



B-Solutions

FINAL REPORT BY THE EXPERT

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Cross-border employment at the Croatian-Hungarian borders

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Table of contents

1	Executive Summary	3
2	Description of the legal or administrative obstacle in the specific context.....	4
2.1	General context.....	4
2.2	Background	5
2.3	Regulatory framework.....	6
	<i>At EU level.....</i>	<i>6</i>
	<i>In Croatia.....</i>	<i>8</i>
	<i>In Hungary.....</i>	<i>9</i>
	<i>Findings on the regulatory framework.....</i>	<i>10</i>
2.4	Work from home.....	11
3	Indication of the legal dispositions causing the obstacle.....	12
4	Roadmap towards a possible solution of the obstacle with indication of the entities to be involved in the possible solution	14
4.1	Issues raised on the road to ROADMAP	14
4.2	Roadmap for change.....	17
5	Pre-assessment of whether the case could be solved with the European Cross-Border Mechanism.....	18
5.1	ECBM Regulation	18
5.2	The European Labour Authority.....	18
6	Other relevant aspects to this case.....	19
7	References and Appendix/Appendices if any	20
	Appendix No. 1: Organisations, representatives contacted by the CESCI for making interviews and information exchange with them.....	20
	Appendix No. 2: Definitions of the legislation and official documents taken into account	20
	<i>Legal provisions of the European Union.....</i>	<i>20</i>
	<i>International law.....</i>	<i>22</i>
	<i>Hungarian legal provisions</i>	<i>22</i>
	<i>Croatian legal provisions</i>	<i>23</i>
	Appendix No. 3: Notification to the Government Office of the place of employment in Hungary	25
	<i>Notification.....</i>	<i>25</i>
	<i>How to fill in the tables.....</i>	<i>26</i>
	Appendix No. 4: Overview of the basic rights and obligations of the employees based on the Croatian LA.....	28

1 Executive Summary

The freedom of movement is one of the basic EU principles, however in practice such principle raises various legal, tax and social contributions related issues.

This report specifically deals with the case of two Croatian nationals working for Pannon EGTC, a non-governmental organization registered in Hungary, seated in Pécs, but has branch offices in Croatia too. The lack of regulatory certainty in practice decreased the search and employment of foreign employees on both sides of the borders.

The report provides the relevant Regulatory framework from perspective of EU regulations, as well as from Croatian and Hungarian jurisdictions.

The main finding based on the analysed regulations are that the Croatian citizen can be employed directly by the foreign employer and such employment contract can be subject to Hungarian jurisdiction, however the employee is entitled also to use employment rights and obligation that if they are more favourable under the Croatian jurisdiction.

Furthermore, the report analysis the work from home and requirement regarding the remote work of the employees under both Croatian and Hungarian jurisdictions.

Beside description of the obstacle, the report provides the roadmap toward the possible solutions with accent to raised issues such as place of tax residence of the employees, obligations of the employer in respect of the payroll and various questions regarding the employment and termination of employment under the Croatian regulations. In addition, the roadmap provides the step plan with all steps to be taken in practice.

Finally, the report provides pre-assessment on whether the case may be solved with the European Cross-Border Mechanism whereby ECBM Regulation was analysed and further cooperation with the European Labour Authority was agreed.

As Appendix and for the purpose of efficient implementation of provided solutions, the Report provides:

- Organisations, representatives contacted by the ESCI,
- Definitions of the legislations and official documents taken into account,
- Notification to the Government Office of the place of employment in Hungary, and
- Overview of the basic rights and obligations of the employees in Croatia

2 Description of the legal or administrative obstacle in the specific context

2.1 General context

With European Integration, cross-border situations are also becoming more common in the world of work. Many employees work temporarily in another country to provide services for their employer's foreign clients, or contract directly with an employer in another country. These bilateral legal relations must be examined, on the one hand, from the point of view of protecting the public order, and more specifically the labour market and social welfare system of the host country, and, on the other hand, guaranteeing the right to equal treatment of persons legally residing and working in the host country. An employment relationship is characterised by the fact that a person provides a service for a specified period of time, for the benefit and under the direction of another person, in return for remuneration.

Under Article 45 of the Treaty on the Functioning of the European Union (TFEU), the free movement of employees within the European Union must be ensured, and this right includes the abolition of discrimination on grounds of nationality between employees of the Member States as regards employment, remuneration and other conditions of work and employment.

Croatia has entered the European Union on July 1st, 2013; hence the free movement of Hungarian and Croatian citizens and workforce was introduced in both countries as one of the basic EU freedoms. However, only after Croatia entered the Schengen zone on January 1st, 2023, the last barriers in border crossing and mobility between the countries were removed.

Even though the free movement of employees was introduced more than 10 years ago, in practice there are significant obstacles and uncertainty when it comes to people being employed in one country but living and working from the other. These issues are raised from the perspective of employment, tax and social and pension contributions regulations as there are no comprehensible agreements between Hungary and Croatia on how to handle these matters.

This lack of clarity is causing problems in movement of workforce, as seen with two Croatian nationals working for Pannon EGTC, and finally results in decreased search and employment of foreign employees on both sides of the borders.

This report shall explore these challenges and provide potential solutions to make Croatian-Hungarian cross-border employment more efficient and uncomplicated. The report shall provide solutions to raised employment, tax and social and pension contributions issues and

shall include both, the interpretation of relevant regulations and mechanisms by which the provided solutions may be implemented.

2.2 Background

The problem arose during the implementation of cross-border developments and projects on the part of Pannon EGTC, which is registered in Hungary, seated in Pécs, but has branch offices in Croatia too. As a cross-border body, responsible for implementing different EU-funded projects, it employs persons from both sides of the border. In particular, questions arose in connection with the employment of two employees of Croatian nationality living and performing work in Croatia, employed by Pannon EGTC. Since the employees task was to help the development of the Hungarian-Croatian Crossborder Cooperation Programme 2021-27, by working with the Croatian partners and stakeholders, the organization did not require any personal presence in Hungary, in fact, the task specifically tied them to Croatia.

The EGTC operates under Hungarian jurisdiction, but still many labour law, social security law, tax law, and pension insurance issues arose in connection with the conclusion of the employment contract, considering that the employee and the employer are located in different countries, however, based on the rules of the organization, Hungarian and European Union law must be applied. In order to solve the problem, the organization sought advice from a labor law specialist, Hungarian and Croatian accountants, other EGTCs in a similar situation, professional organizations, and Croatian authorities. Those interviewed could provide either no information or incomplete and contradictory information.

The contracts of these people are designed according to Hungarian regulations, they have full-time jobs with flexible working hours and fixed working place in Croatian branch office. In the end, for the taxes and other contributions, they chose the solution proposed by the Croatian authorities: an agreement was concluded between the employer and the employee, based on which the employer pays the gross salary to the employee, who pays the taxes and other contributions in Croatia. Although this solution worked for the duration of the employment, it may not be the correct solution, and it was also not possible to find satisfactory answers.

The main relevant questions of Pannon EGTC in respect of the obstacle are as follows:

- i. What specific Hungarian and Croatian labour law, social and pension insurance legal and tax rules apply if a Croatian employee is employed by a Hungarian employer, but the employee performs his work in Croatia?
- ii. What should be considered as a place of work if the employee worked from home instead of the office in Croatia?

- iii. When is the posting considered domestic and when foreign? If the Croatian employee travels within Croatia in the course of working - for meetings, workshops, etc.
- iv. What kind of tax and contribution payment obligation does an employee and employer have in Croatia?
- v. What kind of employment relationships exist in Croatia? (employment contract, assignment contract, civil servant, etc.)
- vi. Can an employee of Croatian nationality, in addition to his 40-hour work contract, have another job or other employment relationship in Croatia?
- vii. Is there an authority in Hungary or Croatia to which the foreign employee must be registered?
- viii. Should a payroll be issued to the Croatian employee by the Hungarian employer? (Currently, EGTC's accountant does not issue a payroll, because based on the contract, they pay the gross amount to the Croatian employee, from which the employee pays taxes and contributions in Croatia.)
- ix. What documents should the employee receive upon termination of employment?
- x. Is it necessary to check something or request a certificate from Croatia when establishing an employment relationship with a Croatian national?

Considering that the lack of clarity and fear of penalties discourage cross-border employment, overcoming this obstacle would not only increase Pannon EGTC's confidence in seeking and employing Croatian nationals but also benefit the entire Croatian-Hungarian border region.

2.3 Regulatory framework

Three sources of law play a role in determining the law applicable to employment relationships with a foreign element. Traditionally, in the context of private international law, the Rome Convention is of great importance.

At EU level

At EU level, the Rome I Regulation should be mentioned, which governs the law applicable to contractual obligations.

The third source of law is national labour law, which also contains conflict-of-law rules on labour law.

European law on the cross-border movement of employees is essentially based on two forms of worker mobility. Firstly, employees who work independently, exercising their basic freedom of movement for employment purposes work in another Member State. As a general rule, they are covered, under the Regulation, either by the law of their choice or the place where they habitually work, or the regulation of host Member State is applicable. The second category includes, in the context of the freedom to provide services, for a period determined by the undertaking to another Member State for a specified period.

Even after harmonisation, labour law still varies considerably from one Member State to another, so it makes a difference which Member State's law governs an employment relationship.

According to the Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC), Article 2 provides for the applicable law. For matters not covered by the Regulation, the law applicable is the law of the place where the EGTC has its registered office. In the case in question, although the country of establishment is Hungary, the Croatian employees were supposed to be employed through the branch.

In developing possible solutions to the case, the following scenarios had to be considered.

1. "The choice of law": Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I). Parties to an employment relationship with a foreign element are free to choose the law applicable to the employment relationship. It is not required that the employment relationship is objectively linked to the chosen legal system. There is no restriction on the choice of legal system. The law chosen by the parties is not always exclusive either, since if the law chosen on the basis of the related rules contains a more favourable rule for the employee than the law chosen by the parties, the employment contract will be governed by the former. (This includes not only provisions on employment contracts, but also, for example, employment protection rules of a public law nature.)

The limit of choice of law is the "principle of the more favourable rule" for the employee. Under the principle of the more favourable rule, when employee is subject to two or more different rules, the employee is entitled to use rule that is more favourable for him/her than for the employer. .

Court practice: Arblade judgment: imperative provisions: rules of public law whose purpose goes beyond the individual employment relationship (Unamar case: an imperative rule can be a stricter national rule offering greater protection to self-employed employees)

2. "Lex loci laboris" - the employment contract is governed by the law of the country where the employee habitually carries out his work in performance of the contract. The law of the place of work may also be determined on the basis of the place from which the employee habitually works.
3. "Posting" The temporary work abroad does not change the applicable law, but the law of the sending country (the law of the place of regular employment) remains applicable. An employee is not considered to be posted if he or she is recruited solely to carry out work abroad. An exception to this is the Posting of Workers Directive, which still provides for the host country's law to apply in certain circumstances.

The EU Directives (formerly Directive 96/71/EC - later amended by Directive 2018/957 EU) specify the situations in which the rules of the Directives apply, which are essentially applicable to companies

established in a Member State that post employees to another Member State in the context of the cross-border provision of services. Directive 2018/957 identifies three basic cases:

- posting of employee to the territory of a Member State in its own name and under its own control, on the basis of a contract concluded between the undertaking posting the employee/employees and the recipient of the service in that Member State.
- posting of employees to an establishment or undertaking owned by a group of undertakings in the territory of a Member State.
- regulates the scope of temporary work agencies and temporary work agencies, where such an undertaking lends employees to a borrowing undertaking established or operating in the territory of a Member State.

According to the Directive, a long-term posting is one where the posting exceeds 12 months. In such a case, a so-called 'reasoned submission' to the host country is mandatory and, as a key rule, the same working and employment conditions must be provided to the employees as those required by the host country. What is new is that the Directive explicitly emphasises the principle of equal treatment and that all the conditions laid down in the legislation in force in the country concerned must be guaranteed for postings of more than 12 months.

Posting of the employees is regulated by the following EU Directives:

- Directive 96/71/EC of the European Parliament and of the Council of 16 December 1996 concerning the posting of workers in the framework of the provision of services;
- Directive 2014/67/EU of the European Parliament and of the Council of 15 May 2014 on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services and amending Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System ('the IMI Regulation'), and
- Directive 2018/957 of the European Parliament and of the Council of 28 June 2018 amending Directive 96/71/EC concerning the posting of workers in the framework of the provision of services.

In Croatia

All three above listed Directives are further implemented into Croatian jurisdiction via Law on posting of the employees to Republic of Croatia and cross-border enforcement of the decision on the financial penalties (Official Gazette No. 128/20 and 114/22, Original Croatian name: Zakon o upućivanju radnika u Republiku Hrvatsku i prekograničnoj provedbi odluka o novčanoj kazni; hereinafter: the "Law on posting").

Under the Law on posting and further to the above listed Directive, the posting is defined as temporary posting of the employee by the foreign employer to Republic of Croatia which is not considered as a country in which the employee usually works from.

Considering that the Croatian employees employed the Pannon EGTC permanently work from Croatia as their regular country of work, such work cannot be considered as posting under Law on posting and relevant EU Directives and will further not be subject to any provisions on rights and obligations of the posted employees.

If the employee travels within the borders of the Republic of Croatia or even to foreign countries for the purpose of meeting, conferences and/or workshops, such travel will not be considered as posting, but as regular business trip.

In Hungary

In Hungary the main rules applicable to postings are set out in Regulation (EC) No 883/2004 on the coordination of social security systems (hereinafter the Regulation) and in Articles 89-95 of Act CXXII of 2019 on the beneficiaries of social security benefits and the coverage of these benefits. Under Hungarian law, a separate posting agreement is required for postings exceeding 44 days. The posting agreement is a shortened employment contract agreement, specifying the work, location, duration, accommodation, reimbursement of expenses, payment of return travel, the employer's continuing employment obligation after the posting, severance pay and how continuity of employment is to be determined for the purposes of calculating the notice period.

At the beginning of the posting, the amount of the post-posting payment should be fixed in the posting agreement.

A civil law relationship is established between the sending and the receiving employer and must cover matters relevant to the employment of the employee, regulating in detail the terms and conditions of the employment of both parties (for example, who bears the employer's costs, how compensation is paid in the event of damage, and who exercises the employer's rights, how and to what extent).

When an employer sends an employee to work from home, this is also called a posting for legal purposes. As with any posting, it can be unilaterally ordered by the employee for 44 days. In the case of longer-term home working, the employment contract must be amended to include the employee's home address as the place of work, so that home working is no longer a posting but teleworking.

Registration and reporting obligations for cross-border postings in Hungary: The body responsible for employment, i.e. the National Employment Service, should be contacted. If the employee is coming to work in Hungary for a period of more than 3 months, then there will be obligations as an employee not only from day 91, but from day 1.

National Employment Service is carried out in Hungary due to Government Decree No 320/2014 (XII. 13.) on the designation of public employment bodies, labour safety and labour authorities and the performance of official and other duties by these bodies. (National Employment Service) with regard to their activities in the performance of their labour market duties: the Ministry of Economic Development (the Ministry headed by the Minister responsible for employment policy), the employment and labour market functions of the Government Office of the Capital and Customs

County (Employment Department) and the employment and labour market functions of the district (capital district) office of the Government Office of the Capital and Counties (Employment Department).

Findings on the regulatory framework

According to the provided Description of the Obstacle prepared by Pannon EGTC as the Applicant, even though Pannon EGTC has an entity in Croatia, under the internal regulations, the employees must be employed in Pannon EGTC Hungary and employment contracts are subject to Hungarian jurisdiction.

From the perspective of the Croatian Labour Act (Official Gazette 93/14, 127/17, 98/19, 151/22 and 64/23; in Croatian: Zakon o radu, hereinafter: "Croatian LA"), the employee can be employed directly by the foreign employer and such employment contract may be subject to Hungarian jurisdiction.

However, under the Croatian LA, since the place of work is in Croatia, therefore in terms of the rights and obligations of the employees, the employees are subject to the "principle of more favourable law". Under the principle of more favourable law, in the event the employee is subject to more than one provision on rights and obligations (irrelevant whether the provision is based on the jurisdiction and/or contract), the employee is entitled to (for the employee) more favourable law.

According to the Regulation (EC) No 883/2004 of the European Parliament and of the Council on the coordination of social security systems, the persons working in more than one EU country are to be insured in only one EU country and are not allowed for choosing which country they will be insured by, while the Social Security Association of the country they live in are authorised to decide thereon.

The basic rule is that the citizen carrying out a substantial part of his/her professional activities in his/her country of residence, he/she is covered by the social security system in his/her country of residence.

A 'substantial part' of the activities means at least 25% of aggregated working time and/or income. If the employee does not pursue a substantial part of his/her activity in his/her country of residence, he/she will be covered by the legislation of the country where the registered office or place of business of his/her employer is situated.

2.4 Work from home

From the perspective of **Croatian regulations**, under the provided background, the employees work remotely by conducting their work from home. Unless the work from home is regulated by the employment contract in a more favourable manner, it will be subject to Croatian regulations. Under the Croatian LA, there are two possibilities of work that is not conducted in the official seat of the employer:

- work at the separate place of work and
- remote work

Work at a separate place of work is work in which the employee occasionally performs the contracted work from home or in another area of similar purpose, which is determined based on a contract between the employee and the employer, and which is not the employer's premises. In the event such work is agreed lasts for more than 7 days per month, the employee is entitled to receive a so-called compensation for work from home.

Remote work is work that is permanently done through information and communication technology, where the employer and the employee agree on the right of the employee to independently determine where he/she will perform this work, which can be variable and depend on the will of the employee, and for which reason such work is not considered as the work in the employer's premises or as the work in a separate workplace in relation to the provisions regulating safety at work.

Under the **Hungarian labour law rules**, the employment contract must include an agreement to employ the employee on a teleworking basis. This can be done by the employee and the employer stipulating in the agreement exactly how much of the working time the employee can work at the telework site, i.e. not at the employer's premises, and how much of the working time the employee is obliged to spend working at the employer's premises. Unless otherwise agreed by the parties, the employee will work at the employer's premises for no more than one third of the working days in the year in question. Therefore, if someone's contract includes the possibility of teleworking but no other specification as to the "sharing" of working time, that employee can be obliged to go to work on the premises for a maximum of one third of the working days.

Under the safety and health rules, teleworking can also be carried out using work equipment provided by the employee, subject to agreement with the employer and a risk assessment carried out by the employer. During the risk assessment, the employer is obliged to ensure that the work equipment is in a safe and healthy condition, but the employee is responsible for maintaining the equipment in a safe and healthy condition.

3 Indication of the legal dispositions causing the obstacle

Under the right to free movement, an EU national can work in another EU country and be freely employed by an employer. In the case of Hungary, if an employee comes from another Member State, there is an obligation to notify the government office responsible for the place of employment (so-called "permit-free employment"). The government office issues a certificate that the notification has been received. Thereafter, a separate procedure is required to apply for a Hungarian social security number and a separate notification to the National Tax and Customs Administration for tax purposes.

The principle of equal treatment is particularly important for cross-border employees. The principle of treating certain facts or events occurring in the territory of another Member State as if they had taken place in the territory of the Member State whose legislation is applicable should not prejudice the principle of aggregation of periods of insurance, employment, self-employment or residence acquired under the legislation of another Member State and periods acquired under the legislation of the competent Member State. The coordination rules should ensure that employees moving within the EU, as well as their dependants retain their acquired rights and benefits and the expectation of such rights and benefits.

It is necessary for persons moving within the Community to be subject to the social security system of only one Member State in order to avoid the accumulation of applicable national legislation and the resulting complications. In order to ensure as effectively as possible equal treatment for persons employed in the territory of a Member State, the legislation of the Member State in which the person concerned pursues an activity as an employed or self-employed person should, as a general rule, be determined as applicable. In view of the differences between the various national systems, it is appropriate, where possible, for Member States to make provisions for the health care of family members of frontier employees in the country where the frontier employee carries out his/her activity.

The main obstacle is the absence of an agreement between Hungary and Croatia on manner of applying EU and national regulations to employment, social security, pensions, and tax matters. These uncertainties discourage cross-border employment despite its potential to foster regional development.

This issue became apparent during the execution of cross-border initiatives and employment undertaken by Pannon EGTC.

The background of the obstacle:

- Pannon EGTC (European Grouping of Territorial Cooperation) is a non-profit organisation with headquarters registered in Pécs, Hungary, and branch offices in Croatia and Slovenia.
- The main aim of Pannon EGTC is to establish a successful cooperation among the municipalities of two or more countries (being Hungary, Croatia and Slovenia) and among the local and regional authorities of the area.
- The members of Pannon EGTC are 55 local governments from Hungary, Croatia and Slovenia and 2 organisations: the University of Pécs and Duna-Dráva National Park.

- As a cross-border organization tasked with implementing various EU-funded projects, Pannon EGTC employs individuals from both Hungary and Croatia and currently employs two Croatian nationals (who are employed by Pannon EGTC Hungary), living and working in Croatia.
- The responsibilities of these two employees primarily involve assisting in the Hungarian-Croatian Cross-Border Cooperation Programme 2021-27, collaboration with Croatian partners and stakeholders, and does not necessitate their physical presence in Hungary.
- Despite being employed under the Hungarian jurisdiction, Pannon EGTC had difficulty with labour, tax, and social security matters in respect of these two employees, especially since due to internal regulations the employees must be employed by the Hungarian entity of Pannon EGTC and thus must be employed under the Hungarian jurisdiction.
- The employment contract with the employees was signed under the Hungarian labour regulations whereby these two employees have full-time jobs with flexible working hours at a Croatian branch office. The current solution for the payment of taxes and social and pension contributions is, as suggested by the Croatian authorities, an agreement between the employer and employee where the employee receives their gross salary and then solely pays taxes and contributions in Croatia.

Pannon EGTC finds this solution as not completely suitable and doubts its complete validity especially since there is a lack of clear and easily accessible information on Croatian-Hungarian employment issues. In addition, the national bureaucratic procedures are unclear, and the EU regulations can be open to interpretation.

Considering that the lack of clarity and fear of penalties discourage cross-border employment, overcoming this obstacle would not only increase Pannon EGTC's confidence in seeking and employing Croatian nationals but also benefit the entire Croatian-Hungarian border region.

The following four principles were taken into account in the analysis:

1. The application of a single legislation applicable: only the legislation of one country applies to the employed person, as a general rule the legislation of the country where he/she works, regardless of where he/she has his/her permanent residence (*lex loci laboris*). The application of this principle ensures that there is no overlapping of benefits and that the citizen does not receive benefits from any Member State.
2. Equal treatment (equal treatment or non-discrimination): equal treatment irrespective of nationality, i.e. workers from any EU country are treated in the same way as nationals of that country.
3. The exportability of benefits: rights acquired in one Member State can be taken with you to another Member State.
4. Aggregation of periods: the periods of entitlement acquired in different Member States are added together.

4 Roadmap towards a possible solution of the obstacle with indication of the entities to be involved in the possible solution

As said above, under the provided Description of the Obstacle prepared by Pannon EGTC as the Applicant, the employees must be employed in Pannon EGTC Hungary and employment contracts are subject to Hungarian jurisdiction which from the perspective of the Croatian LA is no obstacle as the employee can be employed directly by the foreign employer and such employment contract may be subject to Hungarian jurisdiction.

However, under the Croatian LA, since the place of work is in Croatia, therefore in terms of the rights and obligations of the employees, the employees are subject to the "principle of more favourable law". Under the principle of more favourable law, in the event the employee is subject to more than one provision on rights and obligations (irrelevant whether the provision is based on the jurisdiction and/or contract), the employee is entitled to (for the employee) more favourable law.

Further, in the concrete case of Croatian employees working for Hungarian Pannon EGTC, the employment contracts should be reviewed from the perspective of the Croatian LA. In the event it is concluded that any of the rights and/ or obligations of the employees are more favourable under Croatian LA such as compensation for the overtime work, minimum days of the annual leave, duration of the notice period, right to severance payment, etc., the employee will be entitled to use such more favourable right or obligation.

In the event it was established that the employment contract does not include all material provisions as defined by the Croatian LA and/or it was concluded that some rights or obligations are more favourable under the Croatian LA, an Annex or Side letter to the employment contract must be prepared under the Croatian LA that will include all absent and/or more favourable provisions.

Please see a list of basic rights and obligations of the employees under the Croatian LA as provided in the Appendix 4 to the Report.

4.1 Issues raised on the road to ROADMAP

Under the Croatian General Tax Law (Official Gazette No. 115/16, 106/18, 121/19, 32/20, 42/20 and 114/22; in Croatian: Opći porezni zakon, hereinafter: the "Croatian GTL") it is regulated that the income tax is paid in the country of tax residence of the individual.

Under the Croatian GTL, it is prescribed that the tax residence is defined as the country in which the person owns the property or resides for a minimum of 183 days within one or two calendar years. In addition, if these rules are not sufficient to define the tax residency, it is considered that the person is a tax resident in the country in which his/her close family resides or in case of a single person, in which this person usually resides.

Therefore, taking into account the above-described rules, the Croatian employees are tax residents of Croatia, and their income is correctly taxed under Croatian rules and paid to the Croatian authorities.

In addition, Croatia and Hungary signed the Agreement between the Republic of Croatia and the Republic of Hungary for the avoidance of double taxation with respect to taxes on income and on capital (Official Gazette, International agreements No. 11/97, Croatian: Ugovor između Republike Hrvatske i Republike Mađarske o izbjegavanju dvostrukog oporezivanja porezima na dohodak i imovinu; hereinafter: the "Double Tax Treaty").

Under the Double Tax Treaty, the salary of a Croatian resident gained from employment in Hungary may be subject to Hungarian income tax, unless the Croatian resident spends less than 183 days per year in Hungary in which case the salary is fully subject to Croatian income tax.

Under the Croatian Law on social contributions (Official Gazette No. [84/2008](#), [152/2008](#), [94/2009](#), [18/2011](#), [22/2012](#), [144/2012](#), [148/2013](#), [41/2014](#), [143/2014](#), [115/2016](#), [106/2018](#), [33/2023](#), [114/2023](#), Original Croatian name: Zakon o doprinosima), the salary of the employee is subject to payment of pension and health insurance contribution.

Since the employee received the salary from the employment in Hungary, the payment of pension and health insurance contributions must be reviewed also from the perspective of the Agreement between the Republic of Croatia and the Republic of Hungary on Social Security (Official Gazette - "Međunarodni ugovori" No. 11/2005; Original Croatian name: Ugovor o socijalnom osiguranju između Republike Hrvatske i Republike Mađarske, hereinafter: the "Social Security Agreement").

Under the Social Security Agreement, the general rule is that the obligation of payment of social contributions is regulated based on the rights of the country in which the business activity is performed. Based on the provided background we understand that the business activity of Croatian employees is performed in Croatia, hence the pension and health insurance contributions must be regulated under the laws of the Republic of Croatia. Moreover, since the Croatian employees have residence in Croatia, the employees are subject to payment of pension contributions to Croatian Pension Fund and obligatory health insurance to Croatian Health Insurance Fund.

What kind of employment relationships exist in Croatia? (employment contract, assignment contract, civil servant, etc.)

Croatian LA defines employment contract according to its duration as fixed period employment contract and indefinite employment contracts and based on the working hours as full-time employment contract (i.e. 40 hours per week) or part-time employment contract. In addition, there is seasonal employment contract for certain types of work positions.

Beside the regular employment contract as defined by the Croatian LA, the persons may be engaged based on the management agreement and service agreement both regulated by the Croatian Civil Law (Official Gazette No. 35/05, 41/08, 125/11, 78/15, 29/19, 126/21, 114/22 and 156/22, in Croatian Zakon o obveznim odnosima, hereinafter: the "Civil Law") whereby service agreement must be strictly regulated by the Civil Law and cannot have regular provisions related to the employment and

management agreement may also include the provisions of the employment as defined by Croatian LA with exemption of the provisions related to the termination of the management agreement which is also the employment contract.

Can an employee of Croatian nationality, in addition to his 40-hour work contract, have another job or other employment relationship in Croatia? ZOR

Yes, under the Croatian LA, the employee working full time for one or more employers (i.e., 40 hours per week) can work for an additional employer based on the Additional Employment Contract. Prior to the commencement of the additional employment, the employee must inform the main employer with respect of the planned additional employment and under prescribed conditions (in case the work is performed during the regular working hours of the main employer or in the event of the breach of the non-compete clause), the main employer may prohibit such additional employment of the employee.

Should a payroll be issued to the Croatian employee by the Hungarian employer? (Currently, EGTC's accountant does not issue a payroll, because based on the contract, they pay the gross amount to the Croatian employee, from which the employee pays taxes and contributions in Croatia.)

Under the Croatian LA, the employer is obliged to provide a salary slip to the employee on a monthly basis which includes calculation of a basic salary, calculation of an addition to the salary (overtime, bonus, etc.) and taxes and contributions to be paid on the salary.

Generally, in the event of the foreign employer it is not inaccurate that the employer provides the employee with the total salary (so-called gross II. salary) and then the employee pays the taxes and contributions, however in such case there is a risk that the employee will not pay taxes and contributions or will not correctly calculate and pay the salary and contributions. In the event of lack of valid payment of taxes and social contributions, the employee may be held liable for the payment, penalty interests and relevant financial penalties.

Therefore, in order to ensure that the salary, taxes and contributions are correctly calculated and paid, a plausible solution is that the employer registered with the competent authority in Croatian as the employer, engages a payroll service provider who will calculate and pay directly the salary, taxes and contributions. In addition, such service provider can provide the employees with the mandatory salary slips monthly and hence fulfil the obligation of the employer in this respect.

What documents should the employee receive upon termination of employment?

Within 15 days as of the date of termination of the employment, the employer is obliged to return to the employee all employee's documents, as well as documents regarding the deregistration from the pension and health insurance fund. In addition, the employer is obliged to provide the employee with

a statement on the duration of the employment and description of the activities performed by the employee during the employment.

Is it necessary to check something or request a certificate from Croatia when establishing an employment relationship with a Croatian national?

Unless the founding documents of Pannon EGTC do not prescribe special clearance of the employees in terms of criminal or health records, etc. the employer when employing Croatian citizen usually requests the following information/ documents:

- scan of identity card providing name, surname, registered place of residence, number of the identity card, personal identification number
- scan of the bank card providing the name of the bank and bank account and
- scan of the tax card for the purpose of determination of number of the dependent family members and amount of the personal allowance (used for the calculation of the salary).

Please note that collection and archiving of the above stated documents must be regulated from perspective of EU and Croatian data privacy regulations.

4.2 Roadmap for change

No	Possible solution	Comment
1	Obtaining Personal identification number (PIN) of Pannon EGTC from Croatian Tax authority	PIN was obtained
2	Registration of Pannon EGTC with Croatian Tax Authority as the employer	May be performed by Crowe based on Power of attorney within 1-2 days
3	Registration of Pannon EGTC with Croatian Pension Fund as the employer	May be performed by Crowe based on a Power of attorney within 1 - 2 days
4	Registration of Pannon EGTC with Croatian Health Insurance Fund as the employer	May be performed by Crowe based on a Power of attorney within 1 - 2 days
5	Finding the payroll service provider in Croatia	Crowe performs payroll calculation services
6	Review of the employment contract and preparation of the Side letter and/or annex	May be performed by Crowe
7	Review of the privacy regulations and appropriate advice	May be performed by Crowe
8	Registration of the employee with the Health Insurance and Pension fund	May be performed by Crowe
9	Providing instructions regarding the protection of health and safety at work	May be performed by Crowe

5 Pre-assessment of whether the case could be solved with the European Cross-Border Mechanism

Studies of the European Commission show that a considerable loss in potential growth in the EU's border regions is the direct result of legal and administrative obstacles. These create substantial administrative burdens, hindering the cross-border activities of citizens, communities and businesses. This is all the more important since it is estimated that 30% of the European population lives in border regions.

5.1 ECBM Regulation

The original ECBM Regulation was adopted in 2018. Despite the Regulation being adopted by the European Parliament, a certain number of Member States showed a considerable reservation towards it, and the discussions were suspended. Nevertheless, the European Parliament and the CoR saw great value in this Regulation for border regions, and are requesting that a new Regulation, or amended, Regulation is proposed that would answer some of Member States' concerns.

While mapping individual obstacles, agreeing on and validating possible solutions can take months for border residents, the ECBM is an "off the shelf" legal tool to simplify cross-border projects. Coordination between the authorities in the framework of the ECBM could provide a rapid and effective response to this issue and prepare a convention on the subject, involving legislators from both countries.

Given that the ECBM tool is not yet available, the coordination and mediation role provided by the ELA could be useful to ensure communication between authorities.

5.2 The European Labour Authority

Without prejudice to the tasks and activities of the Administrative Commission, the European Labour Authority shall support the application of the Regulation. The Administrative Commission shall cooperate with the European Labour Authority in order to coordinate the activities in mutual agreement and avoid any duplication. To that end, it shall conclude a cooperation agreement with the European Labour Authority.

The Authority will deliver the following essential tasks for a well-functioning European labour market:

1. Facilitate access to information to individuals and employers, and coordinate EURES;
2. Facilitate cooperation and the exchange of information between Member States with a view to the consistent, efficient and effective application and enforcement of relevant Union law;
3. Coordinate and support concerted and joint inspections;
4. Carry out analyses and risk assessment of issues of cross-border labour mobility;

5. Support Member States with capacity building regarding the effective application and enforcement of relevant Union law;
6. Support Member States in tackling undeclared work;
7. Mediate disputes between Member States on the application of relevant Union law.

6 Other relevant aspects to this case

Promoting and facilitating cross-border employment: there are nearly 2 million cross-border commuters in the EU (mainly from France, Germany and Poland, who work mainly in Germany, Switzerland, Luxembourg and Austria). Some of these countries' borders are equipped to provide vital information to some of these employees (e.g. EURES cross-border partnership programmes, "Infobest" network, "Groupement transfrontalier européen", "Die Grenzgänger", "GrensInfo", etc.). However, many borders still lack information services, which hampers cross-border employment opportunities, e.g. the coverage of EURES cross-border partnerships is still partial. Moreover, the lack of integration of labour market data from both sides of the border hampers labour market integration in cross-border regions, notably by not facilitating the development of cross-border employment promotion activities.

7 References and Appendix/Appendices if any

Appendix No. 1: Organisations, representatives contacted by the CESCI for making interviews and information exchange with them

Organisation	Representatives
European Labour Authority	Balázs Lengyel
European Labour Authority	József Krisztián Járai
Hungarian Ministry for Economics, Deputy State Secretary for Labour Protection and Employment Inspection	Viktória Zöld-Nagy
Baranya County Government Office Employment, Employment Inspection and Labour Protection Department Labour Market Department	Dóra Horváth

Appendix No. 2: Definitions of the legislation and official documents taken into account

Legal provisions of the European Union

Legal provisions	Official Journal
REGULATION (EU) No 465/2012 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 22 May 2012 amending Regulation (EC) No 883/2004 on the coordination of social security systems and Regulation (EC) No 987/2009 laying down the procedure for implementing Regulation (EC) No 883/2004 (Text with relevance for the EEA and for Switzerland)	OJ L 149, 8.6.2012, p. 4-10
REGULATION (EC) No 987/2009 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 September 2009 laying down the procedure for implementing Regulation (EC) No 883/2004 on the coordination of social security systems (Text with relevance for the EEA and for Switzerland) and its relevant Article 14 (Details relating to Articles 12 and 13 of the basic Regulation)	OJ L 284, 30.10.2009, p. 1-42
REGULATION (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC)	OJ L 210, 31.7.2006, p. 19-24
REGULATION (EC) No 883/2004 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 29 April 2004 on the coordination of social security systems (Text with relevance for the EEA and for Switzerland) and its relevant Article 13 (Pursuit of activities in two or more Member States)	OJ L 166, 30.4.2004, p. 1-123

Legal provisions	Official Journal
Directive 2019/1158 of the European Parliament and of the Council 2019/1158 of 20 June 2019. on work-life balance for parents and carers and repealing Council Directive 2010/18/EU	OJ L 188, 12.7.2019, p. 79-93
Directive 2019/1152 of the European Parliament and of the Council of 20 June 2019 on transparent and predictable working conditions in the European Union	OJ L 186, 11.7.2019, p. 105-121
Directive 2018/957 of the European Parliament and of the Council of 28 June 2018 amending Directive 96/71/EC concerning the posting of workers in the framework of the provision of services	OJ L 173, 9.7.2018, p. 16-24
Directive 2015/1794 of the European Parliament and of the Council of 6 October amending Directives 2008/94/EC, 2009/38/EC and 2002/14/EC of the European Parliament and of the Council, and Council Directives 98/59/EC and 2001/23/EC, as regards seafarers (Text with EEA relevance)	OJ L 263, 8.10.2015, p. 1-5
Directive 2014/67/EU of the European Parliament and of the Council of 15 May 2014 on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services and amending Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System ('the IMI Regulation')	OJ L 159, 28.5.2014, p. 11-31
Directive 2008/104/EC of the European Parliament and of the Council of 19 November 2008 on temporary agency work	OJ L 327, 5.12.2008, p. 9-14
Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation	OJ L 204, 26.7.2006, p. 23-36
Directive 2003/88/EC of the European Parliament and of the Council of 4 November 2003 concerning certain aspects of the organisation of working time	OJ L 299, 18.11.2003, p. 9-19
Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees in the European Community	OJ L 80, 23.3.2002, p. 29-34
Council Directive 2001/23/EC of 12 March 2001 on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses	OJ L 82, 22.3.2001, p. 16-20
Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation	OJ L 303, 2.12.2000, p. 16-22
Council Directive 1999/70/EC of 28 June 1999 concerning the framework agreement on fixed-term work concluded by ETUC, UNICE and CEEP	OJ L 175, 10.7.1999, p. 43-48
Council Directive 98/59/EC of 20 July 1998 on the approximation of the laws of the Member States relating to collective redundancies	OJ L 225, 12.8.1998, p. 16-21
Council Directive 97/81/EC of 15 December 1997 concerning the Framework Agreement on part-time work concluded by UNICE, CEEP and the ETUC	OJ L 14, 20.1.1998, p. 9-14

Legal provisions	Official Journal
Directive 96/71/EC of the European Parliament and of the Council of 16 December 1996 concerning the posting of workers in the framework of the provision of services	OJ L 18, 21.1.1997, p. 1-6
Council Directive 94/33/EC of 22 June 1994 on the protection of young people at work (OJ L 216, 20.8.1994), last amended by Directive 2014/27/EU of the European Parliament and of the Council of 26 February 2014 amending Council Directives 92/58/EEC, 92/85/EEC, 94/33/EC, 98/24/EC and Directive 2004/37/EC of the European Parliament and of the Council, in order to align them to Regulation (EC) No 1272/2008 on classification, labelling and packaging of substances and mixtures (OJ L 65, 5. 3. 2014.)	OJ L 216 20.8.1994, p. 12
Council Directive 92/85/EEC of 19 October 1992 on the introduction of measures to encourage improvements in the safety and health at work of pregnant workers and workers who have recently given birth or are breastfeeding (tenth individual Directive within the meaning of Article 16 (1) of Directive 89/391/EEC)	OJ L 348, 28.11.1992, p. 1-7
Council Directive 91/383/EEC of 25 June 1991 supplementing the measures to encourage improvements in the safety and health at work of workers with a fixed-duration employment relationship or a temporary employment relationship	OJ L 206, 29.7.1991, p. 19-21

International law

In Croatian and Hungarian	In English
Ugovor između Republike Hrvatske i Republike Mađarske o izbjegavanju dvostrukog oporezivanja porezima na dohodak i na imovinu (Narodne novine - Međunarodni ugovori br. 11/97)	Agreement between the Republic of Croatia and the Republic of Hungary for the avoidance of double taxation with respect to taxes on income and on capital (Official Gazzete – "Međunarodni ugovori" No. 11/97), applicable since 1 January 1999
Ugovor o socijalnom osiguranju između Republike Hrvatske i Republike Mađarske (Narodne novine - Međunarodni ugovori br. 11/2005)	Agreement between the Republic of Croatia and the Republic of Hungary on Social Security (Official Gazzete - "Međunarodni ugovori" No. 11/2005)

Hungarian legal provisions

In Hungarian	In English
2019. évi CXXII. törvény a társadalombiztosítás ellátásaira jogosultakról, valamint ezen ellátások fedezetéről	Act CXXII of 2019 on persons entitled to social security benefits and private pensions and on the coverage of these benefits
2012. évi I. törvény a munka törvénykönyvéről	Act I of 2012 on the Labour Code

In Hungarian	In English
1997. évi LXXXIII. törvény a kötelező egészségbiztosítás ellátásairól	Act LXXXIII of 1997 on compulsory health insurance benefits
1993. évi XCIII. törvény a munkavédelemről	Act XCIII of 1993 on Occupational Safety and Health
386/2016. (XII.2.) Korm.rendelet az egészségbiztosítási szervekről	386/2016 (XII. 2.) Government Decree on health insurance bodies
217/1997. (XII.1.) Korm.rendelet a kötelező egészségbiztosítás ellátásairól	217/1997 (XII. 1.) Government Decree on the implementation of Act LXXXIII of 1997 on compulsory health insurance benefits

Croatian legal provisions

In Croatian	In English
Zakon o radu pročišćeni tekst zakona NN 93/14 , 127/17 , 98/19 , 151/22 , 64/23	Labour Act (Official Gazette 93/14, 127/17, 98/19, 151/22 and 64/23 regulates employment relationships in the Republic of Croatia unless otherwise provided for by another law or a published and valid international agreement, as concluded and ratified in accordance with the Constitution of the Republic of Croatia. The Croatian LA implements the following European Union directives into the Croatian jurisdiction: Council Directive 1999/70/EC, Council Directive 94/33/EC, Directive 2008/104/EC, Council Directive 97/81/EC, Directive 2003/88/EC, Directive 2006/54/EC, Council Directive 98/59/EC, Council Directive 2001/23/EC, Directive 2002/14/EC, Council Directive 2000/78/EC, Council Directive 92/85/EEC, Council Directive 91/383/EEC, Directive 2015/1794, Directive 2019/1152, Directive 2019/1158 (see the full titles in the European Union legislative list)
Zakon o upućivanju radnika u Republiku Hrvatsku i prekograničnoj provedbi odluka o novčanoj kazni NN 128/20 , 114/22	Law on posting of the employees to Republic of Croatia and cross-border enforcement of the decision on the financial penalties (Official Gazette No. 128/20 and 114/22). Law on posting implements the following European Union directives into the Croatian jurisdiction: Directive 96/71/EC, Directive 2014/67/EU, Directive 2018/957 (see the full titles in the European Union legislative list).
Opći porezni zakon pročišćeni tekst zakona NN 115/16 , 106/18 , 121/19 , 32/20 , 42/20 , 114/22	General Tax Law (Official Gazette No. 115/16, 106/18, 121/19, 32/20, 42/20 and 114/22)

In Croatian	In English
<p>Zakon o porezu na dohodak pročišćeni text NN 115/16 , 106/18 , 121/19 , 32/20 , 138/20 , 151/22 , 114/23</p>	<p>Law on personal income tax (Official Gazette No. 115/16 , 106/18 , 121/19 , 32/20 , 138/20 , 151/22 , 114/23)</p>
<p>Zakon o doprinosima pročišćeni tekst zakona NN 84/08 , 152/08 , 94/09 , 18/11 , 22/12 , 144/12 , 148/13 , 41/14 , 143/14 , 115/16 , 106/18 , 33/23 , 114/23</p>	<p>Law on social contributions (Official Gazette No. 84/08 , 152/08 , 94/09 , 18/11 , 22/12 , 144/12 , 148/13 , 41/14 , 143/14 , 115/16 , 106/18 , 33/23 , 114/23)</p>
<p>Zakon o mirovinskom osiguranju pročišćeni tekst zakona NN 157/13 , 151/14 , 33/15 , 93/15 , 120/16 , 18/18 , 62/18 , 115/18 , 102/19 , 84/21 , 119/22</p>	<p>Pension Insurance Act (Official Gazette No 157/13, 151/14, 33/15, 93/15, 120/16, 18/18, 62/18, 115/18, 102/19, 84/21 and 119/22). Pension insurance Act implements into the legal order of the Republic of Croatia Council Directive 97/81/EC of 15 December 1997 concerning the Framework Agreement on part-time work concluded by UNICE, CEEP and the ETUC (OJ L 014, 20.1.1998)</p>
<p>Zakon o obveznom zdravstvenom osiguranju pročišćeni tekst zakona NN 80/13 , 137/13 , 98/19 , 33/23</p>	<p>Mandatory Health Insurance Act (Official Gazette 80/13, 137/13, 98/19 and 33/23). The Mandatory Health Insurance Act implements the Directive 2011/24/EU of the European Parliament and of the Council of 9 March 2011 on the application of patients' rights in cross-border health care (OJ L 88, 4.4.2011)</p>

Appendix No. 3: Notification to the Government Office of the place of employment in Hungary

Notification

1. The place where the notification is submitted (the government office competent for the place of employment):

Place	
-------	--

2. Name of the employer declaring the employment:

Your registered office (place of business):	
Tax number:	
Statistical number (17 digits):	

3. Establishment of an employment relationship:

Citizenship		
Location		
Education		
Age		
Position / FEOR number		
In own right or based on the status of a relative		
Limited / Unlimited Duration		
Form of employment relationship		
Date of establishment of legal relationship		
Place of employment		
Number of people		

4. Termination of employment:

Citizenship		
Location		
Education		
Age		
Position / FEOR number		
In own right or based on the status of a relative		
Limited / Unlimited Duration		
Form of employment relationship		
Date of termination of employment		
Place of employment		
Number of people		

How to fill in the tables

Citizenship: where applicable

Place of residence: enter the appropriate letter **(a)**, **(b)** or **(c)** as indicated below.

- a)** Notification of the unauthorised employment in Hungary of a person with the right of free movement and residence pursuant to Section 6 (1) of Government Decree 355/2007 (XII. 23.) on the transitional rules applied by the Republic of Hungary to persons with the right of free movement and residence in connection with the free movement of labour, or
- b)** notification on the authorisation of the employment of third-country nationals in Hungary on the basis of a non-aggregated application procedure, on the exemption from the obligation to apply for authorisation, on the cooperation of the labour centre of the metropolitan and county government office in the aggregated application procedure, and on the notification of the employment of third-country nationals who are employed in Hungary without authorisation and on the reimbursement of wages pursuant to Decree 445/2013. (XI. 28.) of the Government Decree (hereinafter referred to as the Government Decree) on the employment of third-country nationals in Hungary without a permit pursuant to Article 16 (1) a) of the Government Decree, or
- c)** notification of the unauthorised employment in Hungary of a person recognised as a refugee, a person granted protection or asylum pursuant to Section 16 (1) (b) of Paragraph (1) of the Government Decree, or a person with immigrant or settled status.

Education: please enter the appropriate number - **I-VIII** - as follows

I.	primary school
II.	vocational school
III.	skilled worker
IV.	vocational secondary school

V.	high school
VI.	college
VII.	university
VIII.	other

Age: as appropriate

Job FEOR number: a four-digit number corresponding to the job the foreign national wishes to do, based on the Standard Classification of Occupations

In their own right, or based on the status of Relative: as applicable

Indefinite / Indefinite duration: as appropriate

Form of employment: enter the appropriate number - **I-XI** - as follows

THE FORM OF EMPLOYMENT RELATIONSHIP	
I.	employment relationship
II.	civil service, public service, government service
III.	civil servant status
IV.	judicial and judicial status
V.	employment as a prosecutor
VI.	the professional service relationship under the Act on the Service Status of Professional Staff of Bodies Performing Law Enforcement Functions, the professional service relationship under the Act on the Status of Defence Forces and the service relationship of soldiers on contract, the law enforcement administrative service relationship, the law enforcement employee relationship
VII.	employment relationship
VIII.	employment as a foster parent
IX.	cooperative member employment relationship in the nature of an employment relationship
X.	other employment relationship
XI.	public employment relationship

Date of establishment/termination of legal relationship: as applicable

Number of people: as appropriate

....., 20..... year month day

.....

company signature

(In case of electronic administration, with electronic signature and time stamp)

Appendix No. 4: Overview of the basic rights and obligations of the employees based on the Croatian LA

Under the Croatian LA, the basic rights and obligations of the employees, depending on the type of employment contract, working hours, leaves, salary are as follows:

Employment contract has to be in a written form and the types are:

- an indefinite period of time,
- fixed-term contract (exceptionally) - maximum duration is 3 years, and only 3 consecutive fixed-term contracts are permitted.

Probationary period:

- months max.,
- notice period is at least one week.

Working hours:

- full time - 40 hours per week,
- part-time - anything less than 40 hours per week.

Overtime work:

- allowed only in cases of force majeure, extraordinary increase in scope of work and in other similar cases of urgency,
- a written request from the employer is required,
- a maximum of 10 overtime hours per week, and 180 overtime hours per year.

Night work:

- between 10 pm and 6 am

Breaks:

- Break - every employee who works at least six hours per day should have a 30-minute break (calculated as part of working hours)
- Daily rest period - 12 hours continuously
- Weekly rest period - at least 24 hours continuously

Leaves:

- Annual leave
 - minimum of 4 weeks (holidays, non-working days determined by law and sick leave are not included in the annual leave)
- Paid leave:
 - maximum of 7 days per year,
 - only for important personal needs (e.g. marriage, birth of a child, serious illness or death of a close family member),
 - 1 day for employees who are donating blood
- Unpaid leave:
 - must be approved by the employer,
 - exceptionally, the employee is entitled to 5 days of an unpaid leave per year, for personal care (i.e. care provided to a member of immediate family or a person living in the same household who needs it due to serious health reasons)
- Sick leave:
 - in case of illness the employee must notify the employer as soon as possible of such illness,
 - doctor's note on the temporary disability for work and its expected duration must be delivered to the employer within 3 (three) days
- Absence from work:
 - an employee may be absent from work for 1 day per year due to a particularly important and urgent family reason (i.e. illness or accident)

Salary:

- must be paid to the employee's transactional account no later than the 15th day of the following month,
- payslip must be submitted to the employee no later than 15 days after the salary payment,
- must be stated as gross amount in the employment contract

Increased salary:

- only when working in difficult conditions, on holidays and other non-working days determined by law, as well as for overtime and night work. The percentage of such increased salary is freely determined by the employer (in the contract of bylaw),
- employees working on Sundays are entitled to an increased salary of at least 50%

Statutory non-compete:

- without the employer's approval the employee cannot perform business activity that is related to the employer's business activity

Contractual non-compete:

- valid upon termination of employment contract,
- 2 years max.,
- provided that the employee's salary is higher than average

Contractual non-compete:

- valid upon termination of employment contract,
- 2 years max.,
- provided that the employee's salary is higher than average

Termination of the employment contract:

- Reasons:
 - termination due to business reasons (e.g. due to economic, technical or organisational reasons),
 - termination due to personal reasons (e.g. the employee is unable to properly fulfil his obligations arising from the employment relationship due to certain permanent characteristics or abilities),
 - termination due to wrongful conduct (if the employee breaches obligations arising from the employment relationship),
 - termination due to unsatisfactory performance during probationary period .
- Extraordinary termination/ termination without notice:
 - requires a very important reason (e.g. workplace violence or theft),
 - the employment must be terminated within 15 days counting from the moment the employer becomes aware of such misconduct
- Notice period:
 - does not run during sick leave (there are exceptions to the rule),
 - runs during annual leave and paid leave.
- Minimum duration:
 - 2 weeks, if the employment lasted less than 1 year,
 - 1 month, if the employment lasted 1 year,
 - 1 month and 2 weeks, if the employment lasted 2 years,
 - 2 months, if the employment lasted 5 years,
 - 2 months and 2 weeks, if the employment lasted 10 years,

- 3 months, if the employment lasted 20 years.
- In the event the employee terminates the employment contract, then the notice period cannot be longer than 1 month.

Severance payment:

- only when the employee is employed for at least 2 years (except in the event of termination due to wrongful conduct),
- cannot be less than one third of the average monthly salary paid in the last three months before the termination, for each completed year of work for the employer

If you employ 20 or more employees, then:

- you should have an employment bylaw,
- you should appoint a person for controlling the collection, use and transfer of employee's personal data,
- you should appoint a person for protection of employees' dignity (and if you employ more than 75 employees, you need to appoint two such people),
- the employees are entitled to form an employees' council,
- upon expiry of 2 years as of incorporation of the company, the company should employ a certain number of people with disabilities (however, there are some exceptions)

If you employ 50 or more employees, then:

- you should employ at least one expert for occupational health and safety at work

If you employ more than 200 employees, then:

- you should have a Supervisory board (which requires a change of the company's Deed of Incorporation) with a minimum of 3 members. One member of the Supervisory board should be a representative of the employees