

Buying in Croatia - The Company route vs. The Private route

There are two ways to purchase a property in Croatia - either as an individual 'private' person, or through the formation of a Croatian company. Both routes have their own advantages and disadvantages - so before buying a property in Croatia, it is important to thoroughly examine your reasons for buying so as to decide which of the two routes is best for you.

The basic rule is as follows: if you are buying a holiday home, and intend to use it solely for yourself and your close family, go the 'private' route. If you are buying mainly as an investment, and are planning on renting the property, go the 'company' route.

	Company Route	Private Route
Advantages	<p>The ownership process moves much faster - less than 10 weeks - as there is no need to wait for approval from the ministry - you can be registered as the owner immediately.</p> <p>You can reclaim the 22% VAT paid on new build apartments.</p> <p>No real estate transfer tax when you sell the property/company.</p> <p>If buying land or extending, you will need to apply for building permits - this can only be done if you are the registered owner.</p> <p>You need to be the registered owner to obtain a letting license.</p>	<p>No ongoing costs of running a company.</p> <p>You can avoid concerns over future law changes regarding the use of Companies to purchase overseas properties.</p>
Disadvantages	<p>The set up costs are € 1550 and you will need initial share capital of € 2700.</p> <p>The paperwork involved in maintaining a company in Croatia is ongoing. You will need a Croatian accountant to keep you up to date - this will cost around €1000 per year.</p> <p>Possibility that your own Government or the Croatian Government will introduce a new tax aimed at anyone who owns a property through a company, in order to tighten up on people avoiding stamp duty.</p>	<p>Although you own the property on signing of a final sales contract, you will not be registered in the land books until you receive permission from the ministry - this can take anything up to 3 years.</p> <p>Until you are the registered owner, you cannot obtain any building permission, and it is much more difficult to obtain a letting license.</p> <p>You cannot claim back the VAT if buying new property.</p>

Buying in Croatia - The costs

Agency Fee

We charge a fee of 4% of the property purchase price, plus VAT at 22% (a total of 4.88%). This is payable once you sign your sales contract.

Furnishing

We can recommend an interior design company that can arrange the furnishing of an apartment. Please note that most new apartments in Croatia don't come with a fitted kitchen.

Annual Holiday Home Tax

There is an annual holiday home tax of approximately € 2 per m2 of property, which covers street lighting and road maintenance etc.

House Insurance

Your apartment or house can be insured from as little as € 150 per year. We can help arrange this, through our contacts at Allianz insurance.

Real Estate Transfer Tax

A tax of 5% of the market value of real estate is imposed on the transfer of real estate ownership. The tax is payable by both domestic and foreign legal entities and individuals, unless an international treaty provides otherwise. Transfer of immovable property comprises any acquisition of immovable property in the Republic of Croatia. The tax base is the market value of real property at the moment of the acquisition. The acquirer of real property is the one who is obliged to pay the tax.