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HIGHEST ANNUAL BASE FOR CALCULATION OF CONTRIBUTIONS

According to Croatian Act about contributions the base for calculation of obligatory contribution is salary paid by employer to employees.

Croatian Act about contributions determines the Institute of the highest monthly and highest annual base for calculation and payment of contributions.

The highest monthly base for payment of contributions for pension insurance is calculated as a product of average salary per employee in Republic of Croatia and the coefficient 6,00.

For the year 2018. prescribed highest monthly base is =48.120,00 HRK.

If the amount of remuneration is higher than highest monthly base for calculation of contribution, then the contributions must be calculated and paid only up to the highest base.

The highest monthly base is applicable **only by the regular monthly remuneration** i.e. all remunerations that refer to exact month. When the employer pays the remuneration which do not refer to the exact month (annual bonus, sales commissions for previous months, salary differences, quarterly bonus etc.) then the highest monthly base is not applicable. The contributions must be calculated on the total remuneration.

The highest annual base for payment of contributions for pension insurance (I Pillar) is calculated as a product of average salary per employee in Republic of Croatia, the coefficient 6, 00 and number 12.

For the year 2018. prescribed highest annual base is =557.440,00 HRK.

The employer can apply the highest annual base only for the employees who are in employment at the same employer the whole calendar year. It means that the payer (employer) of the contributions must not change during the whole calendar year. If the employee paid for the calendar year the contribution for the I pillar up to the amount that exceed the highest annual base, that employee has right to return of more paid contribution. The employee only has right to return of contribution for I. Pillar. It is not applicable for II. Pillar.

The procedure for return of more paid contribution must be initiated thru the written request of the employee. The written request should be submitted to the local Tax Authority (according to the employee's residence).

Enclosure to the request for reimbursement of the more paid contribution is form GOD/GOD-DOP (from 2009. employer should issue form GOD-DOP) i.e. the confirmation about calculated and paid contribution for I. Pillar. This form is issued by Benko Kotruljić, based on request.

When the procedure is finished, Tax Authority issues Tax arrangement and determines the amount of more paid contribution, the amount of tax and surtax to be paid, and finally the amount for reimbursement. Important note that amount of reimbursement of more paid contribution is taxable, so will be applied tax + city tax (surtax).

BENKO KOTRULJIĆ D.O.O.
January, 2018.