

# Croatia

## Transfer Pricing Country Profile<sup>1</sup>

January 2026

		SUMMARY	REFERENCE
<b>The Arm's Length Principle</b>			
1	<b>Does your domestic transfer pricing framework<sup>2</sup> make reference to the arm's length principle?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<a href="#">Profit Tax Act</a> , Article 13 <a href="#">Profit Tax Ordinance</a> , Article 40 (in Croatian)—the unofficial translation of Article 40 in English is displayed under the question 47
2	<b>Does your domestic transfer pricing framework give the OECD Transfer Pricing Guidelines any role or status (e.g. legal binding effect, subsidiary application in the absence of domestic legislation, source of interpretation of domestic legislation and/or treaty provisions, other)?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<a href="#">Profit Tax Ordinance</a> , Article 40, paragraph 12
		OECD TPG will be used to interpret the application of transfer pricing rules from Profit Tax Act and Profit Tax Ordinance.	
3	<b>Does your domestic transfer pricing framework provide for a definition of related parties applicable for transfer pricing purposes? If so, please provide</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<a href="#">Profit Tax Act</a> , Article 13, paragraph 2

<sup>1</sup> Information in transfer pricing country profiles is provided directly by jurisdictions. By publishing the transfer pricing country profiles on the OECD website, the OECD does not certify the accurateness of the information provided therein. Importantly, transfer pricing country profiles published on the OECD website are made available to stakeholders for information purposes only and are not intended to be used in substitution to a jurisdiction's legal instruments, jurisprudence, or administrative guidance or practice nor relied on as an accurate and complete description of domestic law.

<sup>2</sup> For purposes of transfer pricing country profiles, the term "domestic transfer pricing framework" refers to a jurisdiction's domestic legislation, regulations, administrative guidance or practice, jurisprudence or governing general principles in the jurisdiction.

	<p><b>the definition contained under your domestic transfer pricing framework.</b></p>	<p>According to the Profit Tax Act, Article 13, paragraph 2:</p> <p>“Persons shall be associated if one of them participates, directly or indirectly, in the management, control or capital of the other person, or if the same persons participate, directly or indirectly, in the company’s management, control or capital.”</p>													
<b>Transfer Pricing Methods</b>															
4	<p><b>Does your domestic transfer pricing framework provide for transfer pricing methods to be used in respect of transactions between related parties?</b></p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>If affirmative, please check those provided for in your legislation:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>CUP</th><th>Resale Price</th><th>Cost Plus</th><th>TNMM</th><th>Profit Split</th><th>Other (<i>If so, please describe</i>)</th></tr> </thead> <tbody> <tr> <td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input type="checkbox"/></td></tr> </tbody> </table> <p><u>According to Profit Tax Act, Article 13, the following methods can be used:</u></p> <ul style="list-style-type: none"> <li>- Comparable uncontrolled price method</li> <li>- Resale price method</li> <li>- Cost plus method</li> <li>- Transactional profit split method</li> <li>- Transactional net margin method</li> </ul> <p><u>According to Profit Tax Ordinance, Article 40:</u></p> <p>In addition to the methods referred to in Article 13, paragraph 3 of the Profit Tax Act, the taxpayer may use other methods for determining prices provided that these prices satisfy the arm's length principle. Other methods shall be used only if the methods referred to in Article 13, paragraph 3 of the Act are not appropriate to the facts and circumstances of the case.</p> <p>In the case of using the method referred to in paragraph 3 of this Article, the choice of the method shall be supported by an explanation of why the methods referred to in Article 13, paragraph 3 of the Act is considered less appropriate and the reasons why the other method referred to in paragraph 3 of this Article was applied.</p>	CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other ( <i>If so, please describe</i> )	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p><a href="#">Profit Tax Act</a>, Article 13</p> <p><a href="#">Profit Tax Ordinance</a>, Article 40</p>				
CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other ( <i>If so, please describe</i> )										
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>										

5	<p><b>Which criterion is provided for in your domestic transfer pricing framework for the application of transfer pricing methods?</b></p>	<p>Please check all that apply:</p> <p><input checked="" type="checkbox"/> Hierarchy of methods</p> <p><input checked="" type="checkbox"/> Most appropriate method</p> <p><input type="checkbox"/> Other (<i>if so, please explain</i>)</p> <p>According to Article 40 of the Profit Tax Ordinance, when selecting the method for determining transfer pricing, it is necessary to determine the method that is most appropriate for a given case. In this process the advantages and disadvantages of the prescribed methods should be taken into account, the appropriateness of the method to the nature of the controlled transaction as determined by functional analysis, the availability of reliable information required for the application of the transactions, including the reliability of comparability adjustments that may be required for the elimination of their mutual material differences.</p> <p>Furthermore, it is stipulated that classical transaction methods (comparable uncontrolled price method, resale price method, cost plus method) can more directly determine whether the terms of trade and financial relationships of related parties are in line with the arm's length principle. Taking into account the above criteria, where profit split method and transactional net margin method can be applied with the same reliability, the advantage is given to the classical transaction method, that is, when it is possible to use the Comparable uncontrolled price method and some other method for determining transfer pricing, it is preferable to use the Comparable uncontrolled price method, with the emphasis being placed on finding the method that is most appropriate for a given case.</p>	<p><a href="#">Profit Tax Ordinance</a>, Article 40</p>
6	<p><b>Does your domestic transfer pricing framework contain specific guidance on commodity transactions?</b></p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> For controlled transactions involving commodities, the guidance contained in paragraphs 2.18-2.22 of the TPG is followed.</p> <p><input type="checkbox"/> Domestic transfer pricing framework provides for the use of a specific method for controlled transactions involving commodities</p> <p><input checked="" type="checkbox"/> No</p> <p>Currently, Croatia has no framework containing specific guidance on commodity transactions and tend to rely on the OECD TPG.</p>	

## Comparability Analysis

7	<p><b>Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG?</b></p>	<p><input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No</p> <p>According to Article 40 of the Profit Tax Ordinance, to substantiate that the transaction was carried out at arm's length, the taxpayer should prepare and submit upon request to the tax administration TP documentation containing, among others, comparability and functional analysis for materially significant transactions carried out by a local entity. OECD TPG will be used to interpret the application of transfer pricing rules from Profit Tax Act and Profit Tax Ordinance.</p>	<p><a href="#">Profit Tax Ordinance</a>, Article 40, paragraph 6 (in Croatian)</p>
8	<p><b>Is there a preference in your jurisdiction for domestic comparables over foreign comparables?</b></p>	<p><input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No</p> <p>If available, domestic comparables are used, otherwise Croatia uses foreign comparables.</p>	
9	<p><b>Does your domestic transfer pricing framework permit the use of secret comparables for transfer pricing assessment purposes?</b></p>	<p><input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No</p>	
10	<p><b>Does your domestic transfer pricing framework allow or require the use of an arm's length range and/or statistical measure (e.g. the interquartile range or other percentiles) for determining arm's length remuneration?</b></p>	<p><input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No</p> <p>In practice, Croatia uses statistical tools such as the interquartile range, as provided in Chapter III. A.7 of the TPG.</p>	
11	<p><b>Are comparability adjustments required under your domestic transfer pricing framework?</b></p>	<p><input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No</p> <p>When choosing the most appropriate method, one should take into account, among others, the reliability of comparability adjustments that may be necessary for</p>	<p><a href="#">Profit Tax Ordinance</a>, Article 40, paragraph 1 (in Croatian)</p>

		elimination of material differences between controlled and uncontrolled transactions (Profit Tax Ordinance, Article 40). In practice, Croatia follows the OECD TPG in this regard. The 2025 Croatian TP Manual (in Croatian) contains a direct reference to paragraphs 3.47 to 3.54 of the TPG.	
<b>Intangible Property</b>			
12	<b>Does your domestic transfer pricing framework contain guidance specific to the pricing of controlled transactions involving intangibles?</b>	<p><input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VI of the TPG?</p> <p><input type="checkbox"/> No</p> <p><input checked="" type="checkbox"/> No</p> <p>Croatia applies the OECD TPG in practice.</p>	
13	<b>Are there any other rules outside your transfer pricing framework that are relevant for the pricing of controlled transactions involving intangibles?</b>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	
<b>Hard-to-Value Intangibles</b>			
14	<b>Does your domestic transfer pricing framework contain guidance specific to hard-to-value intangibles (HTVI)?<sup>3</sup></b>	<p><input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow the guidance on HTVI in Chapter VI of the TPG?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><input checked="" type="checkbox"/> No</p> <p>Although Croatia has not formally adopted the HTVI approach, the 2025 Croatian TP Manual contains a direct reference to paragraphs 6.186 to 6.195 of the TPG in this regard.</p>	

<sup>3</sup> In the case of jurisdictions that do not apply the HTVI approach (i.e. they responded “no” to question 14), it is not necessary to respond to the remaining questions in the HTVI section and these questions will not be published as part of jurisdiction’s transfer pricing country profile.

## Intra-group Services

23	<p><b>Does your domestic transfer pricing framework provide guidance specific to intra-group services transactions?</b></p>	<p><input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VII of the TPG?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><input type="checkbox"/> No</p>	<p>Croatia applies the OECD TPG in practice. The 2025 Croatian TP Manuals contain a direct reference to Chapter VII of the TPG in this regard.</p>
24	<p><b>Does your domestic transfer pricing framework provide for or allow the application of a simplified approach for low value-adding intra-group services?</b></p>	<p><input checked="" type="checkbox"/> Yes. If so, does it follow (largely follow) the low value-adding services approach in Chapter VII?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><input type="checkbox"/> No</p>	<p>The 2025 Croatian TP Manual contains a direct reference to Chapter VII of the TPG in this regard.</p>
25	<p><b>Are there any other rules outside your transfer pricing framework for pricing intragroup services?</b></p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	
<h2 style="margin: 0;">Financial Transactions</h2>			
26	<p><b>Does your domestic transfer pricing framework provide guidance specific to financial transactions?</b></p>	<p><input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter X of the TPG?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	<p><a href="#">Profit Tax Act, Articles 8 and 14</a></p>

	<input type="checkbox"/> No <p>Croatia applies a thin capitalisation approach provided for by Article 8 of the Profit Tax Act (and supplemented by Article 7(1), item 11) of the Profit Tax Act. According to Profit Tax Act, Article 8, interest on shareholders' and company members' loans are not tax-deductible if loans are accepted from shareholders or company members holding at least 25% of the stocks or capital shares or voting rights in the taxpayer and if at any time during the taxation period these loans exceed four times the amount of the share of that shareholder or company member in capital or voting right, determined in relation to the amount and loan period during the taxation period, except interest for loans by financial organizations.</p> <p>Profit Tax Act in Article 14 prescribes safe harbour rule for revenue from loans given or expenditure for loans received from associated parties.</p> <p>Also, the 2025 Croatian TP Manuals provide guidance in accordance with Chapter X of the TPG in this regard.</p>	
27	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Profit Tax Act in Article 30.a prescribes Interest limitation rules in line with the EU ATAD (implementing BEPS Action 4).</p>	<a href="#">Profit Tax Act, Article 30.a</a>

## Cost Contribution Arrangements

28	<p><b>Does your jurisdiction allow cost contribution arrangements?</b></p>	<p><input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VIII of the TPG?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input checked="" type="checkbox"/> No</p>	
<b>Transfer Pricing Documentation</b>			
29	<p><b>Does your domestic transfer pricing framework require the taxpayer to prepare transfer pricing documentation?</b></p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><i>If affirmative, please check all that apply:</i></p> <p><input checked="" type="checkbox"/> Master file consistent with Annex I to Chapter V of the TPG</p> <p><input checked="" type="checkbox"/> Local file consistent with Annex II to Chapter V of the TPG</p> <p><input checked="" type="checkbox"/> Country-by-country report consistent with Annex III to Chapter V of the TPG</p> <p><input type="checkbox"/> Specific transfer pricing returns (separate or annexed to the tax return)</p> <p><input checked="" type="checkbox"/> Other (specify):</p> <p>PD-IPO form - transactions between related parties. Please see below for the further explanation of PD-IPO form.</p>	<p><a href="#">Profit Tax Act</a>, Article 13</p> <p><a href="#">Profit Tax Ordinance</a>, Article 40 (in Croatian)</p> <p><a href="#">Act On Administrative Cooperation in the Field of Taxation</a>, Article 34 (in Croatian)</p> <p><a href="#">PD-IPO.pdf</a> (in Croatian)</p>
30	<p><b>Please briefly explain the relevant requirements related to each transfer pricing documentation requirement (i.e. timing for preparation or submission, languages, etc.)</b></p>	<p><b>Master File/Local File:</b></p> <p>Threshold: No threshold</p> <p>Timing: submission to the Competent Tax Authority upon its request</p> <p>Language: The TP documentation generally has to be prepared in Croatian. However, if it was written in English, a translation into Croatian shall be required as appropriate.</p>	<p><a href="#">Profit Tax Act</a>, Article 13</p> <p><a href="#">Profit Tax Ordinance</a>, Article 40 (in Croatian)</p> <p><a href="#">Act On Administrative Cooperation in the Field of Taxation</a>, Article 34 (in Croatian)</p> <p><a href="#">PD-IPO.pdf</a> (in Croatian)</p>

	<p>Update: The taxpayer shall, accordingly, update the documentation from previous years which was relied on during the current year, in order to reflect adjustments due to material changes in relevant facts and circumstances.</p> <p><b>Country-by-country Reporting:</b></p> <p>Submission of CbC reports is defined by the Act on Administrative Cooperation in the taxation area and Ordinance on Automatic Exchange of Information in the taxation area. Croatian legislation on CbC reporting is aligned with Action 13 minimum standard and the EU Council Directive 2016/881.</p> <p><b>PD-IPO form</b> - must be prepared if the taxpayer had transactions with related parties during the tax period and submitted together with the tax return</p>	
31	<p><b>Does your domestic transfer pricing framework provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation?</b></p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Croatian legislation does not contain specific transfer pricing penalties but some penalties in the General Tax Act are commonly applied regarding TP documentation:</p> <p>According to Article 192 of the General Tax Act, a fine in the amount between EUR 2.650,00 and 66.360,00 shall be imposed on a legal person if:</p> <ul style="list-style-type: none"> <li>- they do not keep financial and other records for the purpose of taxation in accordance with tax regulations applied in the Republic of Croatia;</li> <li>- the accounting entries and other information in their financial records are not done completely or correctly or timely or properly;</li> <li>- financial and other records and accounting documents are not kept within legally prescribed deadlines;</li> <li>- they do not present financial and other records, business documentation and other documents upon request of the tax authority.</li> </ul>
32	<p><b>Does your domestic transfer pricing framework provide for exemption from transfer pricing documentation obligations?</b></p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>

### Administrative Approaches to Avoiding and Resolving Disputes

33	<p><b>Which mechanisms are available in your jurisdiction to prevent and/or resolve transfer pricing disputes?</b></p>	<p>Please check those that apply:</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Rulings</li> <li><input checked="" type="checkbox"/> Enhanced engagement or cooperative compliance programmes</li> <li><input checked="" type="checkbox"/> Advance Pricing Agreements (APA) <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Unilateral APAs</li> <li><input checked="" type="checkbox"/> Bilateral APAs</li> <li><input checked="" type="checkbox"/> Multilateral APAs</li> </ul> </li> <li><input type="checkbox"/> International Compliance Assurance Programme (ICAP)</li> <li><input checked="" type="checkbox"/> Mutual Agreement Procedures</li> <li><input type="checkbox"/> Other</li> </ul>	<p><a href="#"><u>General Tax Act</u></a>, Article 10 and 70</p> <p><a href="#"><u>General Tax Ordinance</u></a>, Articles 6-16 and 49-61 (in Croatian)</p> <p><a href="#"><u>Profit Tax Act</u></a>, Article 14a</p> <p><a href="#"><u>APA Ordinance (in Croatian)</u></a></p> <p><a href="#"><u>MAP guidelines</u></a></p> <p><a href="#"><u>Croatia MAP Profile</u></a></p>
<p>An APA programme is in place whereby the duration of an APA is 5 years. There is no simplified procedure. The covered period should not exceed five consecutive years and fees apply. For more information, please refer to the Croatian MAP Profile.</p>			
<h3>Simplified and Streamlined Approach for Baseline Marketing and Distribution Activities</h3>			
34	<p><b>Does your domestic transfer pricing framework allow the application of the simplified and streamlined approach for baseline marketing and distribution activities in the relevant Annex of Chapter IV of the TPG<sup>4</sup>?</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Yes</li> <li><input type="checkbox"/> No</li> <li><input checked="" type="checkbox"/> Other</li> </ul>	<p>Currently, it is under consideration.</p>
37	<p><b>Does your jurisdiction respect the outcome of the application of the simplified and streamlined approach by a covered jurisdiction in line with the Inclusive Framework political commitment?</b></p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Yes</li> <li><input type="checkbox"/> No</li> </ul>	

<sup>4</sup> In the case of jurisdictions that do not apply the simplified and streamlined approach (i.e. they responded “no” to question 34), it is not necessary to respond to questions 35, 36 and 38 and these questions will not be published as part of jurisdiction’s transfer pricing country profile.

## Safe Harbours and Other Simplification Measures

39	<p><b>Does your jurisdiction provide for any safe harbours or other simplification measures in respect of certain industries, types of taxpayers, or types of transactions (not listed in other sections of this questionnaire)?</b></p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<p><a href="#">Profit Tax Act, Article 13 and 14</a></p>
<p>Croatia only has safe harbours for financial transactions. The interest rate is prescribed by the Ministry of Finance. By way of derogation from this rule, the taxpayer may determine the interest according to the conditions and using the TP method provided in Article 13 of the Profit Tax Act, and on the condition that this method is applied for all agreements.</p>			

## Other Legislative Aspects or Administrative Procedures

40	<p><b>Does your domestic transfer pricing framework allow downward corresponding adjustments in the absence of a mutual agreement procedure (e.g. unilateral corresponding adjustments)?</b></p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
41	<p><b>Does your domestic transfer pricing framework allow or require taxpayers to make year-end adjustments?</b></p>	<input checked="" type="checkbox"/> Yes. Year-end adjustments are required. <input type="checkbox"/> Yes. Year-end adjustments are allowed. <input type="checkbox"/> No	<p><a href="#">Profit Tax Act, Article 13</a></p>

42	<b>Does your domestic transfer pricing framework provide for secondary adjustments?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Attribution of Profits to Permanent Establishments</b>			
43	<b>Which version of Article 7 of the OECD Model Tax Convention on Income and on Capital do your tax treaties contain?</b>	<input checked="" type="checkbox"/> Article 7 as it read before 2010. <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> If so, please indicate in how many treaties: 66</li> </ul> <input checked="" type="checkbox"/> Article 7 as it reads after 2010. <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> If so, please indicate in how many treaties: 4</li> </ul> <input type="checkbox"/> Other (please provide additional details)	
44	<b>For tax treaties containing Article 7 as it read before 2010, does your jurisdiction apply the authorized OECD approach (AOA)?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (please explain the approach used and which tax treaties are concerned)	
		Croatia applies the AOA in practice, regardless of whether it is contained in treaties or not.	

45	<p><b>Does your domestic transfer pricing framework contain specific guidance for the attribution of profits to permanent establishments of non-resident entities? If so, please provide a summary of the main features of this guidance.</b></p>	<p><input checked="" type="checkbox"/> Yes, they follow the AOA as described in the 2008 Report on the Attribution of Profits to Permanent Establishments</p> <p><input checked="" type="checkbox"/> Yes, they follow the AOA as described in the 2010 Report on the Attribution of Profits to Permanent Establishments</p> <p><input type="checkbox"/> Yes, they do not follow the AOA (please provide a summary of the main features of these rules)</p> <p><input type="checkbox"/> No</p> <p>The 2025 Croatian TP Manual contains guidance on attribution of profits to Permanent Establishments and AOA.</p>	
<b>Other Relevant Information</b>			
46	<p><b>Other legislative aspects or administrative procedures regarding transfer pricing</b></p>	<ul style="list-style-type: none"> <li>TP Manual for transfer pricing audit adopted in 2025 in accordance with the 2022 OECD TPG (“2025 Croatian TP Manual”).</li> </ul>	
47	<p><b>Other relevant information (e.g. whether your jurisdiction is preparing new transfer pricing regulations, or other relevant aspects not addressed in this questionnaire)</b></p>	<p>To enhance tax certainty and transparency for taxpayers and treaty partners, Croatia has released on the Croatian Tax Administration’s official website, in Croatian and English versions, the content with key features related to transfer pricing in Croatia.</p> <p>- Unofficial translation -</p> <p><b>PROFIT TAX ORDINANCE</b></p> <p>Article 40 (consolidated text)</p> <p>(1) The methods referred to in Article 13(3) of the Act under items (a), (b) and (c) are the traditional transaction methods, while methods under (d) and (e) are transactional profit methods. When selecting a transfer pricing method, it is necessary to find the most appropriate method for a particular case. The selection of method should take into account their advantages and disadvantages, the appropriateness of the method to the nature of the controlled transaction as determined by functional analysis, the availability of reliable information necessary to apply the chosen method, as well as the degree of comparability between controlled and uncontrolled transactions, including the reliability of comparability adjustments that may be necessary to eliminate material differences between them.</p> <p>(2) Traditional transaction methods can directly determine whether the conditions of the commercial and financial relations of the associated enterprises comply with the arm’s length principle. Taking into account the previously stated criteria, where</p>	<p><a href="http://porezna-uprava.hr">Transfer pricing (porezna-uprava.hr)</a></p>

	<p>both the traditional transaction method and the transactional profit method can be used with equal reliability, preference is given to the traditional transaction method, or where the comparable uncontrolled price method and another transfer pricing method can be used with equal reliability, preference is given to the comparable uncontrolled price method, while noting that it is necessary to choose the method most appropriate to the particular case.</p> <p>(3) In addition to the methods referred to in Article 13(3) of the Act, the taxpayer may use other methods for transfer pricing provided that those prices comply with the arm's length principle. Such other methods should however not be used in substitution for the methods referred to in Article 13(3) of the Act where the latter are more appropriate to the facts and circumstances of the case.</p> <p>(4) Where the method referred to in paragraph 3 of this Article is used, its choice shall be supported by an explanation of why the methods referred to in Article 13(3) of the Act are considered to be less appropriate and the reasons why the other method referred to in paragraph 3 of this Article has been applied.</p> <p>(5) For the purpose of applying Article 13(4) of the Act, the taxpayer shall accurately delineate the actual transactions, taking into account the commercial and financial relations between the associated enterprises, their functions performed, the assets used and risks assumed and the circumstances in which the controlled transactions take place.”</p> <p>(6) To substantiate that the transaction was carried out at arm's length in accordance with the Article 13 of the Act and paragraph (3) of this Article, the taxpayer should prepare and submit upon request to the tax administration the following information:</p> <p>a) Information on the multinational enterprise group containing:</p> <ul style="list-style-type: none"> <li>- MNE's ownership and organisational structure;</li> <li>- Description of the MNE's operations and main business activity, its supply chain and 5 main products / services and other products / services exceeding 5% of total revenue, service contracts between associated enterprises (except for research and development), description of the geographical markets in which it operates, brief functional analysis of the main contributions to value creation, information on business restructurings, acquisitions and sales;</li> <li>- Intangible assets, i.e. strategies in the treatment of intangible assets, description of the main intangible asset and contracts between associated enterprises, description of the transfer pricing policy, description of significant transfers of intangible assets between associated enterprises;</li> </ul>	
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	<ul style="list-style-type: none"> <li>- Financial activities, i.e. funding policy, who provides the central financing function, description of transfer pricing policy in the area of financial activities;</li> <li>- Consolidated financial statement, if any, information on advance transfer pricing agreements and other documents on revenue and profit allocation in cross-border activities</li> </ul> <p>b) Information on local entity containing:</p> <ul style="list-style-type: none"> <li>- Detailed description of the local entity, i.e. information on the management structure, description of operations and business strategies, and position on the local market;</li> <li>- Description of materially significant controlled transactions with a description of transactions and the amounts of intra-group payments and receipts for each category of controlled transactions and each country of payment/receipt, including a list of associated enterprises with which the transactions are carried out;</li> <li>- Contracts between associated enterprises;</li> <li>- Comparability and functional analysis for materially significant transactions carried out by a local entity;</li> <li>- Transfer pricing methods per transaction category with a detailed description and information on the choice and application of the method, a description of the information examined and carried out analysis for transfer pricing, and any calculations made when applying the chosen method in relation to the taxpayer and the taxpayers to which it is compared, including data on comparable uncontrolled transactions used for comparability analysis and possible comparability adjustments;</li> <li>- Annual financial statements of local entity (except balance sheet and profit and loss account if submitted to Financial Agency - FINA)</li> </ul> <p>(7) The taxpayer shall, accordingly update the documentation from previous years which was relied on during the current year, in order to reflect adjustments due to material changes in relevant facts and circumstances.</p> <p>(8) The taxpayer shall, before the beginning or at the time of the controlled transaction, confirm by means of documentation the reasonable efforts made to determine an arm's length price, on the basis of the information available to the taxpayer at that time.</p> <p>(9) Where, at the end of the tax period, the taxpayer finds that the price is not determined at arm's length, the taxpayer shall make a compensating adjustment.</p>	
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	<p>(10) The compensating adjustment referred to in paragraph 9 of this Article shall be made prior to the submission of the tax return, and the taxpayer shall also provide, when submitting the tax return, a justification as to why the price determined by the taxpayer prior to the beginning or at the time of the controlled transaction did not comply with the arm's length principle.</p> <p>(11) The adjustment referred to in Article 13 of the Act and paragraph 9 of this Article shall not prevent subsequent adjustment in a possible audit procedure, nor shall that adjustment have an impact on any mutual agreement procedure.</p> <p>(12) The Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations of the Organisation for Economic Cooperation and Development shall be used to interpret the transfer pricing rules in the Act and provisions of this Article.</p>	
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For more information, please visit: <https://www.oecd.org/en/topics/sub-issues/transfer-pricing/transfer-pricing-country-profiles.html>