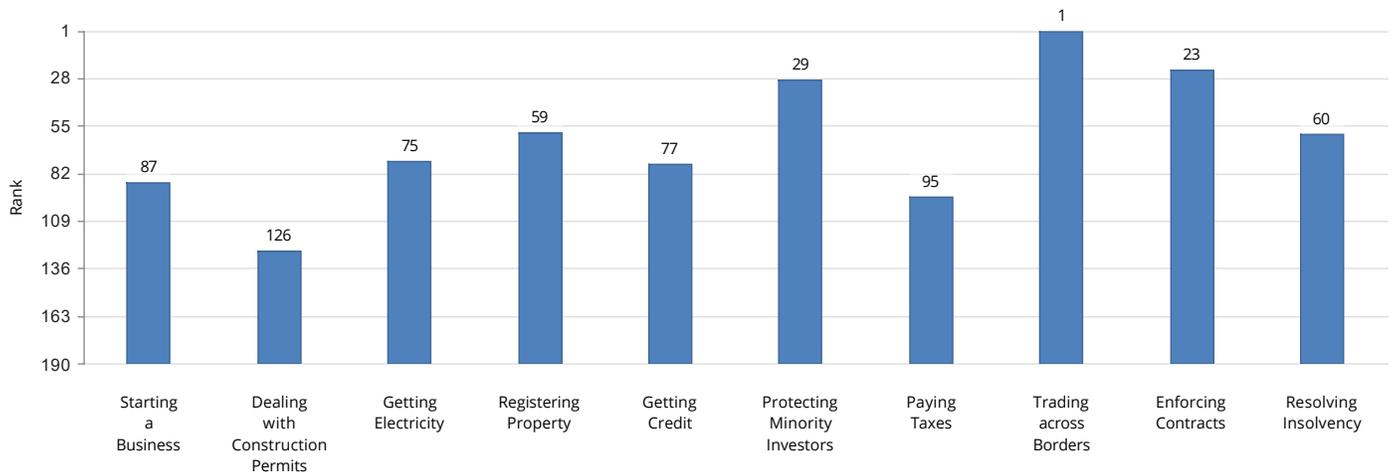


DB 2018 Distance to Frontier (DTF)



Note: The distance to frontier (DTF) measure shows the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. The ease of doing business ranking ranges from 1 to 190.

Rankings on Doing Business topics - Croatia



Distance to Frontier (DTF) on Doing Business topics - Croatia



## Starting a Business

This topic measures the paid-in minimum capital requirement, number of procedures, time and cost for a small- to medium-sized limited liability company to start up and formally operate in economy's largest business city.

To make the data comparable across 190 economies, Doing Business uses a standardized business that is 100% domestically owned, has start-up capital equivalent to 10 times income per capita, engages in general industrial or commercial activities and employs between 10 and 50 people one month after the commencement of operations, all of whom are domestic nationals. Starting a Business considers two types of local limited liability companies that are identical in all aspects, except that one company is owned by 5 married women and the other by 5 married men. The distance to frontier score for each indicator is the average of the scores obtained for each of the component indicators.

The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Procedures to legally start and operate a company (number)

- Pre-registration (for example, name verification or reservation, notarization)
- Registration in economy's largest business city
- Post-registration (for example, social security registration, company seal)
- Obtaining approval from spouse to start business or leave home to register company
- Obtaining any gender-specific permission that can impact company registration, company operations and process of getting national identity card

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day (2 procedures cannot start on the same day)
- Procedures fully completed online are recorded as ½ day
- Procedure is considered completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law or commonly used in practice

#### Paid-in minimum capital (% of income per capita)

- Funds deposited in a bank or with third party before registration or up to 3 months after incorporation

### Case study assumptions

To make the data comparable across economies, several assumptions about the business and the procedures are used. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes.

#### The business:

- Is a limited liability company (or its legal equivalent). If there is more than one type of limited liability company in the economy, the most common among domestic firms is chosen. Information on the most common form is obtained from incorporation lawyers or the statistical office.
- Operates in the economy's largest business city and the entire office space is approximately 929 square meters (10,000 square feet). For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically owned and has five owners, none of whom is a legal entity; and has a start-up capital of 10 times income per capita and has a turnover of at least 100 times income per capita.
- Performs general industrial or commercial activities, such as the production or sale of goods or services to the public. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It does not use heavily polluting production processes.
- Leases the commercial plant or offices and is not a proprietor of real estate and the amount of the annual lease for the office space is equivalent to 1 times income per capita.
- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees one month after the commencement of operations, all of whom are domestic nationals.
- Has a company deed 10 pages long.

#### The owners:

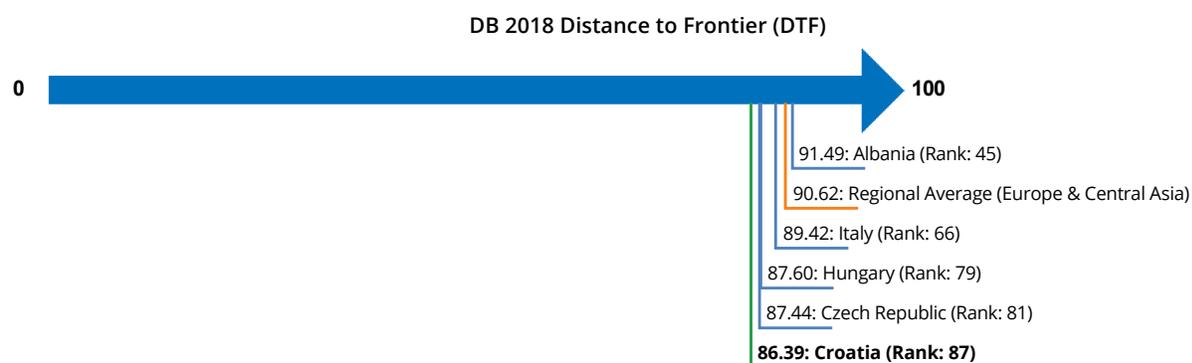
- Have reached the legal age of majority. If there is no legal age of majority, they are assumed to be 30 years old.
- Are sane, competent, in good health and have no criminal record.
- Are married and the marriage is monogamous and registered with the authorities.
- Where the answer differs according to the legal system applicable to the woman or man in question (as may be the case in economies where there is legal plurality), the answer used will be the one that applies to the majority of the population.

## Standardized Company

Legal form	Limited Liability Company, D.O.O.
Paid-in minimum capital requirement	HRK 10,000
City Covered	Zagreb

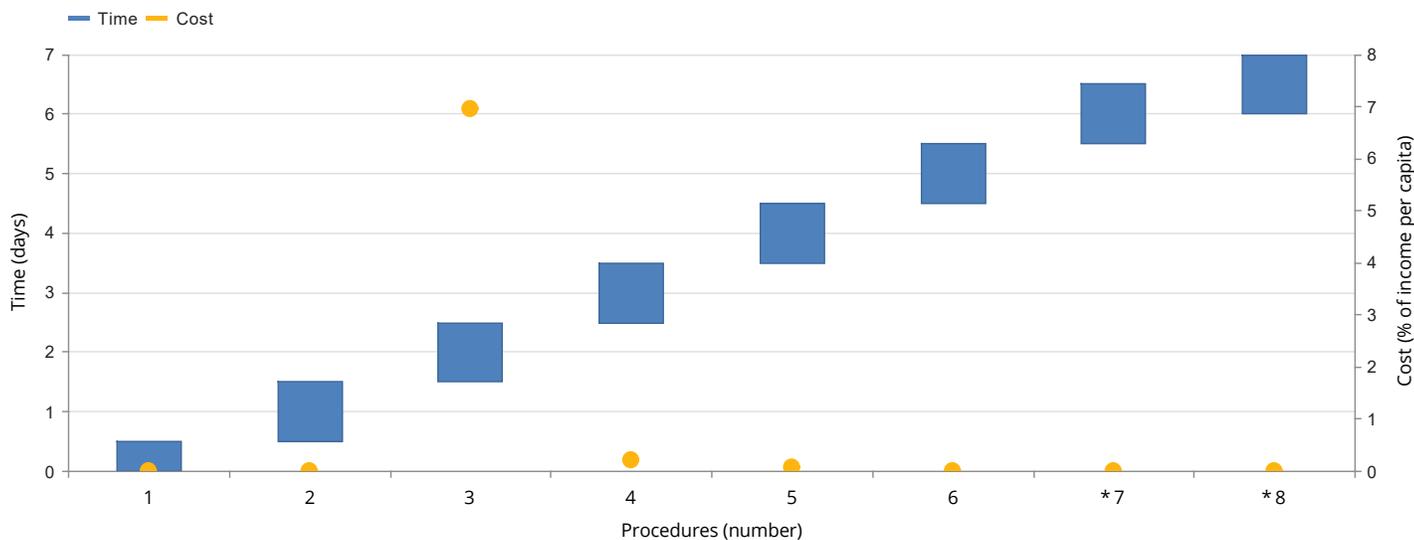
Indicator	Croatia	Europe & Central Asia	OECD high income	Overall Best Performer
Procedure – Men (number)	8	5.2	4.9	1.00 (New Zealand)
Time – Men (days)	7	10.1	8.5	0.50 (New Zealand)
Cost – Men (% of income per capita)	7.2	4.4	3.1	0.00 (United Kingdom)
Procedure – Women (number)	8	5.2	4.9	1.00 (New Zealand)
Time – Women (days)	7	10.1	8.5	0.50 (New Zealand)
Cost – Women (% of income per capita)	7.2	4.4	3.1	0.00 (United Kingdom)
Paid-in min. capital (% of income per capita)	12.5	3.4	8.7	0.00 (113 Economies)

**Figure – Starting a Business in Croatia and comparator economies – Ranking and DTF**



Note: The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

Figure – Starting a Business in Croatia – Procedure, Time and Cost



\* This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the Doing Business website (<http://www.doingbusiness.org/methodology>). For details on the procedures reflected here, see the summary below.

## Details – Starting a Business in Croatia – Procedure, Time and Cost

No.	Procedure	Time to Complete	Associated Costs
1	<p><b>Check the availability of the company's name</b></p> <p>Agency : Commercial Court</p> <p>Checking company name availability is free and can be done online. If the desired name is available, then clients can go through process of company name reservation. The Court Registry will check the company name reservation application within three days, and if it meets all legal criteria, will proceed with the reservation. The court fee for reservation of the company's name is 10 HRK.</p> <p>The reserved company name is visible on the <a href="http://sudreg.pravosudje.hr">sudreg.pravosudje.hr</a> website and valid for 30 days. If the reserved company name is not used for company registration within 30 days, it is deleted from the registry.</p>	Less than one day (online procedure)	no charge
2	<p><b>The notary prepares the memorandum of association</b></p> <p>Agency : Public Notary</p> <p>The Public Notary prepares the documentation, which is then signed by the business founders and notarized.</p> <p>The documents necessary for the registration of a company are:</p> <ol style="list-style-type: none"> <li>1. Articles of Association</li> <li>2. Decision on Appointment of the Director</li> <li>3. Statement on the Acceptance of the Appointment</li> <li>4. The director's signature specimen</li> <li>5. The founders' statement on non-existence of debts</li> <li>6. The application of registration of the company</li> <li>7. List of shareholders and managers</li> </ol>	1 day	included in procedure 3

**3 Register the company with the Commercial Court**

1 day

see procedure  
details

Agency : Commercial Court

It typically takes 24 hours to register company with the Commercial court electronically.

Revised fees in 2015 by Chamber of Notaries are as follows:

HRK 3400 + VAT + HRK 800 notary fee (drafting and notarizing the articles of association),

HRK 700 + VAT + HRK 10 notary fee, per director (drafting application for registration)

HRK 100 + 25% VAT + HRK 15 notary fee (drafting the statement of acceptance of appointment)

HRK 30 + 25% VAT + HRK 10 notary fee (notarizing founders' statements of non-existence of debts, only the certification of signature is necessary)

HRK 30 + 25% VAT + HRK 10 notary fee (notarizing director signature specimen)

HRK 400 (court fees)

**4 Order official seal**

1 day

HRK 169

Agency : Seal maker

Official seals are readily available throughout Croatia at special seal-making shops. A copy of the court decision on registration of incorporation should be presented in order to have the seal made. The seal should be used on all official documents (including invoices, receipts and so on) issued by the company. Seals can also be ordered through FINA offices (on 24 locations as well as where are HITRO.HR offices). If done through FINA, the entrepreneur can at the same time also apply for statistical registration.

<b>5 Apply for statistical registration number</b>	1 day	HRK 55
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Agency : Croatian Bureau of Statistics (cro. Državni zavod za statistiku)

Applying for a statistical file number can be done at the Croatian Bureau of Statistics or through the One Stop Shop service, used by HITRO.HR officers.

The following documents should be submitted:

- 1) Copy of the Commercial Court's Decision on the entry into Court Registry;
- 2) Copy of the Personal Identification Number (OIB) for the company;
- 3) Proof of payment of the fee in the amount of HRK 55

In HITRO.HR office, the RPS form is to be completed. Submitting RPS request is required to obtain a Notification of Classification pursuant to the National Classification of Activities of the State Institute of Statistics (assignment of business identification number and the principal activity code). After receiving a decision on the registration of the Company, HITRO.HR will automatically obtain notification of the State Institute of Statistics electronically, within one business day.

<b>6 Open a bank account</b>	1 day	no charge
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Agency : Bank

Documents required to open a company bank account are:

1. Ruling on registration of a Company,
2. Statistical registration number of a Company,
3. Personal identification number (OIB) of a Company

In case of Ltd. Company establishment client signs: the Contract, signature cards, a statement of the beneficial owner and the related parties, and must provide a copy of personal data, extract from the Court Register and Information on classification of the business entity pursuant to the National Classification of Activities.

**⇒ 7 Register for VAT and employee income tax withdrawals**

Agency : Tax Authority (Porezna Uprava)

Upon registering with the Commercial Court Register and fulfilling its obligations with the State Bureau of Statistics, the company must register with the competent tax authority. Once a company is registered at the State Bureau of Statistics, company data is sent electronically to the tax authority, which levies the annual company tax. The company must register for VAT at the Tax Office, however, only after its first invoice (within 15 days of issuance). Once the company is registered for VAT, all tax payments can be processed through an electronic system, e-VAT. If the company's total taxable annual income exceeds HRK 230,000, it must register itself as an entity in the VAT system with the competent tax authority, based on the company's registered seat.

Starting from January 01, 2009 a revision of the existing Croatian Law on Companies came into force (published in the Official Gazette no. 146/2008). The change involves inducing "OIB" (personal identification number), that replaces tax number for legal entities. Personal identification number is defined as identification mark of personal identification number that users of that number use in their official evidences and with change of dates.

1 day  
no charge  
(simultaneous with  
previous  
procedure)

⇒ 8 **Register with the Croatian Institute for Pension Insurance (HZMO) and Croatian Institute for Health Insurance (HZZO)** Less than one day      no charge  
(online procedure, simultaneous with previous procedure)

Agency : Croatian Institute for Pension Insurance (HZMO) and Croatian Institute for Health Insurance (HZZO)

The Company must register with the Croatian Institute for Pension Insurance within 24 hours from the start of its business operation. The Company must also register each of its employees with the Croatian Institute for Pension Insurance within 24 hours. Company with 3 or more employees will be obligated from 1 April 2014 to register/deregister employees at Croatian Institute for Pension Insurance exclusively online.

Currently the procedure may be completed before the competent HZZO office. Croatian Institute for Pension Insurance and Croatian Health Insurance Fund are electronically connected, thus it is only needed for company to register with Croatian Institute for Pension Insurance and registration will be done automatically with Croatian Health Insurance Fund. The following documents should be submitted:

- Decision about the registration into the Court Registry.
- Notice of classification from the National Institute for Statistics Application (to the Croatian Health Insurance Fund).
- Proof of place of residence and the work contract.

All persons employed for the first time and age 40 are obliged to register in the second pillar of retirement insurance. A person has to choose the obligatory pension fund within 3 months of the date of employment. If the fund is not chosen after that period, REGOS (the Central Register of the Insured) itself chooses the obligatory pension fund that the person will register in. All persons employed for the first time and between ages 40 and 50 can, if they desire, register with the second pillar of retirement insurance. A person has to choose the obligatory pension fund within 6 months of the date of employment.

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♀ Applies to women only.

⇒ Takes place simultaneously with previous procedure.

## Dealing with Construction Permits

This topic tracks the procedures, time and cost to build a warehouse—including obtaining necessary the licenses and permits, submitting all required notifications, requesting and receiving all necessary inspections and obtaining utility connections. In addition, the Dealing with Construction Permits indicator measures the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements. The most recent round of data collection was completed in June 2017. [See the methodology for more information](#)

### What the indicators measure

#### Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Submitting all required notifications and receiving all necessary inspections
- Obtaining utility connections for water and sewerage
- Registering and selling the warehouse after its completion

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day—though procedures that can be fully completed online are an exception to this rule
- Procedure is considered completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of warehouse value)

- Official costs only, no bribes

#### Building quality control index (0-15)

- Sum of the scores of six component indices:
- Quality of building regulations (0-2)
- Quality control before construction (0-1)
- Quality control during construction (0-3)
- Quality control after construction (0-3)
- Liability and insurance regimes (0-2)
- Professional certifications (0-4)

### Case study assumptions

To make the data comparable across economies, several assumptions about the construction company, the warehouse project and the utility connections are used.

#### The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent) and operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically and privately owned; has five owners, none of whom is a legal entity. Has a licensed architect and a licensed engineer, both registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.

#### The warehouse:

- Will be used for general storage activities, such as storage of books or stationery.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high and will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo, and the warehouse is valued at 50 times income per capita.
- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

#### The water and sewerage connections:

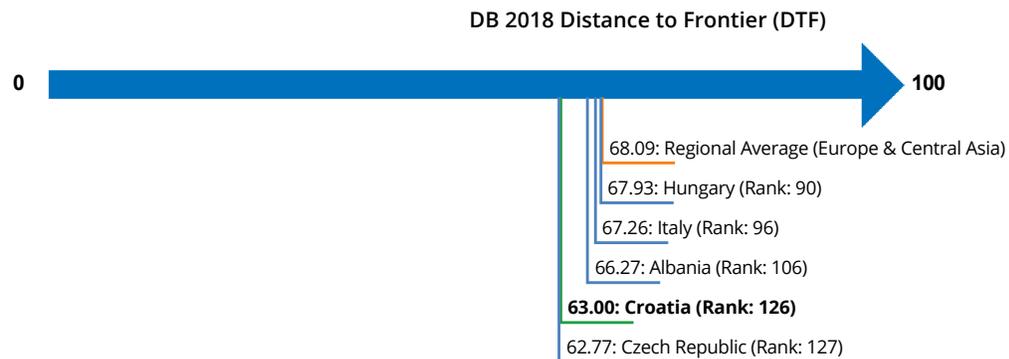
- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the economy, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year; will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

## Standardized Warehouse

Estimated value of warehouse	HRK 3,990,155.80
City Covered	Zagreb

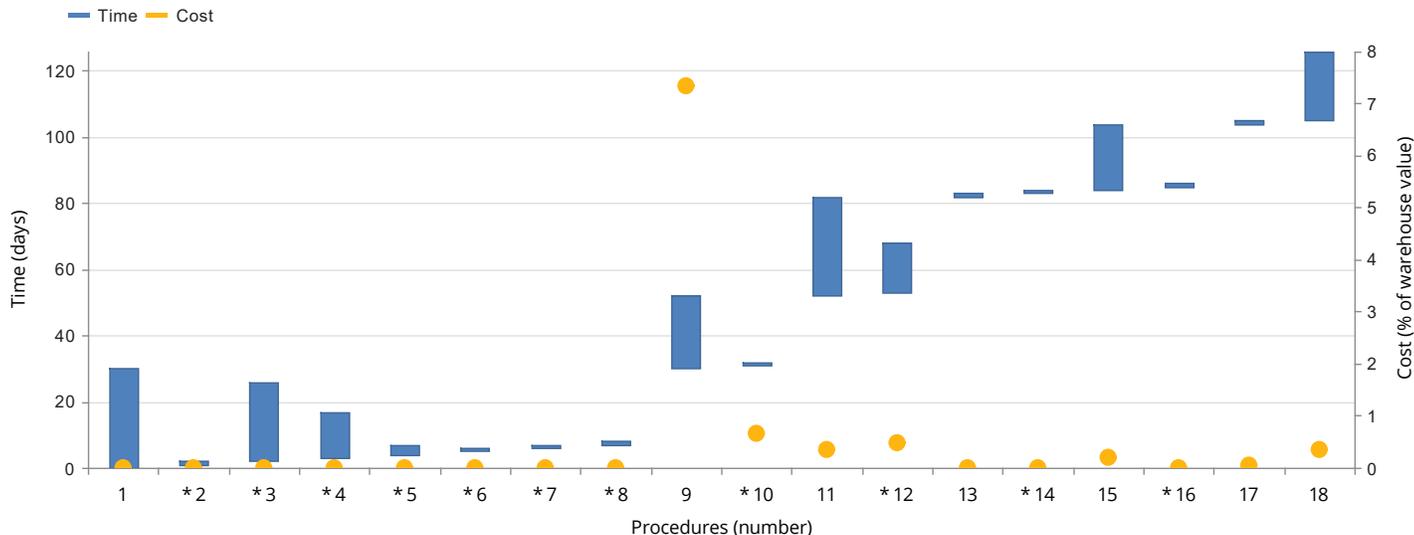
Indicator	Croatia	Europe & Central Asia	OECD high income	Overall Best Performer
Procedures (number)	18	16.0	12.5	7.00 (Denmark)
Time (days)	126	168.3	154.6	27.5 (Korea, Rep.)
Cost (% of warehouse value)	9.4	4.0	1.6	0.10 (5 Economies)
Building quality control index (0-15)	12.0	11.4	11.4	15.00 (3 Economies)

**Figure – Dealing with Construction Permits in Croatia and comparator economies – Ranking and DTF**



Note: The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

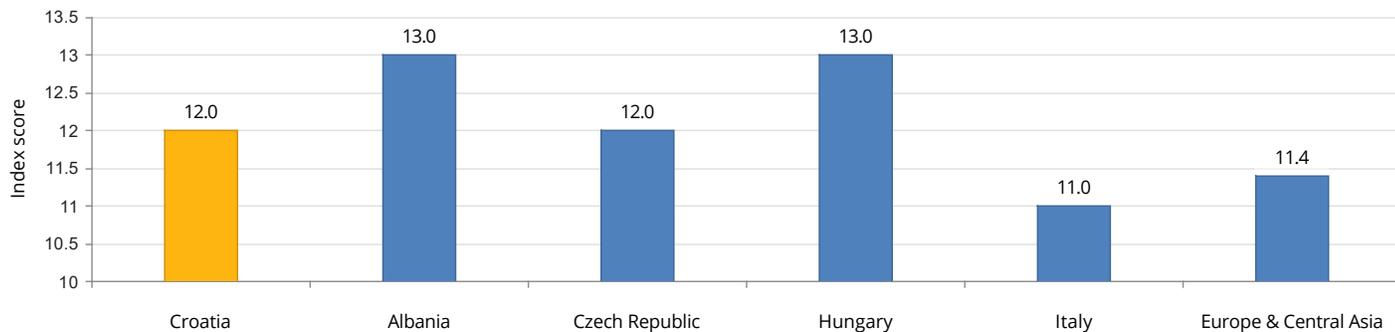
Figure – Dealing with Construction Permits in Croatia – Procedure, Time and Cost



\* This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the Doing Business website (<http://www.doingbusiness.org/methodology>). For details on the procedures reflected here, see the summary below.

Figure – Dealing with Construction Permits in Croatia and comparator economies – Measure of Quality



## Details – Dealing with Construction Permits in Croatia – Procedure, Time and Cost

No.	Procedure	Time to Complete	Associated Costs
1	<p><b>Receive clearance from the waste collection department</b></p> <p>Agency : Waste Collection Department</p> <p>There is a clearance to ensure that the building has been constructed in accordance with the conditions that were outlined for the building.</p>	30 days	no charge
⇒ 2	<p><b>Receive clearance from the National Croatian Electric Grid</b></p> <p>Agency : National Croatian Electric Grid</p> <p>BuildCo must obtain preliminary approvals from various authorities. Such approvals are issued based on the preliminary project design drawings and other documents. They must be obtained prior to applying for the building permit; however these applications can be filed simultaneously.</p> <p>While the new Building Act of 2014 stipulates that silence is consent from agencies after 15 days, in practice, contractors would need to follow up with agencies if there has been no response. While agencies have improved their response time, usually to less than 15 days, most of the time further adjustments and corrections are required, leading to a longer time for obtaining approvals.</p>	1 day	no charge
⇒ 3	<p><b>Receive clearance from the Sanitary Inspectorate</b></p> <p>Agency : Sanitary Inspectorate</p> <p>There is a clearance to ensure that the building has been constructed in accordance with the conditions that were outlined for the building.</p>	24 days	HRK 70
⇒ 4	<p><b>Receive clearance from the Local Water Authority</b></p> <p>Agency : Vodopskrba i odvodnja d.o.o.</p> <p>BuildCo must obtain preliminary approvals from various authorities. Such approvals are issued based on the preliminary project design drawings and other documents. They must be obtained prior to applying for the building permit; however these applications can be filed simultaneously.</p> <p>While the new Building Act of 2014 stipulates that silence is consent from agencies after 15 days, in practice, contractors would need to follow up with agencies if there has been no response. While agencies have improved their response time, usually to less than 15 days, most of the time further adjustments and corrections are required, leading to a longer time for obtaining approvals.</p>	14 days	no charge
⇒ 5	<p><b>Receive clearance from the Inspectorate for Fire at the Ministry of Interior Affairs</b></p> <p>Agency : Inspectorate for Fire at the Ministry of Interior Affairs</p> <p>There is a clearance to ensure that the building has been constructed in accordance with the conditions that were outlined for the building.</p>	3 days	no charge

⇒ 6 **Obtain excerpt from the Land Registry for subject and bordering lands** 1 day HRK 20

Agency : Land Registry

According to the new building code, The Building Act, which was passed December 6, 2013, the warehouse would no longer require a location permit. However, the excerpt from the Land Registry would still be required for the building permit application as evidence of the legal interest to build.

Land Registry Department of the Municipal Court in Zagreb has transferred a significant portion of Land Registry data into electronic form, as a result, excerpts can be obtained immediately upon request or in a shorter term. Also, as the backlog of cases has reduced due to increased number of staff and other reform efforts, general improvements in the efficiency of the Land Registry Department in Zagreb can be noted. The procedure takes now on average 1 day.

Preliminary information is available online for applicants to review. While the documents are currently available for viewing online, they are not accepted as official documentation at this time.

If the investor in the construction is not the owner of the land, according to The Building Act of 2013, there are other newly acceptable ways to prove legal interest, including contracts and written approval from the owner.

⇒ 7 **Obtain the list of land owners adjacent to the future construction site** 1 day HRK 70

Agency : County Office (Cadastral and Geodetic Activities)

The geodetic study needs to contain a list of the people/legal entities that own the plots of land where the building is going to be built (i.e. a list of neighbors). This is required so that the proper individuals are notified of the future construction site.

⇒ 8 **Obtain authentication of the online cadastral map by the Cadaster** 1 day HRK 110

Agency : County Office (Cadastral and Geodetic Activities)

The geodetic study needs to contain a list of the people/legal entities that own the plots of land where the building is going to be built (i.e. a list of neighbors). This is required so that the proper individuals are notified of the future construction site.

<b>9</b>	<b>Obtain decision from the Municipal Authority regarding utilities</b>	22 days	HRK 292,613
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Agency : Municipal Authority

BuildCo must obtain a decision from the Municipal Authority on utility fees, based on the construction permit. The amount of the fee depends on the building size (in cubic meters) and on the location. Zagreb is divided into four zones for the purposes of communal fee calculations. The communal fee is set from HRK 56 to HRK 118 per cubic meter of a building, depending on the zone. The Doing Business case study warehouse would be located in Zagreb zone III, with the communal fee set at HRK 75 per cubic meter. The fee can be paid in full or in installments.

According to Regulation on Procedure of Determining Volume of Buildings for Communal Fee Calculation currently in force, the volume of the building is used, and as for the warehouse used in the Doing Business case study, the volume of the warehouse is 3901.5 cubic meters. Therefore the cost is 3901.5 \* HRK 75.

<b>⇒</b>	<b>Hire an external supervising engineer to conduct inspections during construction</b>	1 day	HRK 26,250
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Agency : Private Firm

A private engineer is hired to conduct inspections during construction per Art. 50 & 56 of the Construction Law NN 153/ 13 , BuildCO must hire an external engineer to supervise the construction work.

There is a cost to be paid for the hiring.

<b>11</b>	<b>Request and receive building permit</b>	30 days	HRK 14,000
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Agency : Municipal Authority

<b>⇒</b>	<b>Pay water contribution to the state company Croatian Waters (Hrvatske Vode)</b>	15 days	HRK 19,156
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Agency : Hrvatske Vode

The water contribution is paid to finance the management of water resources and protection from floods. The cost is determined based on the following:

- (i) The zone the new construction is in. Zone A is Zagreb and the protected coastal area, Zone B is the rest of the country, and Zone C are areas subject to special Government care.
- (ii) The purpose of the construction (residential, industrial, public interest)
- (iii) The volume of the construction.

The cost for the case study warehouse is 3901.5 \* HRK 4.91 according to the fee schedule of Hrvatske Vode ([www.voda.hr](http://www.voda.hr)).

13	<b>Submit commencement notice</b> Agency : Municipality of City of Zagreb  The investor must notify the building control authority eight days before the commencement of construction. In the notification the builder must include: • Building classification • Register number • Date of issue of the building permit • List the contractor and supervising engineer • Evidence that the building plot was formed in the cadastre if the building is subject to specification of the building plot The building control authority will then, within five days of receipt of the notification of commencement, notify the Ministry of Interior, building inspection, labor inspection, administrative body of the local self-government unit competent for determining utility charges and body competent for determining water charges, while the building inspection shall also be notified whether the notification is complete.	1 day	HRK 20
⇒ 14	<b>Receive random inspection from the Municipality</b> Agency : Municipality of City of Zagreb  Inspections are random and may occur on multiple occasions throughout the construction process.	1 day	no charge
15	<b>Obtain water and sewage connection</b> Agency : Water & Sewage Authority	20 days	HRK 8,000

⇒	<b>Apply for occupancy (use) permit</b>	1 day	HRK 20
16	<p>Agency : Municipality of City of Zagreb</p> <p>The occupancy permit is mandatory for the use of a completed building. The following documents must be submitted:</p> <ul style="list-style-type: none"> <li>• Photocopy of the building permit or a copy of the main design for construction work</li> <li>• Information on the participants in the construction (investor, designer, performer of construction works, supervisory engineer)</li> <li>• Written statement of the contractor on works completed and the requirements for the maintenance of the construction</li> <li>• Final report of the supervisory engineer</li> <li>• Statement of the geodetic engineer that the construction work was built in accordance with the surveying design</li> <li>• Surveying study for entering the construction work in the cadastre or for change of information on buildings and other construction works, if the construction work is not subject to developing the surveying design, but is to be entered in the cadastre</li> <li>• Statement of the authorized geodetic engineer that the construction work is located on the building plot</li> <li>• Energy certificate of the building, if applicable</li> </ul> <p>The Municipality forms an evaluation committee within 30 days after the submission of the application for the issuance of the occupancy permit, and determines the date of the on-site inspection. The investor submits various documents which substantiate that the construction has been conducted in accordance with the regulations (e.g., construction diary, licenses of the construction firm which executed the works, technical certificates for the material used in the construction, etc.) to the evaluation committee not later than on the day after the site inspection. If any of the members of the evaluation committee find that the building does not comply with a specific requirement, the investor may be given an additional 90 days to make the necessary corrections (if the error is, in fact, able to be corrected). If all requirements have been met, the Municipality should issue the occupancy permit within 30 days after the inspection.</p>		
17	<p><b>Receive final inspection</b></p> <p>Agency : Municipality of City of Zagreb</p> <p>Within 15 to 30 days after receiving a request for the occupancy permit, a technical review team from the municipality must conduct the final inspection. In practice this happens in about a week</p>	1 day	HRK 2,040
18	<p><b>Receive occupancy (use) permit</b></p> <p>Agency : Municipality of City of Zagreb</p> <p>After the on-site inspection, the municipality has up to 30 days to issue the occupancy certificate.</p>	21 days	HRK 14,000

⇒ Takes place simultaneously with previous procedure.

## Details – Dealing with Construction Permits in Croatia – Measure of Quality

	Answer	Score
<b>Building quality control index (0-15)</b>		<b>12.0</b>
<b>Quality of building regulations index (0-2)</b>		<b>2.0</b>
How accessible are building laws and regulations in your economy? (0-1)	Available online; Free of charge.	1.0
Which requirements for obtaining a building permit are clearly specified in the building regulations or on any accessible website, brochure or pamphlet? (0-1)	List of required documents; Fees to be paid; Required preapprovals.	1.0
<b>Quality control before construction index (0-1)</b>		<b>0.0</b>
Which third-party entities are required by law to verify that the building plans are in compliance with existing building regulations? (0-1)	By law, there is no need to verify plans compliance; Civil servant reviews plans.	0.0
<b>Quality control during construction index (0-3)</b>		<b>2.0</b>
What types of inspections (if any) are required by law to be carried out during construction? (0-2)	Inspections by external engineer or firm.	1.0
Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are always done in practice.	1.0
<b>Quality control after construction index (0-3)</b>		<b>3.0</b>
Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Yes, final inspection is done by government agency.	2.0
Do legally mandated final inspections occur in practice? (0-1)	Final inspection always occurs in practice.	1.0
<b>Liability and insurance regimes index (0-2)</b>		<b>1.0</b>

Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use (Latent Defect Liability or Decennial Liability)? (0-1)	Architect or engineer; Professional in charge of the supervision; Construction company.	1.0
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Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use (Latent Defect Liability Insurance or Decennial Insurance)? (0-1)	No party is required by law to obtain insurance .	0.0
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**Professional certifications index (0-4)****4.0**

What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	Minimum number of years of experience; University degree in architecture or engineering; Being a registered architect or engineer.	2.0
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What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	Minimum number of years of experience; University degree in engineering, construction or construction management; Being a registered architect or engineer.	2.0
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## ⚡ Getting Electricity

This topic measures the procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse. Additionally, the reliability of supply and transparency of tariffs index measures reliability of supply, transparency of tariffs and the price of electricity. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

#### Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- Value added tax excluded

#### The reliability of supply and transparency of tariffs index (0-8)

- Duration and frequency of power outages (0-3)
- Tools to monitor power outages (0-1)
- Tools to restore power supply (0-1)
- Regulatory monitoring of utilities' performance (0-1)
- Financial deterrents limiting outages (0-1)
- Transparency and accessibility of tariffs (0-1)

#### Price of electricity (cents per kilowatt-hour)\*

- Price based on monthly bill for commercial warehouse in case study

\*Note: Doing Business measures the price of electricity, but it is not included in the distance to frontier score nor the ranking on the ease of getting electricity.

### Case study assumptions

To make the data comparable across economies, several assumptions are used.

#### The warehouse:

- Is owned by a local entrepreneur and is used for storage of goods.
- Is located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is located in an area where similar warehouses are typically located and is in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.
- Has two stories with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).

#### The electricity connection:

- Is a permanent one with a three-phase, four-wire Y connection with a subscribed capacity of 140-kilo-volt-ampere (kVA) with a power factor of 1, when 1 kVA = 1 kilowatt (kW).
- Has a length of 150 meters. The connection is to either the low- or medium-voltage distribution network and is either overhead or underground, whichever is more common in the area where the warehouse is located and requires works that involve the crossing of a 10-meter road (such as by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Does not require work to install the internal wiring of the warehouse. This has already been completed up to and including the customer's service panel or switchboard and the meter base.

#### The monthly consumption:

- It is assumed that the warehouse operates 30 days a month from 9:00 a.m. to 5:00 p.m. (8 hours a day), with equipment utilized at 80% of capacity on average and that there are no electricity cuts (assumed for simplicity reasons) and the monthly energy consumption is 26,880 kilowatt-hours (kWh); hourly consumption is 112 kWh.
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse. Although March has 31 days, for calculation purposes only 30 days are used.

## Standardized Connection

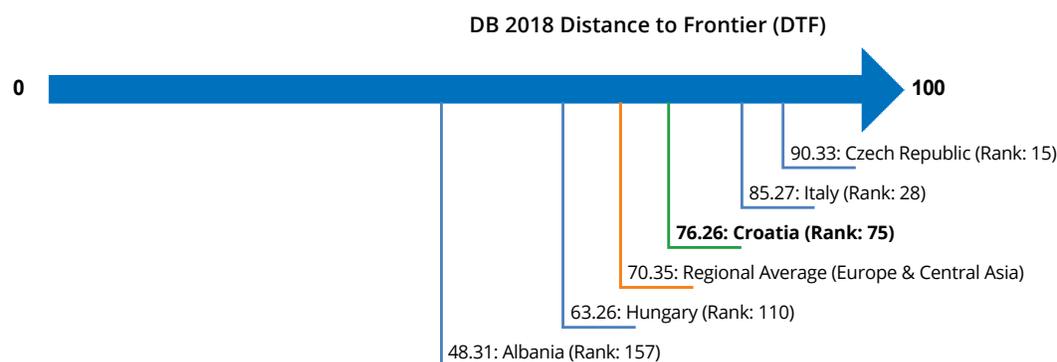
Price of electricity (US cents per kWh)	17.1
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Name of utility	HEP ODS
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City Covered	Zagreb
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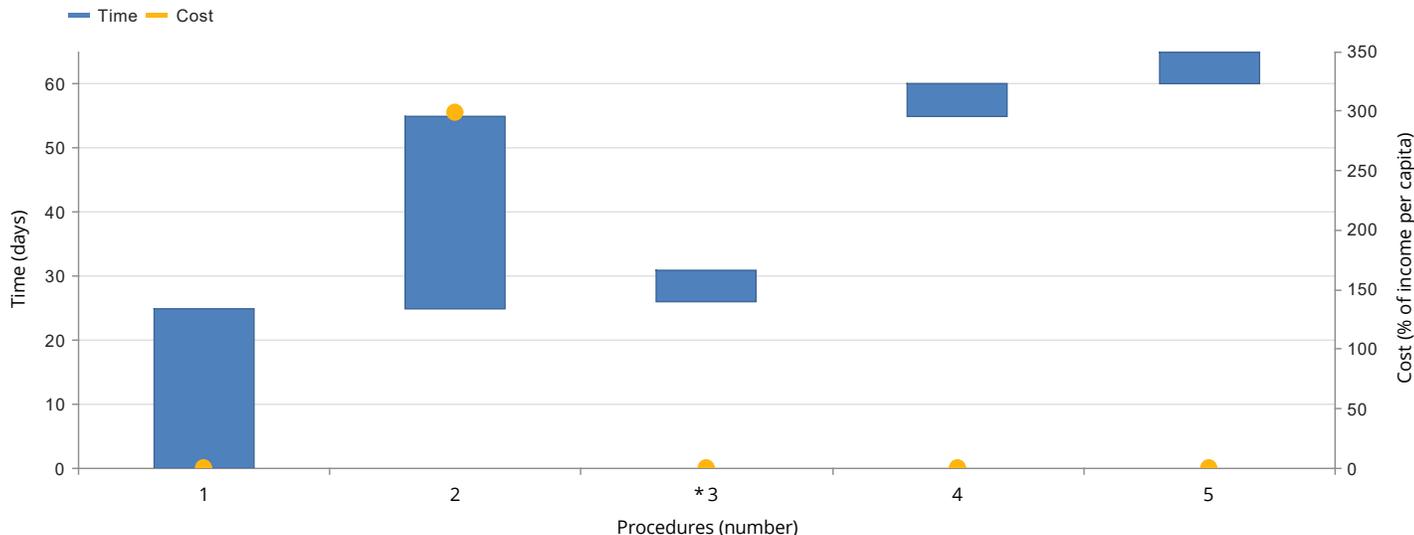
Indicator	Croatia	Europe & Central Asia	OECD high income	Overall Best Performer
Procedures (number)	5	5.4	4.7	2 (United Arab Emirates)
Time (days)	65	113.7	79.1	10 (United Arab Emirates)
Cost (% of income per capita)	298.5	344.3	63.0	0.00 (Japan)
Reliability of supply and transparency of tariff index (0-8)	5	5.3	7.4	8.00 (28 Economies)

**Figure – Getting Electricity in Croatia and comparator economies – Ranking and DTF**



Note: The ranking of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators.

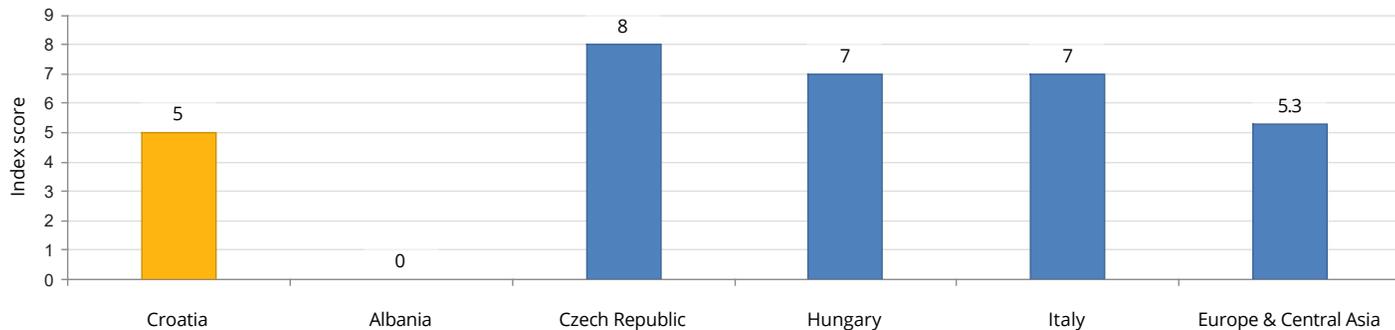
Figure – Getting Electricity in Croatia – Procedure, Time and Cost



\* This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the Doing Business website (<http://www.doingbusiness.org/methodology>). For details on the procedures reflected here, see the summary below.

Figure – Getting Electricity in Croatia and comparator economies – Measure of Quality



## Details – Getting Electricity in Croatia – Procedure, Time and Cost

No.	Procedure	Time to Complete	Associated Costs
1	<p><b>Submit application and receive preliminary connection approval and contract</b></p> <p>Agency : HEP Distribution System Operator (HEP ODS)</p> <p>An application cannot be submitted online. The application can be submitted with HEP ODS in the office. Required documents and the "Request for the issuance of energy consent and connection" are to be submitted in accordance with the General Conditions of Electricity Supply (Official Gazette, No. 14/06) Article 7. These documents do not need notarization. An external site inspection is necessary to prepare an estimate for the connection fees. The customer's party does not have to be present, unless inevitable, to carry out the inspection.</p> <p>The customer receives preliminary approval of the connection and technical specifications of the connection which are required to obtain a building permit of the warehouse.</p>	25 calendar days	HRK 0
2	<p><b>Accept estimate and await completion of external works by utility</b></p> <p>Agency : HEP ODS</p> <p>Upon the receipt of the application for the preliminary connection approval/the connection, the contract will be sent to the customer with details of the connection condition and charges. The terms of the connection contract (the estimate) are accepted by signing the contract and returning it to HEP DSO with the payment plus any other documentation specified in the preliminary connection approval. The work will start in accordance with the preliminary connection approval/the connection contract upon receipt of the signed connection contract and payment. HEP DSO designs the process and draws up the required investment technical documentation. External connection works include supply and installation of a connection cubicle, a meter, a tariff switch unit or a time switch and a limiter switch or some other demand controller. The meter is installed in parallel with the connection process carried out by the Maintenance Department. Connection to the electric power network is possible after the customer concluded a supply contract with a chosen supplier and a use of network contract with HEP DSO. The utility will not do the final connection (flow of electricity) if the customer does not have a supply contract yet.</p>	30 calendar days	HRK 238,184.43
⇒ 3	<p><b>Conclude supply agreement</b></p> <p>Agency : Electricity retailer</p> <p>After the preliminary connection approval has been issued to the customer and before the final connection, the customer should conclude a supply and use of network contract. When providing a quotation it is practice to advise the customer that he needs to nominate a supplier before the connection can be made and preferably before accepting the quotation. It is advisable that the customer appoints and signs a contract with an electricity supplier at least 20 days before the date the customer wants electricity to flow.</p>	5 calendar days	HRK 0

- 4 Submit internal wiring certificate to utility and request final connection** 5 calendar days HRK 0

Agency : HEP ODS

After external and internal connection work has been completed, the customer visits HEP ODS office to arrange a time and method for energizing the connection. The customer has to submit the application for the issuance of the connection approval and for connection. The application form can be found on the website. Information required in this form and in the procedure for the issuance of the connection approval and for connection is the building permit number, category of consumer, the building permit, confirmation from the contractor (Electrical Completion Certificate) that the customer or a producer's electric facilities and installations have been built and tested in accord with the preliminary connection approval, design documentation and technical regulations and standards, with an explicit statement of the contractor that the said facilities and installations may be connected to the network and the required test of quality. At the request of the application for issuance of connection approval and for connection, HEP ODS issues and the customer obtains the connection approval.

- 5 Receive visit by utility to open the meter** 5 calendar days HRK 0

Agency : HEP ODS

An authorized person from HEP ODS will come to open the meter and electricity starts flowing. Before electricity starts flowing, the customer should provide all the forms related to the connection.

⇒ Takes place simultaneously with previous procedure.

## Details – Getting Electricity in Croatia – Measure of Quality

	Answer
<b>Reliability of supply and transparency of tariff index (0-8)</b>	5
<b>Total duration and frequency of outages per customer a year (0-3)</b>	1
System average interruption duration index (SAIDI)	5.0
System average interruption frequency index (SAIFI)	1.7
What is the minimum outage time (in minutes) that the utility considers for the calculation of SAIDI/SAIFI	3.0
<b>Mechanisms for monitoring outages (0-1)</b>	1
Does the distribution utility use automated tools to monitor outages?	Yes
<b>Mechanisms for restoring service (0-1)</b>	1
Does the distribution utility use automated tools to restore service?	Yes
<b>Regulatory monitoring (0-1)</b>	1
Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply?	Yes
<b>Financial deterrents aimed at limiting outages (0-1)</b>	0
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	No
<b>Communication of tariffs and tariff changes (0-1)</b>	1
Are effective tariffs available online?	Yes
Link to the website, if available online	<a href="http://www.hep.hr/ods/kupci/poduzetnis tvo.aspx">http://www.hep.hr/ods/kupci/poduzetnis tvo.aspx</a>
Are customers notified of a change in tariff ahead of the billing cycle?	Yes

**Note:**

If the duration and frequency of outages is 100 or less, the economy is eligible to score on the Reliability of supply and transparency of tariff index.

If the duration and frequency of outages is not available, or is over 100, the economy is not eligible to score on the index.

If the minimum outage time considered for SAIDI/SAIFI is over 5 minutes, the economy is not eligible to score on the index.

## Registering Property

This topic examines the steps, time and cost involved in registering property, assuming a standardized case of an entrepreneur who wants to purchase land and a building that is already registered and free of title dispute. In addition, the topic also measures the quality of the land administration system in each economy. The quality of land administration index has five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution, and equal access to property rights. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Procedures to legally transfer title on immovable property (number)

- Preregistration procedures (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration procedures in the economy's largest business city.
- Postregistration procedures (for example, filling title with municipality)

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day - though procedures that can be fully completed online are an exception to this rule
- Procedure is considered completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of property value)

- Official costs only (such as administrative fees, duties and taxes).
- Value Added Tax, Capital Gains Tax and illicit payments are excluded

#### Quality of land administration index (0-30)

- Reliability of infrastructure index (0-8)
- Transparency of information index (0-6)
- Geographic coverage index (0-8)
- Land dispute resolution index (0-8)
- Equal access to property rights index (-2-0)

### Case study assumptions

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

#### The parties (buyer and seller):

- Are limited liability companies (or the legal equivalent).
- Are located in the periurban area of the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Are 100% domestically and privately owned.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

#### The property (fully owned by the seller):

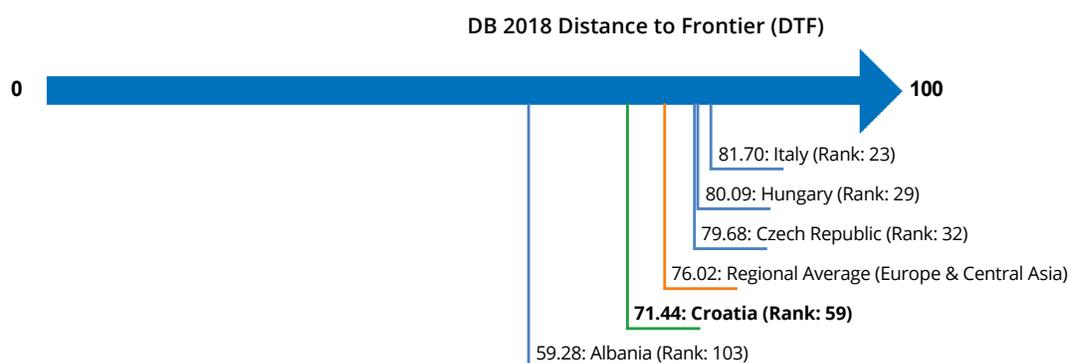
- Has a value of 50 times income per capita, which equals the sale price.
- Is fully owned by the seller.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 557.4 square meters (6,000 square feet). A two-story warehouse of 929 square meters (10,000 square feet) is located on the land. The warehouse is 10 years old, is in good condition, has no heating system and complies with all safety standards, building codes and legal requirements. The property, consisting of land and building, will be transferred in its entirety.
- Will not be subject to renovations or additional construction following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants, and no other party holds a legal interest in it.

Standard Property Transfer

Property value	HRK 3,990,155.80
City Covered	Zagreb

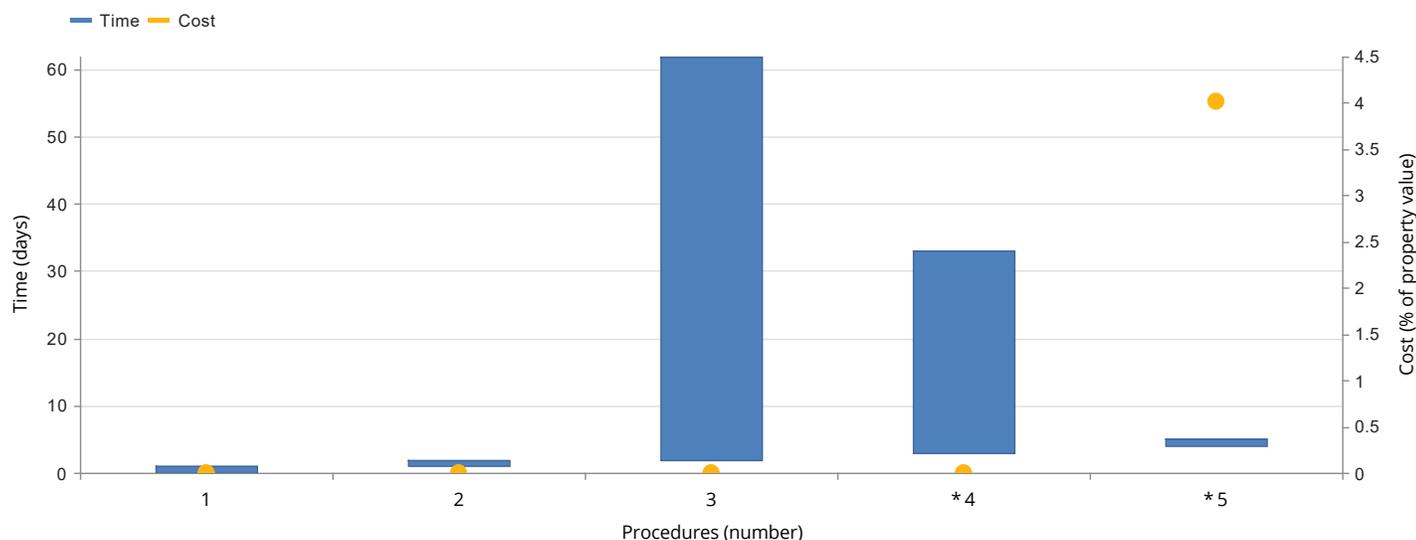
Indicator	Croatia	Europe & Central Asia	OECD high income	Overall Best Performer
Procedures (number)	5	5.3	4.6	1.00 (4 Economies)
Time (days)	62	20.4	22.3	1.00 (3 Economies)
Cost (% of property value)	4.0	2.5	4.2	0.00 (5 Economies)
Quality of the land administration index (0-30)	22.5	19.8	22.7	29.00 (Singapore)

Figure – Registering Property in Croatia and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators.

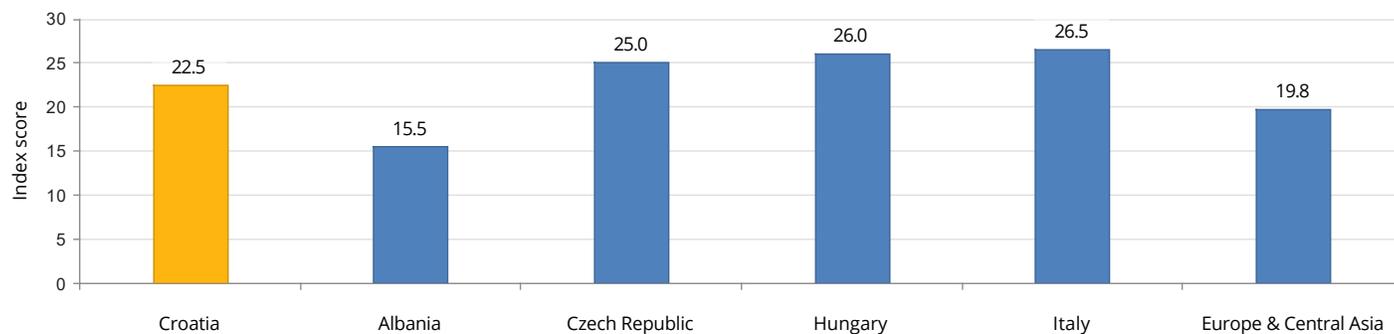
Figure – Registering Property in Croatia – Procedure, Time and Cost



\* This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the Doing Business website (<http://www.doingbusiness.org/methodology>). For details on the procedures reflected here, see the summary below.

Figure – Registering Property in Croatia and comparator economies – Measure of Quality



## Details – Registering Property in Croatia – Procedure, Time and Cost

No.	Procedure	Time to Complete	Associated Costs
1	<p data-bbox="180 270 1000 296"><b>Obtain the land registry extract from the competent land register court</b></p> <p data-bbox="180 310 829 336">Agency : Municipal Court Zagreb, Land Registry Department</p> <p data-bbox="180 359 1000 489">Due diligence requires that the buyer knows the status of the land registry. Obtaining a land registry land registration extract has become a crucial part during the preparation process for the purchase of a real estate, since the land registry extract enjoys public faith.</p> <p data-bbox="180 531 1000 762">An unofficial land registry extract, without legal power, can be obtained online by anyone at any time, via internet page of the Ministry of Justice, <a href="https://oss.uredjenazemlja.hr/public/lreextracts.jsp?action=publicLdbExtract">https://oss.uredjenazemlja.hr/public/lreextracts.jsp?action=publicLdbExtract</a>. However, only the extract issued and stamped by the Land Registrar of the Municipal Court are official and enjoy the public trust and probative force of a public document. Electronic extracts are not considered official extracts when it comes to using them for collateral purposes.</p> <p data-bbox="180 804 1000 1035">In accordance with the Regulation on Technical and Other Conditions of Electronic Operations in the Land Registry (Official Gazette No. 119/15) from November 2,2015 it is possible to obtain an official land registry extract from a notary public or a lawyer. A notary public and a lawyer are authorized to issue official land registry extracts if they previously obtained a consent from the Ministry of Justice by submitting a request through the Croatian Notaries Chamber or the Croatian Bar Association.</p> <p data-bbox="180 1077 1000 1312">When obtaining a land registry extract from a public notary or a lawyer an additional fee in the amount of HRK 20 per extract is paid. It is also possible to obtain an official land registry extract personally by using a personal box in the "E-citizen system". The platform allows a person to use different public services including obtaining a valid land registry extract. The number of public services provided by "E-citizen system" increases every year.</p>	1 day	HRK 20 per extract

**2 Notary notarizes the sale contract**

1 day

HRK 40.0 (VAT not included) (47.5 VAT included) per signature verified by public notary

Agency : Notary

The sale contract contains a *clausula intabulandi* (i.e. the declaration by the seller that the purchaser may be entered in the land register) and is prepared by the parties or by a lawyer. Pursuant to Article 52 of the Land Registry Act (Official Gazette 60/13) in force as of May 16, 2013, Land Registry Department of the Municipal Court will allow a registration of ownership right only based on public documents or private documents with a notarized signature of at least a person whose right is going to be restricted, encumbered, terminated or conveyed. Pursuant to this regulation, Land Registry Department of the Municipal Court will allow a registration of ownership right based on the sale contract if a public notary verified / notarized the signature of the seller (a party whose property right will be restricted, encumbered, terminated or conveyed).

Pursuant to Tariff No. 29 of the Lawyers Fee Schedule and Cost Compensation (Official Gazette No. 107/15) a lawyer is entitled to the remuneration for drafting a sale contract calculated according to the value of the property, increased by 25%. Pursuant to Tariff No. 19, a lawyer is also entitled to the remuneration for drafting a request for land registry registration calculated according to the value of the property, increased by 25%. Both amounts are further increased by VAT in the amount of 25%. If the property value is above HRK 500.000 a lawyer is entitled to an additional fee and if the property value is lower than HRK 500.000 there is a fixed fee on a scale. The documentation shall include: Land register extract (obtained in Procedure 1).

**3 Register the title transfer at the Land Registry Court**

Agency : Municipal Court in Zagreb (Land Registry Department)

The request for the property registration must be submitted to the Registry by the parties on the appropriate registration form approved by the Ministry of Justice. However, the request shall not be rejected just because it was not submitted on the prescribed registration form. The participation of an attorney is not mandatory, but if one is involved, his fees will be about 0.5% of the property value. The Registry conducts the registration Procedure and renders the decision issuing the property title. The process of recording the sale agreement with the competent land register court takes around 30-90 days, when the proceedings are conducted by an experienced lawyer. Depending on the various courts, this process may take even longer. It should be highlighted that only the final decision, the one allowing the registration, produces the legal effect. However, regardless of the time when the final decision is rendered, the date of applying for registration will be the date marked in the Registry as the moment of transferring the ownership title.

From that moment the party is protected towards all applications submitted afterwards. This rule is called the rule of priority: the buyer has the legal right to dispose of the property (to sell, lease, bequeath, transfer by gift, and mortgage the property). From that moment until the final registration the buyer has "quasi ownership". Therefore, even before the registration is completed, the first buyer - quasi owner can sell the property to another, second buyer. However there is a risk if the final registration of the first buyer - quasi owner is not allowed. In that case he will be liable for damage towards the second buyer. In practice the other contractual party will probably not be willing to enter into the legal transactions with the person who is not the legal owner of the real-estate in question (or take the risk).

From 2004 the Court no longer accepts incomplete applications. If the registration form contains certain deficiencies, the court will not invite the applicant to correct the request but will immediately dismiss the application. The applicant may submit a new request, which will then have a lower rank. This has resulted in some reduction of backlog at the Courts and has also led to higher demand for professional assistance with the application process.

Furthermore, changes in 2005 entrust the Land Registry clerks with the authority to decide on applications, with judges deciding on appeals. With registration moving from a judicial process to a more administrative process, this is a welcome change that indicates potential for decreasing the amount of time for registration. Recent internal reorganization of the Land Books also indicates future potential for increased efficiency.

The documentation shall include:

- (i) Notarized sale agreement
- (ii) Application form
- (iii) Certified copy of an ID or a passport
- (iv) Personal Identification Number (OIB) (required since January 1, 2009, Land registry Act of December 18, 2009).

1-2 months  
(simultaneous with  
procedures 4 and  
5)

To be paid in  
procedure 5

- ⇒ 4 **Submit the sale contract to the municipal tax administration to receive an estimate of the land transfer taxes** 30 days no cost  
(simultaneous with procedure 3 and 5)

Agency : Municipal Tax Administration

Pursuant to Article 18 of the new Real Estate Transfer Tax Act (Official Gazette No. 115/2016) in force as of January 1, 2017, a public notary is obligated to electronically deliver one copy of a document which is a legal base for real estate transfer, together with the personal identification number PIN ("OIB") of the parties, within 30 days to the Municipal Tax Administration where the real estate is located.

Pursuant to Article 18 of the new Real Estate Transfer Tax Act (Official Gazette No. 115/2016) in force as of January 1, 2017, a public notary is obligated to electronically deliver one copy of a document which is a legal base for real estate transfer, together with the personal identification number PIN ("OIB") of the parties, within 30 days to the Municipal Tax Administration where the real estate is located.

Pursuant to Article 19 of the new Real Estate Transfer Tax Act (Official Gazette No. 115/2016) in force as of January 1, 2017, a person obligated to pay the real estate transfer tax, is exceptionally obligated to submit a real estate transfer tax application if documents on the acquisition of the real estate were not notarized by the notary public, issued by the competent court or other public authority. A person is obligated to submit a real estate transfer application to the Municipal Tax Administration where the real estate is located within 30 days.

- ⇒ 5 **Pay land transfer taxes, stamp duty and registration fees at the commercial bank or post office** 1 day HRK 50 (stamp duty)  
(simultaneous with + HRK 200  
procedure 3 and 4) (registration fee) +  
4% of property value  
(real property transfer tax)

Agency : Commercial Bank or Post Office

The fees and taxes can be paid in the post offices or in the commercial banks, but only to the indicated State Budget bank account number.

⇒ Takes place simultaneously with previous procedure.

## Details – Registering Property in Croatia – Measure of Quality

	Answer	Score
<b>Quality of the land administration index (0-30)</b>		<b>22.5</b>
<b>Reliability of infrastructure index (0-8)</b>		<b>5.0</b>
What is the institution in charge of immovable property registration?	Municipal Court Zagreb, Land Registry Department	
In what format are the majority of title or deed records kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Scanned	1.0
Is there an electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)?	Yes	1.0
Institution in charge of the plans showing legal boundaries in the largest business city:	Zagreb City Office for Cadastral and Geodetic Affairs	
In what format are the majority of maps of land plots kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Scanned	1.0
Is there an electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system)?	Yes	1.0
Is the information recorded by the immovable property registration agency and the cadastral or mapping agency kept in a single database, in different but linked databases or in separate databases?	Different databases but linked	1.0
Do the immovable property registration agency and cadastral or mapping agency use the same identification number for properties?	No	0.0
<b>Transparency of information index (0-6)</b>		<b>3.5</b>
Who is able to obtain information on land ownership at the agency in charge of immovable property registration in the largest business city?	Anyone who pays the official fee	1.0
Is the list of documents that are required to complete any type of property transaction made publicly available—and if so, how?	Yes, online	0.5

Link for online access:	<a href="http://sudovi.pra&lt;br/&gt;vosudje.hr/osvt/i&lt;br/&gt;ndex.php?&lt;br/&gt;linkID=24">http://sudovi.pra vosudje.hr/osvt/i ndex.php? linkID=24</a> <a href="https://gov.hr/m&lt;br/&gt;oja-&lt;br/&gt;uprava/stanovan&lt;br/&gt;je-i-&lt;br/&gt;okolis/vlasnicka-&lt;br/&gt;prava/upis-&lt;br/&gt;prava-&lt;br/&gt;vlasnistva/1855">https://gov.hr/m oja- uprava/stanovan je-i- okolis/vlasnicka- prava/upis- prava- vlasnistva/1855</a>	
Is the applicable fee schedule for any property transaction at the agency in charge of immovable property registration in the largest business city made publicly available—and if so, how?	Yes, online	0.5
Link for online access:	<a href="http://sudovi.pra&lt;br/&gt;vosudje.hr/ogszg&lt;br/&gt;/index.php?&lt;br/&gt;linkID=38">http://sudovi.pra vosudje.hr/ogszg /index.php? linkID=38</a>	
Does the agency in charge of immovable property registration commit to delivering a legally binding document that proves property ownership within a specific time frame—and if so, how does it communicate the service standard?	No	0.0
Link for online access:		
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration?	No	0.0
Contact information:		
Are there publicly available official statistics tracking the number of transactions at the immovable property registration agency?	Yes	0.5
Number of property transfers in the largest business city in 2015:	Number of transactions in Croatia for 2016 is 489,165. Number of transactions in Zagreb for 2016 (including municipalities of Zagreb and Novi Zagreb) is 85,970	
Who is able to consult maps of land plots in the largest business city?	Freely accessible by anyone	0.5
Is the applicable fee schedule for accessing maps of land plots made publicly available—and if so, how?	Yes, online	0.5

Link for online access:	<a href="http://www.katastar.hr/dgu/proizvodi-Kopija-katastarskog-plana-83">http://www.katastar.hr/dgu/proizvodi-Kopija-katastarskog-plana-83</a> Tariff Number 55 to 57 of the Administrative Fees Act and the Administrative Fees Tariff (published in Official Gazette No. 8/96, 77/96, 95/97, 131/97, 68/98, 66/99, 145/99, 30/00, 116/00, 163/03, 17/04, 110/04, 141/04, 150/05, 153/05, 129/06, 117/07, 25/08, 60/08, 20/10, 69/10, 126/11, 112/12, 19/13, 80/13).	
Does the cadastral or mapping agency commit to delivering an updated map within a specific time frame—and if so, how does it communicate the service standard?	No	0.0
Link for online access:		
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the cadastral or mapping agency?	No	0.0
Contact information:		
<b>Geographic coverage index (0–8)</b>		<b>8.0</b>
Are all privately held land plots in the economy formally registered at the immovable property registry?	Yes	2.0
Are all privately held land plots in the largest business city formally registered at the immovable property registry?	Yes	2.0
Are all privately held land plots in the economy mapped?	Yes	2.0
Are all privately held land plots in the largest business city mapped?	Yes	2.0
<b>Land dispute resolution index (0–8)</b>		<b>6.0</b>
Does the law require that all property sale transactions be registered at the immovable property registry to make them opposable to third parties?	Yes	1.5
Is the system of immovable property registration subject to a state or private guarantee?	Yes	0.5

Is there a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the immovable property registry?	Yes	0.5
Does the legal system require a control of legality of the documents necessary for a property transaction (e.g., checking the compliance of contracts with requirements of the law)?	Yes	0.5
If yes, who is responsible for checking the legality of the documents?	Registrar.	
Does the legal system require verification of the identity of the parties to a property transaction?	Yes	0.5
If yes, who is responsible for verifying the identity of the parties?	Registrar; Notary.	
Is there a national database to verify the accuracy of identity documents?	No	0.0
For a standard land dispute between two local businesses over tenure rights of a property worth 50 times gross national income (GNI) per capita and located in the largest business city, what court would be in charge of the case in the first instance?	Municipal civil court Zagreb and Municipal court Novi Zagreb, Land Registry department	
How long does it take on average to obtain a decision from the first-instance court for such a case (without appeal)?	Between 1 and 2 years	2.0
Are there any statistics on the number of land disputes in the first instance?	Yes	0.5
Number of land disputes in the largest business city in 2015:	449 cases resolved in 2016	
<b>Equal access to property rights index (-2-0)</b>		<b>0.0</b>
Do unmarried men and unmarried women have equal ownership rights to property?	Yes	0.0
Do married men and married women have equal ownership rights to property?	Yes	0.0

## Getting Credit

This topic explores two sets of issues—the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Strength of legal rights index (0-12)

- Rights of borrowers and lenders through collateral laws (0-10)
- Protection of secured creditors' rights through bankruptcy laws (0-2)

#### Depth of credit information index (0-8)

- Scope and accessibility of credit information distributed by credit bureaus and credit registries (0-8)

#### Credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest credit bureau as a percentage of adult population

#### Credit registry coverage (% of adults)

- Number of individuals and firms listed in credit registry as a percentage of adult population

### Case study assumptions

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. For each economy it is first determined whether a unitary secured transactions system exists. Then two case scenarios, case A and case B, are used to determine how a nonpossessory security interest is created, publicized and enforced according to the law. Special emphasis is given to how the collateral registry operates (if registration of security interests is possible). The case scenarios involve a secured borrower, company ABC, and a secured lender, BizBank.

In some economies the legal framework for secured transactions will allow only case A or case B (not both) to apply. Both cases examine the same set of legal provisions relating to the use of movable collateral.

#### Several assumptions about the secured borrower (ABC) and lender (BizBank) are used:

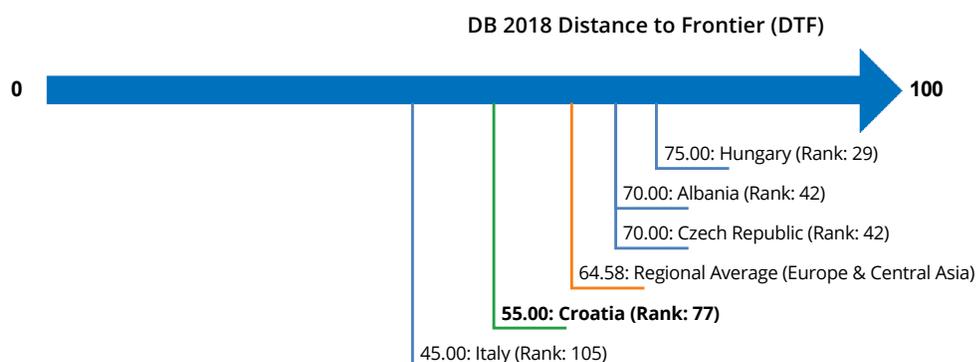
- ABC is a domestic limited liability company (or its legal equivalent).
- ABC has up to 50 employees.
- ABC has its headquarters and only base of operations in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Both ABC and BizBank are 100% domestically owned.

The case scenarios also involve assumptions. In case A, as collateral for the loan, ABC grants BizBank a nonpossessory security interest in one category of movable assets, for example, its machinery or its inventory. ABC wants to keep both possession and ownership of the collateral. In economies where the law does not allow nonpossessory security interests in movable property, ABC and BizBank use a fiduciary transfer-of-title arrangement (or a similar substitute for nonpossessory security interests).

In case B, ABC grants BizBank a business charge, enterprise charge, floating charge or any charge that gives BizBank a security interest over ABC's combined movable assets (or as much of ABC's movable assets as possible). ABC keeps ownership and possession of the assets.

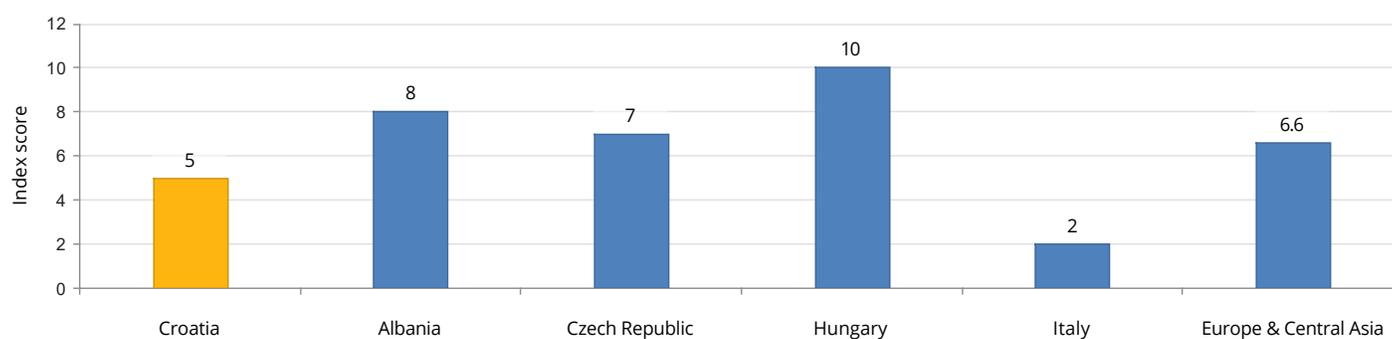
Indicator	Croatia	Europe & Central Asia	OECD high income	Overall Best Performer
Strength of legal rights index (0-12)	5	6.6	6.0	12.00 (4 Economies)
Depth of credit information index (0-8)	6	6.3	6.6	8.00 (34 Economies)
Credit registry coverage (% of adults)	0.0	22.2	18.3	100.00 (3 Economies)
Credit bureau coverage (% of adults)	100.0	42.8	63.7	100.00 (23 Economies)

Figure – Getting Credit in Croatia and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the sum of the strength of legal rights index and the depth of credit information index.

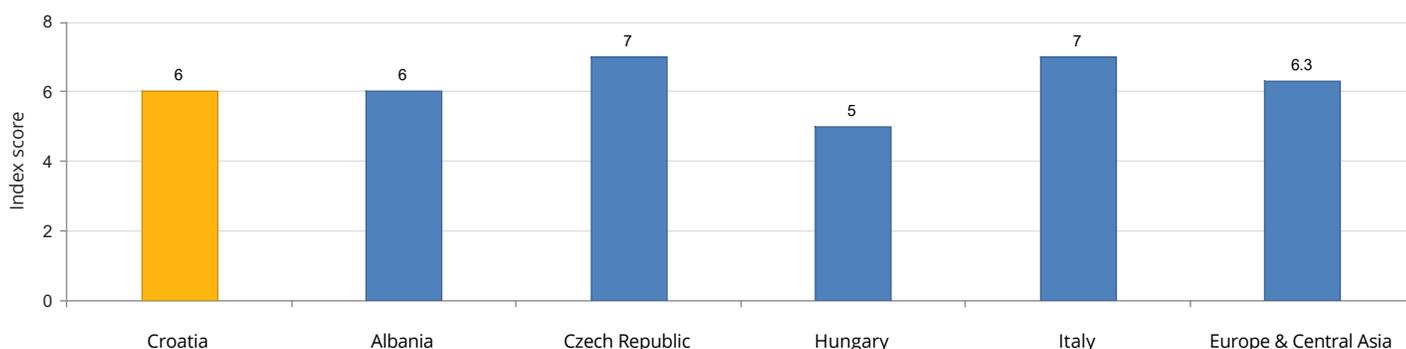
Figure – Legal Rights in Croatia and comparator economies



Details – Legal Rights in Croatia

Strength of legal rights index (0-12)	5
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	No
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and does it extend automatically to the products, proceeds or replacements of the original assets?	No
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	Yes
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	No
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	Yes
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	No
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction or private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	Yes

Figure – Credit Information in Croatia and comparator economies



## Details – Credit Information in Croatia

Depth of credit information index (0-8)	Credit bureau	Credit registry	Score
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative credit data distributed?	Yes	No	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	No	No	0
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	Yes	No	1
Are data on loan amounts below 1% of income per capita distributed?	Yes	No	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	Yes	No	1
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	No	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	No	No	0
<b>Score ("yes" to either public bureau or private registry)</b>			<b>6</b>

Note: An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau	Credit registry
Number of individuals	3,115,790	0
Number of firms	174,934	0
Total	3,290,724	0
<b>Percentage of adult population</b>	<b>100.0</b>	<b>0.0</b>

## ↗ Protecting Minority Investors

This topic measures the strength of minority shareholder protections against misuse of corporate assets by directors for their personal gain as well as shareholder rights, governance safeguards and corporate transparency requirements that reduce the risk of abuse. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

- **Extent of disclosure index (0–10):** Review and approval requirements for related-party transactions; Disclosure requirements for related-party transactions
- **Extent of director liability index (0–10):** Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)
- **Ease of shareholder suits index (0–10):** Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses
- **Extent of conflict of interest regulation index (0–10):** Simple average of the extent of disclosure, extent of director liability and ease of shareholder indices
- **Extent of shareholder rights index (0–10):** Shareholders' rights and role in major corporate decisions
- **Extent of ownership and control index (0–10):** Governance safeguards protecting shareholders from undue board control and entrenchment
- **Extent of corporate transparency index (0–10):** Corporate transparency on ownership stakes, compensation, audits and financial prospects
- **Extent of shareholder governance index (0–10):** Simple average of the extent of shareholders rights, extent of ownership and control and extent of corporate transparency indices
- **Strength of minority investor protection index (0–10):** Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

### Case study assumptions

To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

#### The business (Buyer):

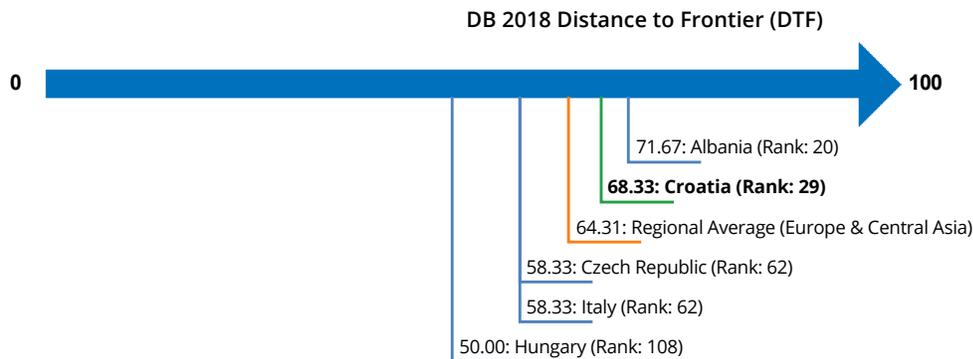
- Is a publicly traded corporation listed on the economy's most important stock exchange. If the number of publicly traded companies listed on that exchange is less than 10, or if there is no stock exchange in the economy, it is assumed that Buyer is a large private company with multiple shareholders.
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.
- Has a supervisory board (applicable to economies with a two-tier board system) on which 60% of the shareholder-elected members have been appointed by Mr. James, who is Buyer's controlling shareholder and a member of Buyer's board of directors.
- Has not adopted any bylaws or articles of association that differ from default minimum standards and does not follow any nonmandatory codes, principles, recommendations or guidelines relating to corporate governance.
- Is a manufacturing company with its own distribution network.

#### The transaction involves the following details:

- Mr. James owns 60% of Buyer and elected two directors to Buyer's five-member board.
- Mr. James also owns 90% of Seller, a company that operates a chain of retail hardware stores. Seller recently closed a large number of its stores.
- Mr. James proposes that Buyer purchase Seller's unused fleet of trucks to expand Buyer's distribution of its food products, a proposal to which Buyer agrees. The price is equal to 10% of Buyer's assets and is higher than the market value.
- The proposed transaction is part of the company's ordinary course of business and is not outside the authority of the company.
- Buyer enters into the transaction. All required approvals are obtained, and all required disclosures made (that is, the transaction is not fraudulent).
- The transaction causes damages to Buyer. Shareholders sue Mr. James and the other parties that approved the transaction.

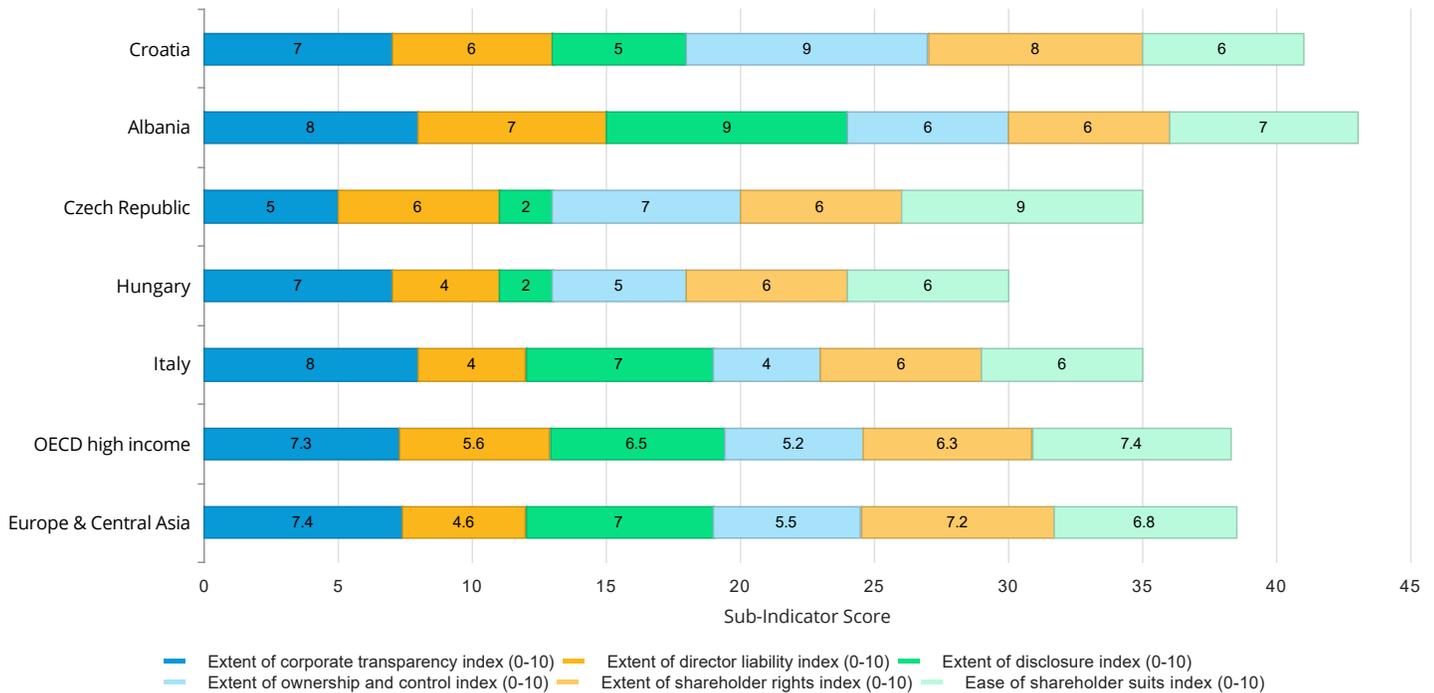
Indicator	Croatia	Europe & Central Asia	OECD high income	Overall Best Performer
Extent of conflict of interest regulation index (0-10)	5.7	6.3	6.4	9.3 (New Zealand)
Extent of shareholder governance index (0-10)	8	6.6	6.4	9.00 (Kazakhstan)

Figure – Protecting Minority Investors in Croatia and comparator economies – Ranking and DTF



Note: The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index.

Figure – Protecting Minority Investors in Croatia and comparator economies – Measure of Quality



## Details – Protecting Minority Investors in Croatia – Measure of Quality

	Answer	Score
<b>Extent of conflict of interest regulation index (0-10)</b>		<b>5.7</b>
<b>Extent of disclosure index (0-10)</b>		<b>5</b>
Which corporate body is legally sufficient to approve the Buyer-Seller transaction? (0-3)	Shareholders or board of directors including interested parties	1.0
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0.0
Must Mr. James disclose his conflict of interest to the board of directors? (0-2)	Full disclosure of all material facts	2.0
Must Buyer disclose the transaction in published periodic filings (annual reports)? (0-2)	Disclosure on the transaction and on the conflict of interest	2.0
Must Buyer immediately disclose the transaction to the public and/or shareholders? (0-2)	No disclosure obligation	0.0
<b>Extent of director liability index (0-10)</b>		<b>6</b>
Can shareholders representing 10% of Buyer's share capital sue directly or derivatively for the damage the transaction caused to Buyer? (0-1)	Yes	1.0
Can shareholders hold the interested director liable for the damage the transaction caused to Buyer? (0-2)	Liable if negligent	1.0
Can shareholders hold the other directors liable for the damage the transaction caused to Buyer (0-2)	Liable if negligent	1.0
Must Mr. James pay damages for the harm caused to Buyer upon a successful claim by shareholders? (0-1)	Yes	1.0
Must Mr. James repay profits made from the transaction upon a successful claim by shareholders? (0-1)	Yes	1.0
Is Mr. James disqualified or fined and imprisoned upon a successful claim by shareholders? (0-1)	No	0.0
Can a court void the transaction upon a successful claim by shareholders? (0-2)	Voidable if negligently concluded	1.0
<b>Ease of shareholder suits index (0-10)</b>		<b>6</b>
Before suing can shareholders representing 10% of Buyer's share capital inspect the transaction documents? (0-1)	Yes	1.0

Can the plaintiff obtain any documents from the defendant and witnesses at trial? (0-3)	Documents that the defendant relied on	1.0
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0.0
Can the plaintiff directly question the defendant and witnesses at trial? (0-2)	Yes	2.0
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	Yes	1.0
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	Yes if successful	1.0
<b>Extent of shareholder governance index (0-10)</b>		<b>8</b>
<b>Extent of shareholder rights index (0-10)</b>		<b>8</b>
Does the sale of 51% of Buyer's assets require shareholder approval?	Yes	1.0
Can shareholders representing 10% of Buyer's share capital call for a meeting of shareholders?	Yes	1.0
Must Buyer obtain its shareholders' approval every time it issues new shares?	Yes	1.0
Do shareholders automatically receive preemption rights every time Buyer issues new shares?	Yes	1.0
Must shareholders approve the election and dismissal of the external auditor?	Yes	1.0
Are changes to the rights of a class of shares only possible if the holders of the affected shares approve?	Yes	1.0
Assuming that Buyer is a limited company, does the sale of 51% of its assets require member approval?	No	0.0
Assuming that Buyer is a limited company, can members representing 10% call for a meeting of members?	Yes	1.0
Assuming that Buyer is a limited company, must all members consent to add a new member?	Yes	1.0
Assuming that Buyer is a limited company, must a member first offer to sell their interest to the existing members before they can sell to non-members?	No	0.0
<b>Extent of ownership and control index (0-10)</b>		<b>9</b>
Is it forbidden to appoint the same individual as CEO and chair of the board of directors?	Yes	1.0
Must the board of directors include independent and nonexecutive board members?	Yes	1.0
Can shareholders remove members of the board of directors without cause before the end of their term?	Yes	1.0
Must the board of directors include a separate audit committee exclusively comprising board members?	Yes	1.0

Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	Yes	1.0
Must Buyer pay declared dividends within a maximum period set by law?	Yes	1.0
Is a subsidiary prohibited from acquiring shares issued by its parent company?	Yes	1.0
Assuming that Buyer is a limited company, must Buyer have a mechanism to resolve disagreements among members?	Yes	1.0
Assuming that Buyer is a limited company, must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	No	0.0
Assuming that Buyer is a limited company, must Buyer distribute profits within a maximum period set by law?	Yes	1.0
<b>Extent of corporate transparency index (0-10)</b>		<b>7</b>
Must Buyer disclose direct and indirect beneficial ownership stakes representing 5%?	Yes	1.0
Must Buyer disclose information about board members' primary employment and directorships in other companies?	No	0.0
Must Buyer disclose the compensation of individual managers?	No	0.0
Must a detailed notice of general meeting be sent 21 days before the meeting?	Yes	1.0
Can shareholders representing 5% of Buyer's share capital put items on the general meeting agenda?	Yes	1.0
Must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0
Must Buyer disclose its audit reports to the public?	Yes	1.0
Assuming that Buyer is a limited company, must members meet at least once a year?	Yes	1.0
Assuming that Buyer is a limited company, can members representing 5% put items on the meeting agenda?	No	0.0
Assuming that Buyer is a limited company, must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0

## Paying Taxes

This topic records the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year, as well as measures the administrative burden in paying taxes and contributions. The most recent round of data collection for the project was completed on June 30, 2017 covering for the Paying Taxes indicator calendar year 2016 (January 1, 2016 – December 31, 2016).

Last year (Doing Business 2017) the scope of data collection was expanded to better understand the overall tax environment in an economy. The questionnaire was expanded to include new questions on post-filing processes: VAT refund and tax audit. The data shows where postfiling processes and practices work efficiently and what drives the differences in the overall tax compliance cost across economies.

The new section covers both the legal framework and the administrative burden on businesses to comply with postfiling processes.

[See the methodology for more information.](#)

### What the indicators measure

#### Tax payments for a manufacturing company in 2016 (number per year adjusted for electronic and joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

#### Time required to comply with 3 major taxes (hours per year)

- Collecting information, computing tax payable
- Completing tax return, filing with agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

#### Total tax and contribution rate (% of profit before all taxes)

- Profit or corporate income tax
- Social contributions, labor taxes paid by employer
- Property and property transfer taxes
- Dividend, capital gains, financial transactions taxes
- Waste collection, vehicle, road and other taxes

#### Postfiling Index

- Time to comply with a VAT refund
- Time to receive a VAT refund
- Time to comply with a corporate income tax audit
- Time to complete a corporate income tax audit

### Case study assumptions

Using a case scenario, Doing Business records taxes and mandatory contributions a medium size company must pay in a year, and measures the administrative burden of paying taxes, contributions and dealing with postfiling processes. Information is also compiled on frequency of filing and payments, time taken to comply with tax laws, time taken to comply with the requirements of postfiling processes and time waiting.

To make data comparable across economies, several assumptions are used:

- TaxpayerCo is a medium-size business that started operations on January 1, 2015. It produces ceramic flowerpots and sells them at retail. All taxes and contributions recorded are paid in the second year of operation (calendar year 2016). Taxes and mandatory contributions are measured at all levels of government.

#### The VAT refund process:

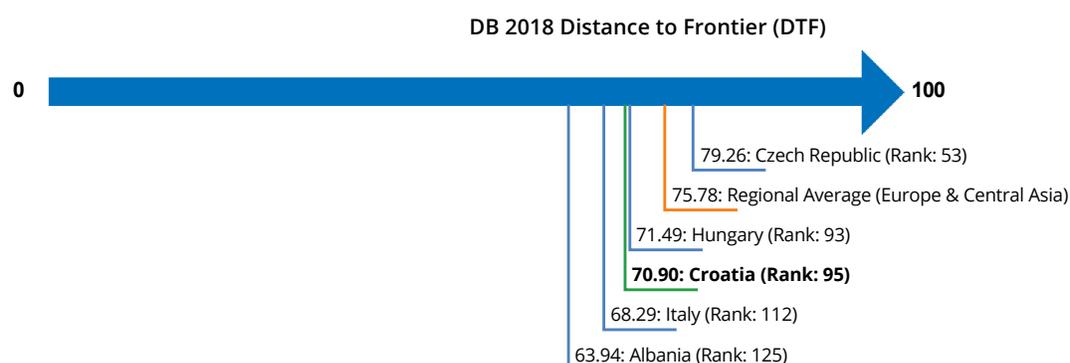
- In June 2016, TaxpayerCo. makes a large capital purchase: the value of the machine is 65 times income per capita of the economy. Sales are equally spread per month (1,050 times income per capita divided by 12) and cost of goods sold are equally expensed per month (875 times income per capita divided by 12). The machinery seller is registered for VAT and excess input VAT incurred in June will be fully recovered after four consecutive months if the VAT rate is the same for inputs, sales and the machine and the tax reporting period is every month. Input VAT will exceed Output VAT in June 2016.

#### The corporate income tax audit process:

- An error in calculation of income tax liability (for example, use of incorrect tax depreciation rates, or incorrectly treating an expense as tax deductible) leads to an incorrect income tax return and a corporate income tax underpayment. TaxpayerCo. discovered the error and voluntarily notified the tax authority. The value of the underpaid income tax liability is 5% of the corporate income tax liability due. TaxpayerCo. submits corrected information after the deadline for submitting the annual tax return, but within the tax assessment period.

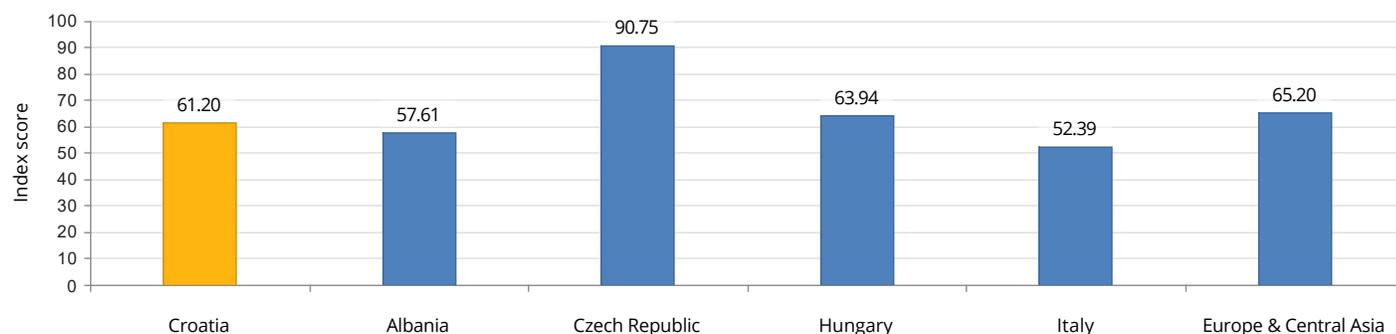
Indicator	Croatia	Europe & Central Asia	OECD high income	Overall Best Performer
Payments (number per year)	35	16.5	10.9	3 (Hong Kong SAR, China)
Time (hours per year)	206	218.4	160.7	55 (Luxembourg)
Total tax and contribution rate (% of profit)	20.6	33.1	40.1	18.47% (32 Economies)
Postfiling index (0-100)	61.20	65.20	83.45	99.38 (Estonia)

Figure – Paying Taxes in Croatia and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the four component indicators – number of tax payments, time, total tax rate and postfiling index – with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate. The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including Doing Business 2015, which is 26.1%. All economies with a total tax rate below this threshold receive the same score as the economy at the threshold.

Figure – Paying Taxes in Croatia and comparator economies – Measure of Quality



## Details – Paying Taxes in Croatia

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax and contribution rate (% of profit)	Notes on TTR
Social security contributions	1	online	96	17.2%	gross salaries	19.40	
Forest contribution	5			0.0265%	total income	0.47	
Tourist fee	1	online		0.0204%	total turnover	0.36	
Chamber of Economy fee	12			HRK 1,083 per month	fixed fee	0.29	
Radio and Television fee	12			HRK 80 per month	Every TV and radio receiver	0.02	
Tax on company name	1			HRK 260	fixed fee	0.01	
Value added tax (VAT)	1	online	52	25%	value added	0.00	not included
Corporate income tax	1	online	58	20%	taxable profit	0.00	
Employee paid - Social security contributions	0	online and jointly		20%	gross salaries	0.00	withheld
Fuel tax	1				included into fuel price	0.00	small amount
<b>Totals</b>	<b>35</b>		<b>206</b>			<b>20.6</b>	

**Details – Paying Taxes in Croatia – Tax by Type**

Taxes by type	Answer
Profit tax (% of profit)	0.0
Labor tax and contributions (% of profit)	19.4
Other taxes (% of profit)	1.2

**Details – Paying Taxes in Croatia – Measure of Quality**

	Answer	Score
<b>Postfiling index (0-100)</b>		<b>61.20</b>

**VAT refunds**

Does VAT exist?	Yes	
Does a VAT refund process exist per the case study?	Yes	
Restrictions on VAT refund process	None	
Percentage of cases exposed to a VAT audit (%)	25% - 49%	
Is there a mandatory carry forward period?	No	
Time to comply with VAT refund (hours)	0.0	100
Time to obtain a VAT refund (weeks)	6.2	94.27

**Corporate income tax audits**

Does corporate income tax exist?	Yes	
Percentage of cases exposed to a corporate income tax audit (%)	25% - 49%	
Time to comply with a corporate income tax audit (hours)	36.5	35.78
Time to complete a corporate income tax audit (weeks)	27.3	14.73

**Notes:** Names of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

The postfiling index is the average of the scores on time to comply with VAT refund, time to obtain a VAT refund, time to comply with a corporate income tax audit and time to complete a corporate income tax audit.

N/A = Not applicable.

## Trading across Borders

Doing Business records the time and cost associated with the logistical process of exporting and importing goods. Doing Business measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

Given the importance of trade digitalization, in Doing Business 2018, the Trading across Borders questionnaire included research questions on the availability and status of implementation of Electronic Data Interchange (EDI) and Single Window (SW) systems. With this information, Doing Business built a comprehensive dataset on the adoption and level of sophistication of electronic platforms in 190 economies. These data are not used to compute the distance to frontier score or ranking of the ease of doing business. The new dataset on EDI and SW systems is available [here](#).

### What the indicators measure

#### Documentary compliance

- Obtaining, preparing and submitting documents during transport, clearance, inspections and port or border handling in origin economy
- Obtaining, preparing and submitting documents required by destination economy and any transit economies
- Covers all documents required by law and in practice, including electronic submissions of information

#### Border compliance

- Customs clearance and inspections
- Inspections by other agencies (if applied to more than 20% of shipments)
- Handling and inspections that take place at the economy's port or border

#### Domestic transport

- Loading or unloading of the shipment at the warehouse or port/border
- Transport between warehouse and port/border
- Traffic delays and road police checks while shipment is en route

### Case study assumptions

To make the data comparable across economies, a few assumptions are made about the traded goods and the transactions:

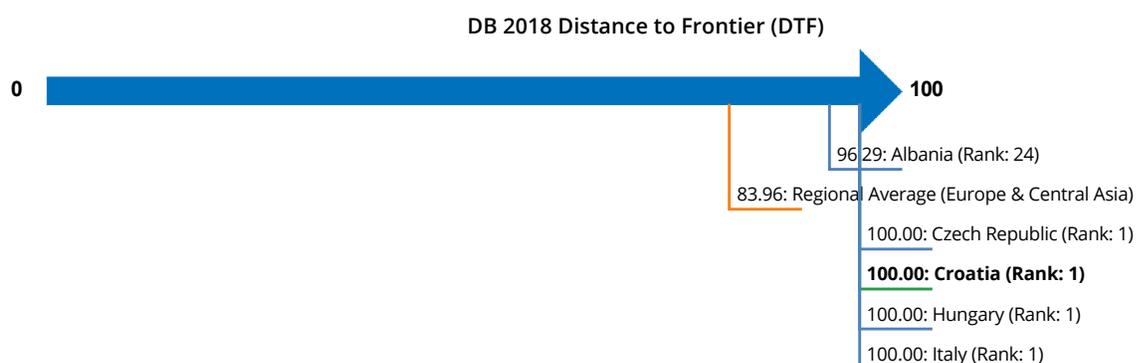
**Time:** Time is measured in hours, and 1 day is 24 hours (for example, 22 days are recorded as  $22 \times 24 = 528$  hours). If customs clearance takes 7.5 hours, the data are recorded as is. Alternatively, suppose documents are submitted to a customs agency at 8:00a.m., are processed overnight and can be picked up at 8:00a.m. the next day. The time for customs clearance would be recorded as 24 hours because the actual procedure took 24 hours.

**Cost:** Insurance cost and informal payments for which no receipt is issued are excluded from the costs recorded. Costs are reported in U.S. dollars. Contributors are asked to convert local currency into U.S. dollars based on the exchange rate prevailing on the day they answer the questionnaire. Contributors are private sector experts in international trade logistics and are informed about exchange rates.

**Assumptions of the case study:** - For all 190 economies covered by Doing Business, it is assumed a shipment is in a warehouse in the largest business city of the exporting economy and travels to a warehouse in the largest business city of the importing economy. - It is assumed each economy imports 15 metric tons of containerized auto parts (HS 8708) from its natural import partner—the economy from which it imports the largest value (price times quantity) of auto parts. It is assumed each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product. Shipment value is assumed to be \$50,000. - The mode of transport is the one most widely used for the chosen export or import product and the trading partner, as is the seaport, or land border crossing. - All electronic information submissions requested by any government agency in connection with the shipment are considered to be documents obtained, prepared and submitted during the export or import process. - A port or border is a place (seaport, airport or land border crossing) where merchandise can enter or leave an economy. - Relevant government agencies include customs, port authorities, road police, border guards, standardization agencies, ministries or departments of agriculture or industry, national security agencies and any other government authorities.

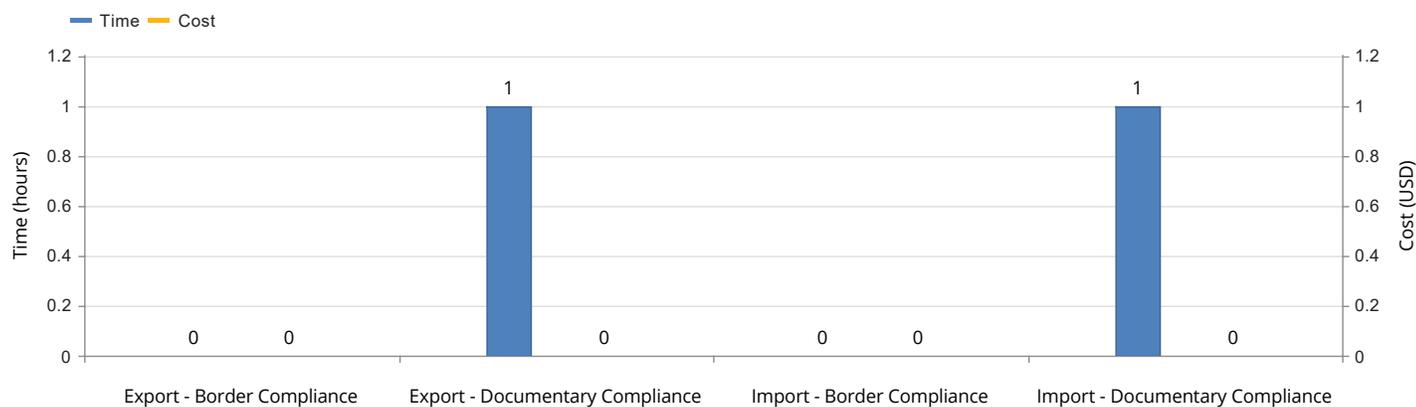
Indicator	Croatia	Europe & Central Asia	OECD high income	Overall Best Performer
Time to export: Border compliance (hours)	0	28.0	12.7	0 (17 Economies)
Cost to export: Border compliance (USD)	0	191.4	149.9	0.00 (19 Economies)
Time to export: Documentary compliance (hours)	1	27.9	2.4	1.0 (25 Economies)
Cost to export: Documentary compliance (USD)	0	113.8	35.4	0.00 (19 Economies)
Time to import: Border compliance (hours)	0	25.9	8.7	0.00 (21 Economies)
Cost to import: Border compliance (USD)	0	185.1	111.6	0.00 (27 Economies)
Time to import: Documentary compliance (hours)	1	27.3	3.5	1.0 (30 Economies)
Cost to import: Documentary compliance (USD)	0	94.7	25.6	0.00 (30 Economies)

Figure – Trading across Borders in Croatia and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for the time and cost for documentary compliance and border compliance to export and import (domestic transport is not used for calculating the ranking).

Figure – Trading across Borders in Croatia – Time and Cost



Details – Trading across Borders in Croatia

Characteristics	Export	Import
Product	HS 85 : Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	HS 8708: Parts and accessories of motor vehicles
Trade partner	Austria	Germany
Border	Croatia- Slovenia border crossing	Croatia-Slovenia border crossing
Distance (km)	76	76
Domestic transport time (hours)	2	2
Domestic transport cost (USD)	135	135

**Details – Trading across Borders in Croatia – Components of Border Compliance**

	Time to Complete (hours)	Associated Costs (USD)
Export: Clearance and inspections required by customs authorities	0.0	0.0
Export: Clearance and inspections required by agencies other than customs	0.1	0.0
Export: Port or border handling	0.1	0.0
Import: Clearance and inspections required by customs authorities	0.0	0.0
Import: Clearance and inspections required by agencies other than customs	0.1	0.0
Import: Port or border handling	0.1	0.0

**Details – Trading across Borders in Croatia – Trade Documents**

Export	Import
CMR waybill	CMR waybill
Commercial invoice	Commercial invoice
Packing list	Packing list
Intrastat	Intrastat

## Enforcing Contracts

The enforcing contracts indicator measures the time and cost for resolving a commercial dispute through a local first-instance court, and the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. The most recent round of data collection was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Time required to enforce a contract through the courts (calendar days)

- Time to file and serve the case
- Time for trial and to obtain the judgment
- Time to enforce the judgment

#### Cost required to enforce a contract through the courts (% of claim)

- Attorney fees
- Court fees
- Enforcement fees

#### Quality of judicial processes index (0-18)

- Court structure and proceedings (-1-5)
- Case management (0-6)
- Court automation (0-4)
- Alternative dispute resolution (0-3)

### Case study assumptions

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement.

To make the data comparable across economies, Doing Business uses several assumptions about the case:

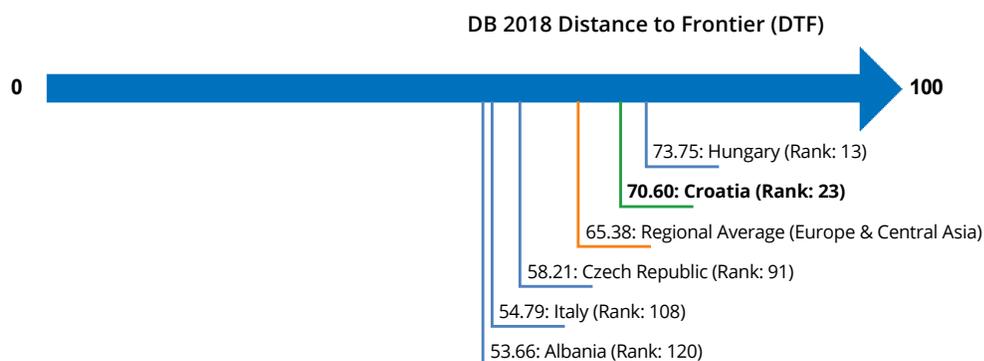
- The dispute concerns a lawful transaction between two businesses (Seller and Buyer), both located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The value of the dispute is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.
- The seller sues the buyer before the court with jurisdiction over commercial cases worth 200% of income per capita or \$5,000.
- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

#### Standardized Case

Claim value	HRK 157,128.00
Court name	Zagreb Commercial Court
City Covered	Zagreb

Indicator	Croatia	Europe & Central Asia	OECD high income	Overall Best Performer
Time (days)	650	489.9	577.8	164.00 (Singapore)
Cost (% of claim value)	15.2	26.2	21.5	9.00 (Iceland)
Quality of judicial processes index (0-18)	13.0	10.0	11.0	15.50 (Australia)

Figure – Enforcing Contracts in Croatia and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of enforcing contracts is determined by sorting their distance to frontier scores for enforcing contracts. These scores are the simple average of the distance to frontier scores for each of the component indicators.

Figure – Enforcing Contracts in Croatia – Time and Cost

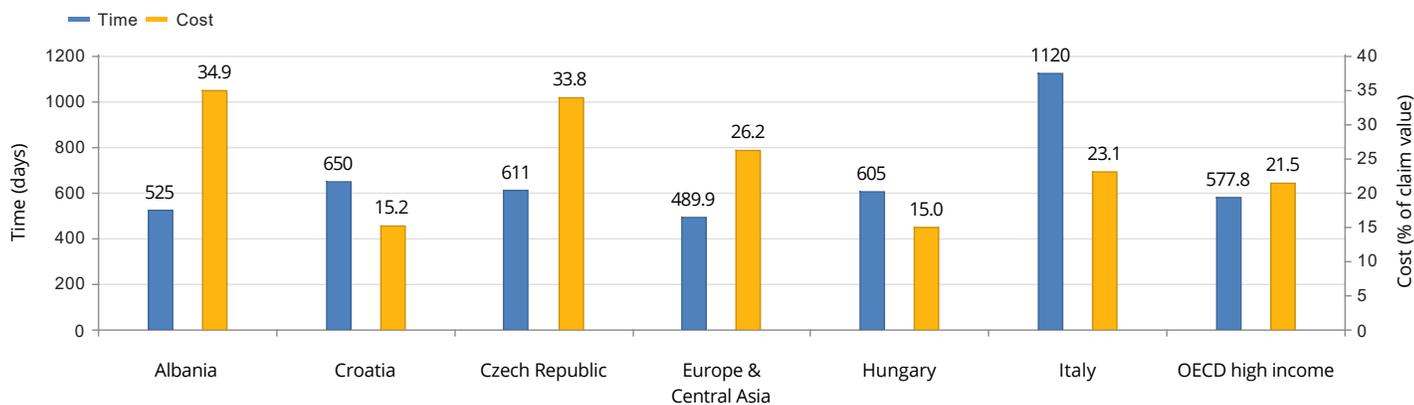
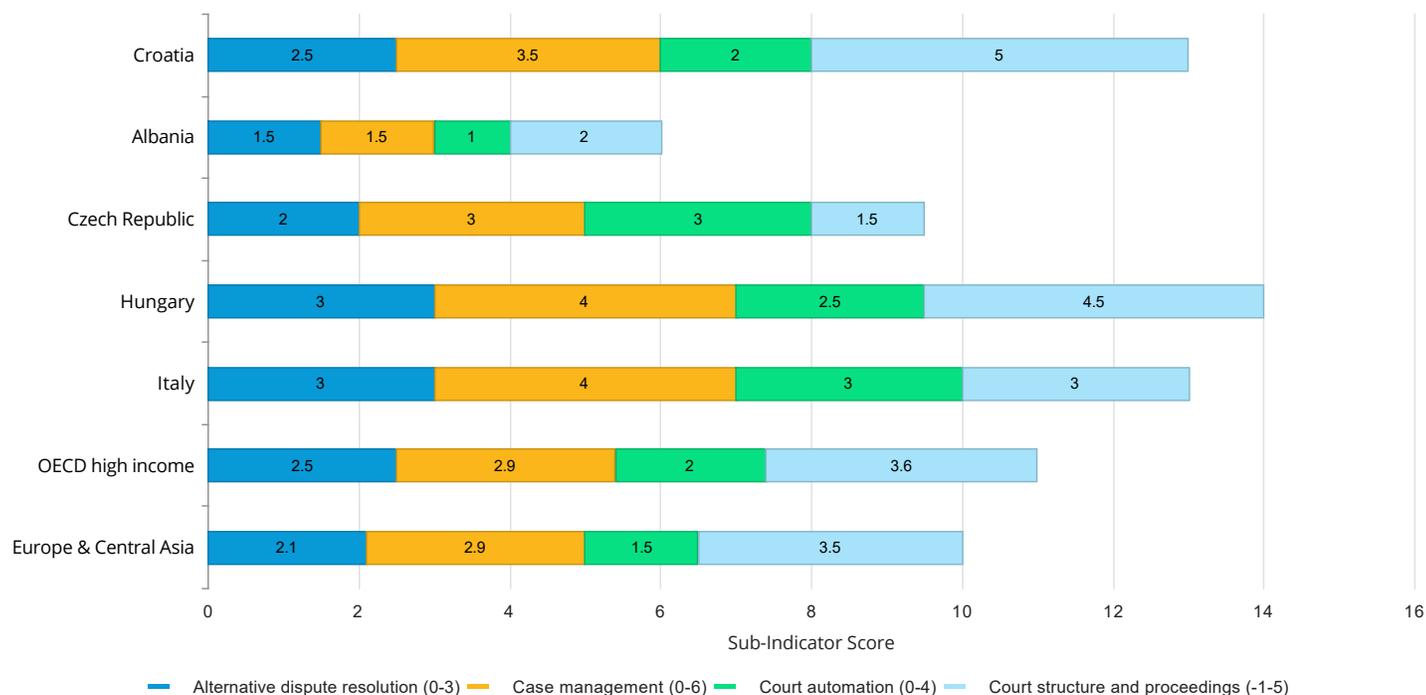


Figure – Enforcing Contracts in Croatia and comparator economies – Measure of Quality



Details – Enforcing Contracts in Croatia

	Indicator
<b>Time (days)</b>	<b>650</b>
Filing and service	50
Trial and judgment	365
Enforcement of judgment	235
<b>Cost (% of claim value)</b>	<b>15.2</b>
Attorney fees	8.6
Court fees	4
Enforcement fees	2.6
<b>Quality of judicial processes index (0-18)</b>	<b>13.0</b>
Court structure and proceedings (-1-5)	5.0
Case management (0-6)	3.5
Court automation (0-4)	2.0
Alternative dispute resolution (0-3)	2.5

## Details – Enforcing Contracts in Croatia – Measure of Quality

	Answer	Score
<b>Quality of judicial processes index (0-18)</b>		<b>13.0</b>
<b>Court structure and proceedings (-1-5)</b>		<b>5.0</b>
1. Is there a court or division of a court dedicated solely to hearing commercial cases?	Yes	1.5
2. Small claims court		1.5
2.a. Is there a small claims court or a fast-track procedure for small claims?	Yes	
2.b. If yes, is self-representation allowed?	Yes	
3. Is pretrial attachment available?	Yes	1.0
4. Are new cases assigned randomly to judges?	Yes, automatic	1.0
5. Does a woman's testimony carry the same evidentiary weight in court as a man's?	Yes	0.0
<b>Case management (0-6)</b>		<b>3.5</b>
1. Time standards		1.0
1.a. Are there laws setting overall time standards for key court events in a civil case?	Yes	
1.b. If yes, are the time standards set for at least three court events?	Yes	
1.c. Are these time standards respected in more than 50% of cases?	Yes	
2. Adjournments		0.5
2.a. Does the law regulate the maximum number of adjournments that can be granted?	No	
2.b. Are adjournments limited to unforeseen and exceptional circumstances?	Yes	
2.c. If rules on adjournments exist, are they respected in more than 50% of cases?	Yes	
3. Can two of the following four reports be generated about the competent court: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report?	Yes	1.0
4. Is a pretrial conference among the case management techniques used before the competent court?	Yes	1.0
5. Are there any electronic case management tools in place within the competent court for use by judges?	No	0.0
6. Are there any electronic case management tools in place within the competent court for use by lawyers?	No	0.0
<b>Court automation (0-4)</b>		<b>2.0</b>
1. Can the initial complaint be filed electronically through a dedicated platform within the competent court?	No	0.0

2. Is it possible to carry out service of process electronically for claims filed before the competent court?	No	0.0
3. Can court fees be paid electronically within the competent court?	Yes	1.0
4. Publication of judgments		1.0
4.a Are judgments rendered in commercial cases at all levels made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	Yes	
4.b. Are judgments rendered in commercial cases at the appellate and supreme court level made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	Yes	
<b>Alternative dispute resolution (0-3)</b>		<b>2.5</b>
1. Arbitration		1.5
1.a. Is domestic commercial arbitration governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects?	Yes	
1.b. Are there any commercial disputes—aside from those that deal with public order or public policy—that cannot be submitted to arbitration?	No	
1.c. Are valid arbitration clauses or agreements usually enforced by the courts?	Yes	
2. Mediation/Conciliation		1.0
2.a. Is voluntary mediation or conciliation available?	Yes	
2.b. Are mediation, conciliation or both governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all their aspects?	Yes	
2.c. Are there financial incentives for parties to attempt mediation or conciliation (i.e., if mediation or conciliation is successful, a refund of court filing fees, income tax credits or the like)?	No	

## Resolving Insolvency

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recovered by secured creditors through reorganization, liquidation or debt enforcement (foreclosure or receivership) proceedings. To determine the present value of the amount recovered by creditors, Doing Business uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Time required to recover debt (years)

- Measured in calendar years
- Appeals and requests for extension are included

#### Cost required to recover debt (% of debtor's estate)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- Other related fees

#### Outcome

- Whether business continues operating as a going concern or business assets are sold piecemeal

#### Recovery rate for creditors

- Measures the cents on the dollar recovered by secured creditors
- Outcome for the business (survival or not) determines the maximum value that can be recovered
- Official costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Present value of debt recovered

#### Strength of insolvency framework index (0- 16)

- Sum of the scores of four component indices:
- Commencement of proceedings index (0-3)
- Management of debtor's assets index (0-6)
- Reorganization proceedings index (0-3)
- Creditor participation index (0-4)

### Case study assumptions

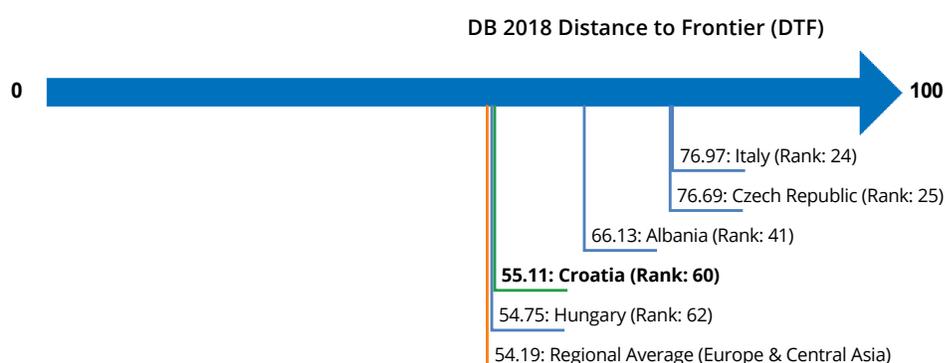
To make the data on the time, cost and outcome comparable across economies, several assumptions about the business and the case are used:

- A hotel located in the largest city (or cities) has 201 employees and 50 suppliers. The hotel experiences financial difficulties.
- The value of the hotel is 100% of the income per capita or the equivalent in local currency of USD 200,000, whichever is greater.
- The hotel has a loan from a domestic bank, secured by a mortgage over the hotel's real estate. The hotel cannot pay back the loan, but makes enough money to operate otherwise.

In addition, Doing Business evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

Indicator	Croatia	Europe & Central Asia	OECD high income	Overall Best Performer
Recovery rate (cents on the dollar)	32.7	38.0	71.2	93.1 (Norway)
Time (years)	3.1	2.3	1.7	0.4 (Ireland)
Cost (% of estate)	14.5	13.1	9.1	1.00 (Norway)
Outcome (0 as piecemeal sale and 1 as going concern)	0	..	..	..
Strength of insolvency framework index (0-16)	12.0	10.8	12.1	15.00 (6 Economies)

Figure – Resolving Insolvency in Croatia and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of resolving insolvency is determined by sorting their distance to frontier scores for resolving insolvency. These scores are the simple average of the distance to frontier scores for the recovery rate and the strength of insolvency framework index.

Figure – Resolving Insolvency in Croatia – Time and Cost

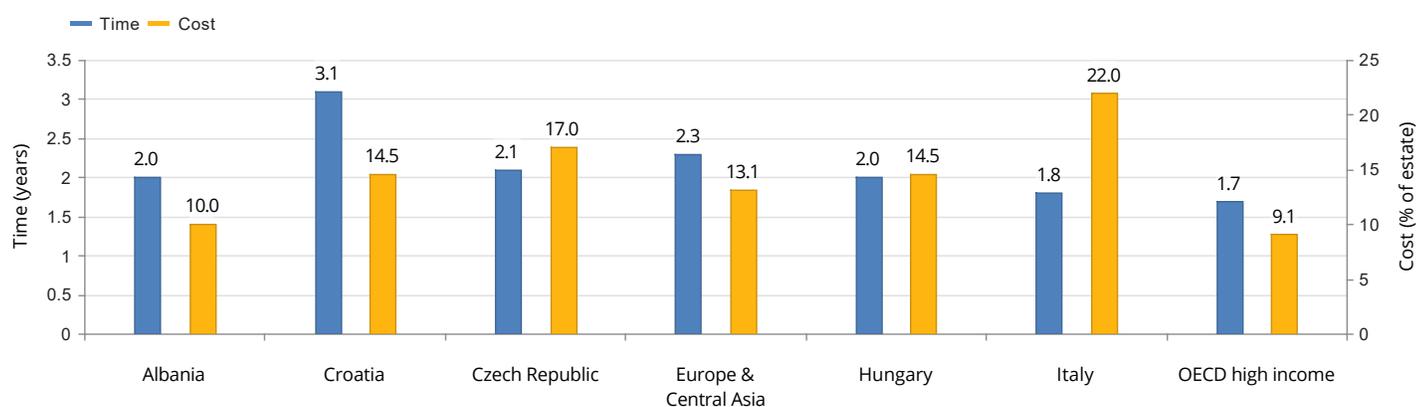


Figure – Resolving Insolvency in Croatia and comparator economies – Measure of Quality

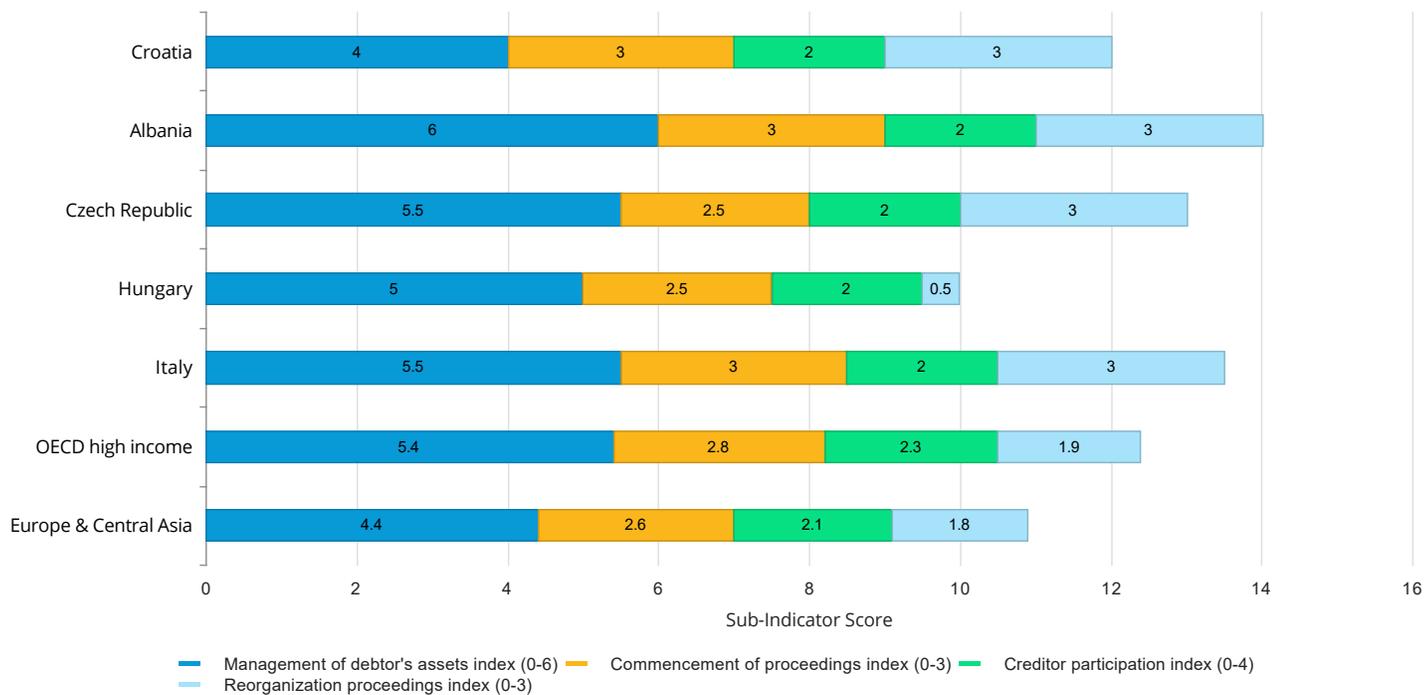
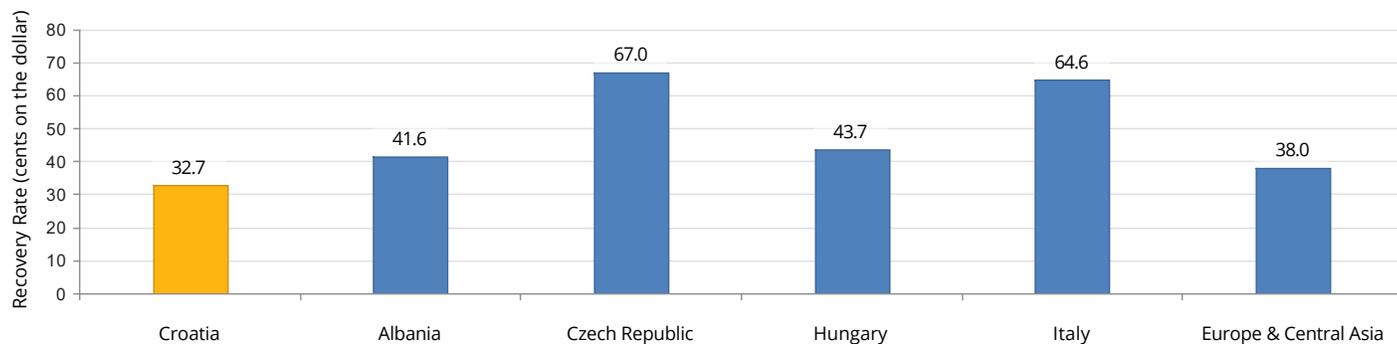


Figure – Resolving Insolvency in Croatia and comparator economies – Recovery Rate



## Details – Resolving Insolvency in Croatia

Indicator	Answer	Explanation
Proceeding	foreclosure	Mirage will apply for the pre-bankruptcy settlement procedure under the Bankruptcy Act. But, it is likely that BizBank would not be interested to reach a settlement on restructuring in that procedure, because, if agreement is settled, Bizbank would not get the payment for, at least, few years. As Bizbank owns 74% of Mirage's debt, the agreement on restructuring plan depends only on the BizBank decision. Instead of agreeing with the Mirage's plan of reorganization in pre-bankruptcy procedure, it is likely that BizBank will initiate foreclosure proceedings requiring sale of the hotel property. As a creditor with a registered pledge, BizBank could enforce its interest in separated foreclosure process, even if Insolvency proceedings is opened.
Outcome	piecemeal sale	Even if Mirage management initiates pre-insolvency or insolvency proceedings, the hotel will not be able to operate if its acts would be done at the expense of the bankruptcy estate. It will have to reduce its working power and cut expenses. And after the bank enforces its security interest, and it can do that outside the insolvency proceedings framework, the hotel will stop operating and its assets will be sold piecemeal.
Time (in years)	3.1	It will take 37 months to complete an unsuccessful pre-bankruptcy settlement procedure, which is followed by foreclosure, when BizBank enforces its security interest in Mirage's assets.
Cost (% of estate)	14.5	Major expenses in foreclosure include attorneys' fees (8%) and fees of accountants and other professionals involved in the proceedings, especially the insolvency representative (5-6%), the rest will cover court fees and sale of the assets.
<b>Recovery rate (cents on the dollar)</b>		<b>32.7</b>

## Details – Resolving Insolvency in Croatia – Measure of Quality

	Answer	Score
<b>Strength of insolvency framework index (0-16)</b>		<b>12.0</b>
<b>Commencement of proceedings index (0-3)</b>		<b>3.0</b>
What procedures are available to a DEBTOR when commencing insolvency proceedings?	(a) Debtor may file for both liquidation and reorganization	1.0
Does the insolvency framework allow a CREDITOR to file for insolvency of the debtor?	(a) Yes, a creditor may file for both liquidation and reorganization	1.0
What basis for commencement of the insolvency proceedings is allowed under the insolvency framework?	(c) Both (a) and (b) options are available, but only one of them needs to be complied with	1.0
<b>Management of debtor's assets index (0-6)</b>		<b>4.0</b>
Does the insolvency framework allow the continuation of contracts supplying essential goods and services to the debtor?	Yes	1.0
Does the insolvency framework allow the rejection by the debtor of overly burdensome contracts?	Yes	1.0
Does the insolvency framework allow avoidance of preferential transactions?	Yes	1.0
Does the insolvency framework allow avoidance of undervalued transactions?	Yes	1.0
Does the insolvency framework provide for the possibility of the debtor obtaining credit after commencement of insolvency proceedings?	No	0.0
Does the insolvency framework assign priority to post-commencement credit?	(c) No priority is assigned to post-commencement creditors	0.0
<b>Reorganization proceedings index (0-3)</b>		<b>3.0</b>
Which creditors vote on the proposed reorganization plan?	(b) Only creditors whose rights are affected by the proposed plan	1.0
Does the insolvency framework require that dissenting creditors in reorganization receive at least as much as what they would obtain in a liquidation?	Yes	1.0

Are the creditors divided into classes for the purposes of voting on the reorganization plan, does each class vote separately and are creditors in the same class treated equally?	Yes	1.0
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<b>Creditor participation index (0-4)</b>		<b>2.0</b>
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Does the insolvency framework require approval by the creditors for selection or appointment of the insolvency representative?	Yes	1.0
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Does the insolvency framework require approval by the creditors for sale of substantial assets of the debtor?	No	0.0
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Does the insolvency framework provide that a creditor has the right to request information from the insolvency representative?	No	0.0
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Does the insolvency framework provide that a creditor has the right to object to decisions accepting or rejecting creditors' claims?	Yes	1.0
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**Note:** Even if the economy's legal framework includes provisions related to insolvency proceedings (liquidation or reorganization), the economy receives 0 points for the strength of insolvency framework index, if time, cost and outcome indicators are recorded as "no practice".

## Labor Market Regulation

Doing Business presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulation are available on the Doing Business website (<http://www.doingbusiness.org/data/exploretopics/labor-market-regulation>).

The most recent round of data collection was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Hiring

(i) whether fixed-term contracts are prohibited for permanent tasks; (ii) maximum cumulative duration of fixed-term contracts; (iii) length of the probationary period; (iv) minimum wage.

#### Working hours

(i) maximum number of working days allowed per week; (ii) premiums for work: at night, on a weekly rest day and overtime; (iii) whether there are restrictions on work at night, work on a weekly rest day and for overtime work; (iv) whether nonpregnant and nonnursing women can work same night hours as men; (v) length of paid annual leave.

#### Redundancy rules

(i) whether redundancy can be basis for terminating workers; (ii) whether employer needs to notify and/or get approval from third party to terminate 1 redundant worker and a group of 9 redundant workers; (iii) whether law requires employer to reassign or retrain a worker before making worker redundant; (iv) whether priority rules apply for redundancies and reemployment.

#### Redundancy cost

(i) notice period for redundancy dismissal; (ii) severance payments due when terminating a redundant worker.

#### Job quality

(i) whether law mandates equal remuneration for work of equal value and nondiscrimination based on gender in hiring; (ii) whether law mandates paid or unpaid maternity leave; (iii) length of paid maternity leave; (iv) whether employees on maternity leave receive 100% of wages; (v) availability of five fully paid days of sick leave a year; (vi) eligibility requirements for unemployment protection.

### Case study assumptions

To make the data comparable across economies, several assumptions about the worker and the business are used.

#### The worker:

- Is a cashier in a supermarket or grocery store, age 19, with one year of work experience.
- Is a full-time employee.
- Is not a member of the labor union, unless membership is mandatory.

#### The business:

- Is a limited liability company (or the equivalent in the economy).
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Has 60 employees.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

**Details – Labor Market Regulation in Croatia**

	Answer
<b>Hiring</b>	
Fixed-term contracts prohibited for permanent tasks?	Yes
Maximum length of a single fixed-term contract (months)	No limit
Maximum length of fixed-term contracts, including renewals (months)	No limit
Minimum wage applicable to the worker assumed in the case study (US\$/month)	497.1
Ratio of minimum wage to value added per worker	0.3
Maximum length of probationary period (months)	6.0
<b>Working hours</b>	
Standard workday	8.0
Maximum number of working days per week	6.0
Premium for night work (% of hourly pay)	0.0
Premium for work on weekly rest day (% of hourly pay)	0.0
Premium for overtime work (% of hourly pay)	0.0
Restrictions on night work?	Yes
Whether nonpregnant and nonnursing women can work the same night hours as men	Yes
Restrictions on weekly holiday?	Yes
Restrictions on overtime work?	No
Paid annual leave for a worker with 1 year of tenure (working days)	20.0
Paid annual leave for a worker with 5 years of tenure (working days)	20.0
Paid annual leave for a worker with 10 years of tenure (working days)	20.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	20.0
<b>Redundancy rules</b>	
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if one worker is dismissed?	Yes
Third-party approval if one worker is dismissed?	No
Third-party notification if nine workers are dismissed?	Yes
Third-party approval if nine workers are dismissed?	No

Retraining or reassignment obligation before redundancy?	No
Priority rules for redundancies?	Yes
Priority rules for reemployment?	Yes
<b>Redundancy cost</b>	
Notice period for redundancy dismissal for a worker with 1 year of tenure	4.3
Notice period for redundancy dismissal for a worker with 5 years of tenure	8.7
Notice period for redundancy dismissal for a worker with 10 years of tenure	10.7
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	7.9
Severance pay for redundancy dismissal for a worker with 1 year of tenure	0.0
Severance pay for redundancy dismissal for a worker with 5 years of tenure	7.2
Severance pay for redundancy dismissal for a worker with 10 years of tenure	14.4
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	7.2
<b>Job quality</b>	
Equal remuneration for work of equal value?	Yes
Gender nondiscrimination in hiring?	Yes
Paid or unpaid maternity leave mandated by law?	Yes
Minimum length of maternity leave (calendar days)?	208.0
Receive 100% of wages on maternity leave?	Yes
Five fully paid days of sick leave a year?	Yes
Unemployment protection after one year of employment?	Yes
Minimum contribution period for unemployment protection (months)?	9.0

## Business Reforms in Croatia

In the year ending June 1, 2017, 119 economies implemented 264 total reforms across the different areas measured by Doing Business. Doing Business has recorded more than 2,900 regulatory reforms making it easier to do business since 2004. Reforms inspired by Doing Business have been implemented by economies in all regions. The following are the reforms for Croatia implemented since Doing Business 2008.

✓ = Doing Business reform making it easier to do business. ✗ = Change making it more difficult to do business.

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### DB2018

✗ **Dealing with Construction Permits:** Croatia made dealing with construction permits more costly by increasing the administrative fees for building and occupancy permits.

✓ **Registering Property:** Croatia made it less costly to transfer property by lowering the real estate transfer tax.

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### DB2017

✗ **Starting a Business:** Croatia made starting a business more difficult by increasing notary fees.

✓ **Protecting Minority Investors:** Croatia strengthened minority investor protections by requiring detailed internal disclosure of conflicts of interest by directors.

✗ **Paying Taxes:** Croatia made paying taxes more complicated by introducing a radio and television fee, and eliminating the reduction of the Chamber of Economy fee for new companies.

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### DB2016

✓ **Enforcing Contracts:** Croatia made enforcing contracts easier by introducing an electronic system to handle public sales of movable assets and by streamlining the enforcement process as a whole.

**Labor Market Regulation:** 1) Croatia eliminated the requirement to retrain or reassign employees before they can be made redundant. 2) In accordance with the Minimal Wage Act, Art. 1, published in Official Gazette No.151/2014, the minimum wage has been increased from 3.017,61 Kuna/month to 3.029,55 Croatian Kuna/month gross salary, in force for the period of January 1, 2015 to December 31, 2015.

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### DB2015

✓ **Starting a Business:** Croatia made starting a business easier by reducing notary fees.

✓ **Dealing with Construction Permits:** Croatia made dealing with construction permits easier by reducing the requirements and fees for building permits and carrying out the final building inspection more promptly.

✗ **Paying Taxes:** Croatia made paying taxes more complicated for companies by raising the health insurance contribution rate, increasing the Croatian Chamber of Commerce fees and introducing more detailed filing requirements for VAT. On the other hand, it abolished the contribution to the Croatian Chamber of Commerce.

✓ **Trading across Borders:** Croatia made trading across borders easier by implementing a new electronic customs system.

**Labor Market Regulation:** Croatia lifted the 3-year limit on the duration of first-time fixed-term contracts.

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### DB2014

✓ **Paying Taxes:** Croatia made paying taxes easier for companies by introducing an electronic system for social security contributions and by reducing the rates for the forest and Chamber of Commerce contributions.

✓ **Trading across Borders:** Croatia made trading across borders easier by improving the physical and information system infrastructure at the port of Rijeka and by streamlining export customs procedures in preparation for accession to the Common Transit Convention of the European Union.

✓ **Enforcing Contracts:** Croatia made enforcing contracts easier by streamlining litigation proceedings and transferring certain enforcement procedures from the courts to state agencies.

✓ **Resolving Insolvency:** Croatia made resolving insolvency easier by introducing an expedited out-of-court restructuring

procedure.

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DB2013

✓ **Paying Taxes:** Croatia made paying taxes less costly for companies by reducing the health insurance contribution rate.

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DB2012

✓ **Getting Credit:** In Croatia the private credit bureau started to collect and distribute information on firms, improving the credit information system.

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DB2011

✓ **Starting a Business:** Croatia eased business start-up by allowing limited liability companies to file their registration application with the court registries electronically through the notary public.

✓ **Dealing with Construction Permits:** Croatia replaced the location permit and project design confirmation with a single certificate, simplifying and speeding up the construction permitting process.

✗ **Paying Taxes:** Croatia made paying taxes more difficult and costly for companies by introducing a tourist fee.

**Labor Market Regulation:** Croatia increased the mandatory paid annual leave.

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DB2010

✓ **Dealing with Construction Permits:** Croatia improved its construction permitting process through the operation of a one-stop shop and enforcement of the building code.

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DB2009

✓ **Dealing with Construction Permits:** Croatia made dealing with construction permits easier through a new building code that eliminated several procedures for obtaining a building permit—though other changes caused an administrative backlog for building and occupancy permits that increased the overall time required.

✓ **Paying Taxes:** Croatia made paying taxes easier for companies by encouraging online filing.

✓ **Trading across Borders:** Croatia reduced the time for exporting and importing through ongoing improvements in port infrastructure.

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DB2008

✓ **Starting a Business:** Croatia made starting a business easier by enhancing the services of the one-stop shop.

✓ **Registering Property:** Croatia reduced the time required to register property through ongoing improvements at the land registry.

✓ **Getting Credit:** Croatia strengthened its secured transactions system by launching a unified and geographically centralized collateral registry and improved access to credit information by setting up a new private credit bureau, HROK.

✓ **Resolving Insolvency:** Croatia made resolving insolvency easier through amendments to its insolvency act regulating the profession of bankruptcy administrators.

*Doing Business 2018* is the 15th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. The report provides quantitative indicators covering 11 areas of the business environment in 190 economies. The goal of the *Doing Business* series is to provide objective data for use by governments in designing sound business regulatory policies and to encourage research on the important dimensions of the regulatory environment for firms.



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