

U.S. DEPARTMENT OF THE TREASURY

United States, Croatia Sign Income Tax Treaty

December 7, 2022

WASHINGTON — In a ceremony held at the U.S. Department of State today, Under Secretary of State for Economic Growth, Energy and the Environment Jose W. Fernandez and Croatia's Minister of Finance Dr. Marko Primorac signed a comprehensive income tax treaty between the United States and Croatia. The new tax treaty is the first of its kind between the United States and Croatia.

"I am honored to sign the U.S.-Croatia income tax treaty with you today, Finance Minister Primorac," said Under Secretary Fernandez. "We look forward to taking this monumental step towards further strengthening trade and commercial ties between the United States and Croatia."

"The Treasury Department is pleased to conclude this new tax treaty with Croatia. It is the first comprehensive tax treaty that the United States has signed in over ten years and reflects our current tax treaty policies and is a milestone in the Treasury's efforts to expand the U.S. tax treaty network. We appreciate the collaboration Croatia showed throughout the negotiations," said Lily Batchelder, Assistant Secretary (Tax Policy).

The new tax treaty closely follows the U.S. Model income tax treaty. Key aspects of the new treaty include:

- Elimination of withholding taxes on cross-border payments of dividends paid to pension funds and on payments of interest;
- Reductions in withholding taxes on cross-border payments of dividends other than those paid to a pension fund, as well as royalties;
- Modern anti-abuse provisions intended to prevent instances of non-taxation of income as well as treaty shopping;
- Robust dispute resolution mechanisms including mandatory binding arbitration; and
- Standard provisions for the exchange of information to help the revenue authorities of both nations carry out their duties as tax administrators.

The new tax treaty will enter into force after the United States and Croatia have notified each other that they have completed their requisite domestic procedures, which in the case of the United States refers to the advice and consent to ratification by the U.S. Senate.

The text of the treaty document can be found at: <https://home.treasury.gov/system/files/131/Treaty-Croatia-12-7-2022.pdf>

###