

**duty? What criteria does the Finance Ministry use to decide whether or not to levy the special customs protection measure? (WT/ACC/HRV/3)**

**ANSWER:**

This provision (Article 55 of the Customs Law) was intended to be used as a safeguard clause. It has been suspended by the new Law on Trade (Article 38 and 39) relating to safeguard measures. Article 55 of the Customs Law will be deleted at the time of the next revision of the Law, and in fact it has never been used.

**QUESTION 46:**

**Concerning the customs registration charge addressed in the response to question 33, Croatia states that it "represents a strictly specified purpose source of revenue" and "a strictly allocated fiscal source". (WT/ACC/HRV/3)**

**How does the 1 percent ad valorem rate correspond with the actual cost of customs services for each individual shipment?**

**While its application does not discriminate based on country of origin, it appears to violate GATT Article VIII which stipulates that customs fees shall not represent a taxation of imports or exports for fiscal purposes and should approximate the cost of the services rendered. How does Croatia intend to bring these fees into conformity?**

**In the response to question 37, Croatia states that the customs record-keeping fee will be incorporated into its tariff schedule. Please outline for the Working Party how Croatia intends to include this and other miscellaneous charges that are otherwise not consistent with the WTO in its tariff schedule? (WT/ACC/HRV/3)**

**ANSWER:**

The 1 percent customs registration fee has been abolished and incorporated into the new Customs Tariff Law.

**QUESTION 47:**

**Which imported farm products referred to in question 35-36 of WT/ACC/HRV/3, are subject to the provisional tax levied for balance-of-payments reasons?**

**ANSWER:**

No provisional taxes are applied on any products, including agricultural products, at the present time. The additional charge of 10 percent for balance of payments reasons will be abolished with the new Customs Tariff entering into force on July 1, 1996.

### **III.2(d) Taxation Régime**

**QUESTION 48:**

**Could Croatia please elaborate on the two systems in place for domestic and imported goods?**

**ANSWER:**

Croatia does not have two systems in place for domestic and foreign goods. However, an excise tax is applied differently with respect to domestic and foreign products, as follows: only tobacco and tobacco products, beer, non-alcoholic beverages, and alcoholic beverages. Prior to accession to the WTO, Croatia will bring the existing legislation to conform with WTO principles.

**QUESTION 49:**

**Does Croatia intend soon to reduce the average tax level in general, and specifically excise duties? (WT/ACC/HRV/3, Question 38)**

**ANSWER:**

There are presently no plans to lower the general tax level. The VAT system will enter into force on January 1, 1997. In addition, a new law abolishing excise tax will shortly be introduced.

**QUESTION 50:**

**Croatia states in response to question 38 that it applies an excise tax to imported alcoholic beverages and tobacco products. Does this tax apply to domestic products as well? Please list by HS tariff line the excise tax rates applied to each domestic and imported product, including but not limited to alcohol and tobacco products. (WT/ACC/HRV/3)**

**Please indicate the structure of the rates of excise tax on tobacco and other products according to the origin of substance of the product. (WT/ACC/HRV/7)**

**ANSWER:**

The Taxation of tobacco products (cigarettes, cigars, cigarillos, pipe tobacco and rolling tobacco, snuff, chewing and other tobacco products) with a special tax is regulated by the Law on Special Tax on Tobacco Products. The special taxes are as follows:

- All kinds of cigarettes produced abroad (imported) - 8.50 kunas;
- Domestic cigarettes produced in the Republic of Croatia containing at least 60% domestic tobacco - 4.20 kunas (hard pack) and 3.50 kunas (soft pack);
- Domestic cigarettes containing less than 60% domestic tobacco - 5.00 kunas; containing less than 60% domestic tobacco - 7.50 kunas;
- All cigarettes produced in the Republic of Croatia on the basis of production licenses containing at least 60% domestic tobacco - 5.00 kunas;
- All kinds of cigarettes sold in specialized warehouses and duty-free zones - 7.50 kunas (this amount was paid on cigarettes sold at border crossings in duty-free shops that operated until March 31, 1995);
- For 1,000 grams of imported tobacco - 56.00 kunas;
- For 1,000 grams of domestic tobacco - 28.00 kunas;
- For one imported and domestic cigar - 0.60 kunas;
- For 20 imported and domestic cigarillos - 4.00 kunas.

The Law on Special Tax on Coffee stipulates the following special tax amounts:

- For non roasted coffee with and without caffeine - 1.00DM;
- For roasted coffee with and without caffeine - 2.50 DM;
- For coffee husks and skins - 3.50 DM;
- For coffee substitutes containing coffee - 4.00DM.

The Law on Special Tax on Petroleum Products stipulates the following special tax amounts:

- For types of leaded and unleaded motor gasoline such as MB-98, MB-86 - 1.90 kunas;
- For types of leaded and unleaded motor gasoline such as BMB-98, BMB-95, BMB-91 - 1.60 kunas;
- For diesel such as D-i, D-2, D-3 - 1.40 kunas;
- For heating oil extra light and special light (EL,LS) - 0.30 kunas.

The Law on Special Tax on Beer stipulates the following special tax amounts:

- For one hectolitre of domestic beer - 80.00 kunas;
- For one hectolitre of imported beer - 120.00 kunas.

The Law on Special Tax on Non Alcoholic Beverages stipulates the following special tax amounts:

- For one hectolitre of domestic non alcoholic beverages - 40.00 kunas;
- For one hectolitre of imported non alcoholic beverages - 80.00 kunas.

The Law on Special Tax on Alcohol stipulates the following special tax amounts:

- For one litre of absolute alcohol contained in domestic alcohol and alcoholic beverages - 30.00 kunas;
- For one litre of absolute alcohol contained in imported alcohol and alcoholic beverages - 60.00 kunas.

The Law on Special Tax on Imported Automobiles stipulates the following special tax amounts:

- For kW (power) 75-90 - 7,000.00 kunas;
- For kW (power) 90-110 - 15,000.00 kunas;
- For kW (power) 110 - 30,000.00 kunas.

Prior to accession to the WTO, Croatia will bring the existing legislation to conform with WTO principles.

**QUESTION 51:**

**In response to question number 39, Croatia states that the turnover tax will be replaced by a VAT to be implemented on 1 January 1997. Please indicate how Croatia is preparing to make this conversion. Is it still intended that the VAT should replace the turnover tax on 1 January 1997? (WT/ACC/HRV/3)**

**ANSWER:**

Croatia has been preparing the public for the conversion by educating taxpayers and tax officers on a national level (seminars, work shops, etc.), by publishing the Law on VAT, VAT guides and tax books, pro bono booklets describing the conversion, and by informing the general public through the media (television programs, radio, etc.).

The VAT will replace the turnover tax and provide for a simple application of 22 percent and supervision system. This single rate system is in line with the Sixth Directive of the EU.

**QUESTION 52:**

**Please list all other domestic taxes applied to imported goods or services. List the goods by HS tariff line and the level of the tax applied.**

**ANSWER:**

Croatia does not apply any other taxes to imported goods or services.

**QUESTION 53:**

**Please confirm that the rate of 22 percent noted in the Final Draft Value Added Tax Bill provided in Appendix 26 is still the intended rate of the VAT. What is the current turnover tax rate? (WT/ACC/HRV/4)**

**ANSWER:**

The VAT rate is 22 percent. The current turnover tax rate is applied in compliance with the tax tariff rates, which consist of 4 tariff levels ranging from 5 percent to 20 percent. Products exempt from the turnover tax are basic agricultural and food products, raw materials (under special conditions), etc.

**QUESTION 54:**

**The Final Draft Value Added Tax Bill provided in Appendix 26 notes that the VAT is collected from taxpayers twice monthly based on invoices, and that businesses whose turnover does not exceed 50.000 kuna in the previous year after certain deductions are exempt from paying the tax. Do these provisions also apply to importers? Do importers pay the tax accumulated on the same schedule, or is it collected at the time of importation? Do business men exempt from paying the tax receive VAT exemptions for their sales of imported goods? (WT/ACC/HRV/4)**

**ANSWER:**

Yes, these provisions apply to importers at the time of importation. Business people are exempt from paying the tax receive VAT exemptions for their sales of imported goods.

**QUESTION 55:**

**When does Croatia intend to eliminate definitively all forms of discrimination between domestic and foreign products, in accordance with the WTO rules? (WT/ACC/HRV/3, Question 113)**

**ANSWER:**

The Republic of Croatia will abolish discrimination treatment in the excise tax of tobacco and tobacco products, beer, non alcoholic products, and alcoholic products to conform to WTO principles.

**III.2(e) Tariff Preferences**

**QUESTION 56:**

**Could Croatia elaborate on its preferential trading arrangements with the republics of former Yugoslavia, as well as with Tunisia, Turkey, Uruguay and Spain (page 34). Please give details regarding the extent to which agricultural goods are affected, and the margins of preference. (L/7466)**

**ANSWER:**

Preferential customs duties on goods imported from the republics of former Yugoslavia (Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia and Slovenia) were imposed in 1991 and were abolished from 1 of January 1994. Preferential treatment of the goods originating in Tunisia, Turkey, Uruguay and Spain was abolished on 31 December 1993. Presently, only a preferential trading agreement with the Republic of Bosnia and Herzegovina for the goods originating in the mentioned state exists; this agreement resulted from the Washington Agreements.

**QUESTION 57:**

**Could Croatia compare the level of priority that it attaches to providing market access commitments on an MFN basis as part of its accession commitments, with the level of priority that it attaches**

**to providing preferential market access in regional trade agreements in which it might expect to participate? (WT/ACC/HRV/3, Question 40)**

**ANSWER:**

The Republic of Croatia has concluded a free-trade agreement with Bosnia and Herzegovina, which recently entered into force. In addition, it is the intention of the Government of Croatia to enter into free-trade agreements with CEFTA countries and in due course join the European Union. Croatia is fully aware of the requirements of Article XXIV of the GATT and will ensure that any agreements concluded by our country will meet these requirements. Apart from this, the Republic of Croatia is fully committed to the MFN principle, both in the area of market access as well as in all other areas covered by the WTO.

### **III.2(f) Non-Tariff Measures Applied to Imports and Exports of Goods**

#### **QUESTION 58:**

**The Republic of Croatia will reduce the number of import restrictions and include them in the customs tariff in the form of basic customs duties. Broadly speaking, what are the main categories of products concerned by the reduction in these restrictions? (WT/ACC/HRV/3, Question 37)**

**ANSWER:**

Please refer to the answer to question 61.

#### **III.2(f).1 Quotas**

#### **QUESTION 59:**

**Please confirm that Table A3.22 (pages 108-124) contains all products subject to quotas, and provide details regarding size of each quota. The memorandum states that "quantitative restrictions will gradually be removed" (page 35); does Croatia intend to complete the elimination of these quantity restrictions in conjunction with its accession to GATT/WTO? (L/7466)**

**ANSWER:**

The Croatian Government has decided to dismantle quantity restrictions on imports on imports and exports and has, over the recent years pursued such policy which was designed to systematically reduce the number of products subject to quota.

Therefore, in the course of this year (July) there will be further reduction of quotas, which implies an almost complete removal of import quotas by the beginning of 1997.

#### **QUESTION 60:**

**In its response to question 10 in WT/ACC/HRV/3, Croatia indicates that it plans to eventually eliminate the remaining quotas and restrictive licenses. Croatia also noted that the next revision of quotas will be carried out during 1995.**

**Croatia has provided, in Appendix 14, the quotas applied in 1995, and has recently provided a list of 1996 quotas to the Secretariat for Working Party review.**

**We commend Croatia for unilaterally initiating the process to eliminate its quantitative restrictions and reminds Croatia that all quantitative restrictions not justified under specific WTO provisions must be eliminated or otherwise brought into conformity with WTO rules upon accession.**