

Factual analysis of Member States Investors' Schemes granting citizenship or residence to third- country nationals investing in the said Member State

Deliverable B.II Investors' Residence Schemes in Croatia

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The views expressed herein are those of the consultants alone and do not necessarily represent the official views of the European Commission.

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I. GENERAL BACKGROUND

■ *Legal background:*

The principal legal act applicable to the investors' residence scheme in the Republic of Croatia is the Aliens Act which regulates conditions for the entry, movement, stay and work of third-country nationals and members of their families¹. The Aliens Act was adopted on 28 October 2011 and has been amended twice in 2013 and 2017.

The investors' residence scheme is primarily regulated by Articles 76, 77 and 78 of the Aliens Act regulating the residence and work permit for third-country nationals outside the annual quota, analysed in the sections below.

There are a number of other provisions relevant for the investors' residence scheme and they can be found in the following Chapters and Articles of the Aliens Act:

- CHAPTER I General Provisions
- Article 1(1) on the scope of the Aliens Act
- Article 2(1)(1) on the definition of an alien
- Article 2(1)(4) on the definition of a third-country national
- Article 2(1)(9) on the definition of a stay permit
- Article 4 on the duties of a third-country national during her/his stay in the Republic of Croatia
- Article 5 on the security check of a third-country national for the purpose of national security
- CHAPTER III Visas
- Article 11 on the notion of a visa
- Article 14 on the notion of a short-term visa
- Article 16 on the authorities responsible for the issuance of visas
- Article 17 on the procedure of the submission of visa application
- Article 18 on the visa application forms
- Article 19 on travel medical insurance
- Article 20 on Croatian Visa Information System
- Article 21 on collecting biometric data
- Article 22 on criteria for admitting visa applications
- Article 23 on the deadline for deciding on visa applications
- Article 24 on travel documents
- Article 30 on extending a visa
- Article 31 on refusing a visa
- Article 33 on annulment and revocation of a visa
- CHAPTER IV Entry and Departure of Aliens
- Articles 35, 36 and 37 on the approval of a third-country national's entry
- Article 38 on refusing of a third-country national's entry
- Article 39 on the entry of third-country nationals
- Article 40 on the departure of third-country nationals
- CHAPTER V Stay of third-country nationals
- Article 44 on the modes of stay of third-country nationals
- Article 47 on temporary stay
- Article 48 and 49 on the procedure for submitting an application for temporary stay
- Article 50 on authorities responsible for deciding on the temporary stay application

¹ See Article 1(1). Aliens Act (*Zakon o strancima*), Official Gazette of the Republic of Croatia, Nos. 130/11, 74/13, 69/17, available at: http://narodne-novine.nn.hr/clanci/sluzbeni/2011_11_130_2600.html, (2013 amendment available at https://narodne-novine.nn.hr/clanci/sluzbeni/2013_06_74_1475.html, (2017 amendment available at https://narodne-novine.nn.hr/clanci/sluzbeni/2017_07_69_1605.html). Consolidated version available at <https://www.zakon.hr/z/142/Zakon-o-strancima>.

- Article 52 on the term of validity of temporary stay
- Article 53 on the extension of temporary stay
- Article 54 on conditions for the approval of temporary stay
- Articles 55, 59 and 61 on temporary stay for the purpose of family reunification
- Article 56 on the notion of family members
- Article 72 on termination of temporary stay
- Article 73 on the work of third-country nationals
- Articles 76(1)(5), 77 and 78(3) on a residence and work permit outside the annual quota
- Articles 90 and 91 on the termination of validity of a residence and work permit
- Articles 92, 93, 95, 96, 97, 98 and 99 on permanent stay
- CHAPTER VII Identity documents
- Articles 139, 140, 141, 142, 143, 144 and 145 on a stay permit
- CHAPTER VIII Registration of stay
- Articles 146 and 148
- CHAPTER XIII Data filing systems
- Articles 204, 205 and 206
- CHAPTER XIV Inspection and administrative supervision of the implementation of the Act
- Articles 207, 208, 209, 210 and 210

The Regulation on the Status and Work of Aliens in the Republic of Croatia adopted on 26 April 2012 and amended in 2013 and 2015 is also relevant for the investors' residence scheme.² The Regulation sets out the rules for the issuance of stay and residence permits, i.e. the manner of determining the conditions for stay and work of aliens; the layout and content of the application forms for issuing temporary and permanent residence permits, the application forms for issuing residence and work permits, stay approval, identity cards for aliens, travel documents for aliens; registration and cancellation of stay, residence and change of the address; and content and manner of collecting data.

For the purposes of this Report, it should be clarified that the Croatian Aliens Act distinguishes between short, temporary and permanent stay. The term 'stay' is used indistinctively to refer to the situation in which a third-country national can legally remain and live in the territory of Croatia. However, the length of such 'stay' varies (90 days in any 180-day period for short stays,³ between 90 days and up to one year for temporary stays,⁴ and indefinitely for permanent stays⁵). Furthermore, when regulating the different permits, the Aliens Act refers to "residence" permit, rather than to stay permit. Foreign investors can apply for a temporary residence and work permit (residence and work permit).⁶

■ *Competent authorities:*

According to Article 2(1)(9) of the Aliens Act, the residence permit is issued to a third-country national on an approved temporary or permanent stay by **the Ministry of the Interior** through the relevant **police administration or police station**, which allows her/him to enter and reside in the Republic of Croatia in accordance with the stated purpose⁷.

Within the Ministry of the Interior, there is a **Directorate for Administrative and Inspection Affairs**

² Regulation on status and work of foreigners in the Republic of Croatia (*Pravilnik o statusu i radu stranaca u Republici Hrvatskoj*), Official Gazette of the Republic of Croatia, Nos. 52/12, 81/13, 38/15, 100/17, available at: https://narodne-novine.nn.hr/clanci/sluzbeni/2012_05_52_1279.html, https://narodne-novine.nn.hr/clanci/sluzbeni/2013_06_81_1714.html, https://narodne-novine.nn.hr/clanci/sluzbeni/2015_04_38_787.html, last amendment of 2017 available at https://narodne-novine.nn.hr/clanci/sluzbeni/2017_10_100_2307.html.

³ Article 45(1) of the Aliens Act which cross-refers to Article 6 of Regulation (EU) 2016/399 (Schengen Borders Code).

⁴ Article 47 of the Aliens Act.

⁵ Article 92 of the Aliens Act. For permanent stays, it is necessary that the foreigner has resided for five years in Croatia. It is admissible that in this five period the foreigner is absent from the Croatian territory for interrupted periods of up to ten months or a one-off period of absence of six months.

⁶ Article 76(1) of the Aliens Act.

⁷ Article 1(1) of the Aliens Act.

responsible for

- monitoring the implementation of laws and other legal acts in the field of administrative affairs related to, *inter alia*, asylum and citizenship;
- preparing legislative and subordinate regulations in the respective area;
- taking measures to address the identified shortcomings in the implementation of laws and other legal acts in the respective area;
- providing expert assistance and supervising the work of police administrations and police stations in the area of their jurisdiction;
- defining the strategic goals, developing and monitoring performance indicators, identifying risks, etc.⁸

The Directorate is composed of two sectors: the **Sector for Administrative Affairs, Aliens and Citizenship** and the **Sector for Inspection**. The first sector organises, directs and coordinates the work of the Sector Services; carries out activities related to, *inter alia*, aliens, asylum and visas; and participates in the drafting of regulations in this area and the harmonisation of these regulations with the *acquis communautaire*. The Sector is further divided into three Sections: Section for Administrative Affairs, Section for Citizenship, and Section for Aliens and Asylum⁹.

The *Section for Citizenship* performs administrative duties related to the determination, acquisition and termination of Croatian citizenship; monitors the enforcement of regulations in the field of citizenship; participates in drafting relevant regulations; coordinates work, provides expert assistance and supervises the work of police administrations and police stations in these affairs; cooperates with other state authorities in the field of citizenship; monitors the acquisition, determination and termination of Croatian citizenship; and analyses the implementation of international treaties related to this area¹⁰.

The *Section for Aliens and Asylum* performs administrative duties related to status issues and the work of aliens; conducts the asylum procedure; participates in drafting regulations in the mentioned area (i.e. the asylum procedure, status issues and the work of aliens); analyses the implementation of regulations regulating the area of asylum and the status of aliens; provides expert assistance and oversees the police administration in the field of foreign affairs status issues and visas; cooperates with other state authorities in addressing status issues of aliens; analyses the implementation of international treaties; performs work related to the procedure of issuing visas, etc.

There are four Departments established within the Service for Aliens and Asylum: Department for Status Issues of Aliens, Asylum Department, Visa Department and Reception Centre for Asylum Seekers¹¹.

⁸ Article 197. Regulation on Internal Organization of the Ministry of Interior, (*Uredba o unutarnjem ustrojstvu Ministarstva unutarnjih poslova*), Official Gazette of the Republic of Croatia, Nos. 70/12, 140/13, 50/14, 32/15, 11/17, available at: https://narodne-novine.nn.hr/clanci/sluzbeni/2012_06_70_1670.html, https://narodne-novine.nn.hr/clanci/sluzbeni/2013_11_140_2986.html, https://narodne-novine.nn.hr/clanci/sluzbeni/2014_04_50_953.html, https://narodne-novine.nn.hr/clanci/sluzbeni/2015_03_32_648.html, https://narodne-novine.nn.hr/clanci/sluzbeni/2017_02_11_292.html.

⁹ Article 198 Regulation on Internal Organization of the Ministry of Interior.

¹⁰ Article 203 Regulation on Internal Organization of the Ministry of Interior.

¹¹ Article 204 Regulation on Internal Organization of the Ministry of Interior.

II. PROCEDURES, COMPETENT AUTHORITIES AND APPLICABLE CRITERIA

1 APPLICATION PHASE

1.1 PROCEDURES

■ *Who can apply for a residence permit*

Article 76 of the Aliens Act regulates the 20 categories of third-country nationals to whom a residence and work permit outside the annual quota¹² can be issued to. From these 20 categories, only two are relevant to investors as they require an investment to obtain the residence and work permit under Article 78:

- foreigners performing key business in companies, branches and representative offices (Article 76(1)(3) Aliens Act); and
- foreigners who are self-employed in one of the following (Article 76(1)(5) Aliens Act):
 - their own company; or
 - a company which they do not own but in which they hold over 51% of the shares; or
 - their own crafts business (e.g. locksmiths, hair stylists, and carpenters)

For the purpose of this Report, the first of the above categories of investors is referred to as “**employed investors**” while the second category is referred to as “**self-employed investors**”. Self-employed investors are covered by this Report as they have to make an economic disbursement to apply for a residence and work permit and, thus, obtaining such permit depends of whether the applicant has made the referred investment and the investment fulfils the legal conditions.

■ *Conditions for granting residence to investors*

¹² The annual quota refers to volumes of admission for all third-country national workers in Croatia. It does not apply to foreign investors. According to the latest data of the Ministry of the Interior on the status of the annual quota for stay and work permits on 6 April 2018, issued pursuant to the Decision of the Government of the Republic of Croatia (see: Ministry of the Interior, <http://stari.mup.hr/172024.aspx>), Croatia has foreseen 22,000 positions for third-country nationals. Article 76(1) of the Aliens Act lists all the categories of third-country nationals to whom a stay and work permit may be issued out of the (general) annual quota (and, thus, to whom the quota is not applicable). Those are: 1. frontier workers under the condition of reciprocity, 2. key staff, service providers, workers and members of their families whose status is regulated by the Stabilisation and Association Agreement between the European Communities and their Member States and the Republic of Croatia, 3. third-country nationals who carry out key business activities in companies, branches and representative offices, 4. other necessary persons as defined in the Protocol on the Accession of the Republic of Croatia to the Marrakech Agreement on the Founding of the World Trade Organization, 5. a third-country national who is self-employed in a company in which he has a holding of at least 51% or in a craft in which he is the sole owner, 6. a worker who carries out services on behalf of a foreign employer who has no right of establishment in the EEA Member State, 7. teachers and lecturers who are teaching at schools in the language and script of national minorities, 8. professional athletes or sports workers working in the Republic of Croatia, 9. artists working in cultural institutions in the Republic of Croatia, 10. third-country nationals who have based their work in foreign associations registered as foreign associations in the Republic of Croatia and at least three other states, 11. third-country nationals who are members of the founding bodies of foreign associations and foundations enrolled in the Register of Foreign Associations and Foundations in the Republic of Croatia, 12. third-country nationals working on the Youth Mobility Programme implemented by the Republic of Croatia in cooperation with other States, 13. scientific researchers and third-country nationals who are employed in scientific, scientific-teaching or other research positions in scientific legal persons, 14. professors – native speakers of foreign languages, lecturers and other teachers teaching at Croatian higher education institutions or registered foreign language schools, 15. third-country nationals working on an international contract, other than the contract referred to in Article 79, paragraph 1, item 2 of this Act, 16. a person with a long-term stay in another EEA Member State, 17. key staff, workers and members of their families whose status is regulated by the Stabilisation and Association Agreement between the European Communities and their Member States and the Republic of Croatia; 18. a third-country national who is an intra-corporate transferee for the purpose of long-term mobility in accordance with Article 79(c) of the Aliens Act; 19. Third-country nationals who come to Croatia for a certain period of time to perform tasks in accordance with agreements concluded between Croatia and third countries; and 20. a third-country specialised in healthcare activities in accordance with specific regulations.

Under general immigration rules, third-country nationals may stay in the Republic of Croatia on a short-term, temporary or permanent basis with the corresponding permit¹³, i.e. a document issued to third-country nationals for a temporary or permanent period authorised by the Ministry of the Interior through the relevant police administration or police station, which allows them to enter and reside in the Republic of Croatia in accordance with the stated purpose¹⁴. The **document issued to foreign investors** is called a **residence and work permit**¹⁵ and its issuance is regulated by provisions on temporary and permanent stay for the purpose of work of the Aliens Act.¹⁶

In order to obtain a residence and work permit, a foreign investor needs to meet general and specific requirements:

- **Article 54** of the Aliens Act provides the **general conditions** for **all** third-country nationals (regardless of whether they are investors or not) to be granted a temporary residence permit.
- **Specific conditions for foreign investors** are regulated in **Article 78** of the Aliens Act and **Article 77** of the Aliens Act. Further specific conditions are provided in the **Regulation on the Status and Work of Foreigners**.

General conditions

Under **general conditions applicable to all third-country nationals** who apply for a temporary residence and work permit, **Article 54** of the Aliens Act stipulates that the third-country national must:

1. demonstrate the **purpose of temporary stay**,
2. hold a **valid travel document**,
3. have **sufficient subsistence funds**,
4. have a **sickness insurance**,
5. **not be prohibited to enter to and to stay in** the Republic of Croatia, and
6. **not pose a threat to public policy, national security or public health**.

Specific conditions

As explained above, under the Croatian Aliens Act, two possible categories of foreign investors may apply for temporary residence: (a) employed investors and (b) self-employed investors. There are conditions applicable to both categories and conditions specific to each of these categories of investors.

A. Conditions applicable to employed and self-employed investors

To apply for a residence and work permit, all foreign investors, whether employed or self-employed, must meet the following conditions and supply the necessary documentation to support their application:

1. at least **three Croatian nationals are employed. This must be demonstrated by copies of employment contracts and copies of the applications for pension and health insurance for these Croatian employees** (Article 24 Regulation on the Status and Work of Foreigners)
2. the **monthly gross salary** of the foreign investor **must be at least at the level of the average monthly gross salary in the Republic of Croatia** according to the last published official data of the competent statistical authority¹⁷, except in the case of **self-employed investors in their own craft business**, who must prove that the amount earned is at least the average monthly **net salary** in the Republic of Croatia according to the latest officially published data of the competent statistical authority¹⁸

¹³ Article 44 of the Aliens Act.

¹⁴ Article 2(1)(9) of the Aliens Act.

¹⁵ Article 47(2) of the Aliens Act.

¹⁶ Article 47(1)(6) of the Aliens Act.

¹⁷ As of January 2018, the average monthly gross earnings per person in paid employment in legal entities in the Republic of Croatia amounted to HRK 8,361 (approximately EUR 1,132). See: Average Net and Gross Earnings of Persons in Paid Employment for January 2018, First Release, Croatian Bureau of Statistics, Zagreb, 27 March 2018, available at: https://www.dzs.hr/Hrv_Eng/publication/2018/09-01-01_01_2018.htm.

3. **evidence of their acquired qualifications and skills** (e.g. diplomas, professional qualifications certificates, etc.),
4. **proof of registration of a company**, branch office, representative office, craft, association or institution in the Republic of Croatia (e.g. document from the Court Register which in Croatia is in charge of running the company register or of the Crafts Register),

B. Conditions applicable to employed investors

The following conditions apply specifically to an employed investor:

1. the **value of the registered capital** of a company or the assets of a commanding or public company **exceeds** the amount of **HRK 100,000** (approximately EUR 13,500) (Article 78(1) Aliens Act),
2. if **more than one foreigner** carries out key tasks for the same employer, the requirement on the number of employed Croatian nationals is raised to at least **five** (Article 78(2) Aliens Act).

Furthermore, employed investors must provide the following documentation together with the application for a residence and work permit (Article 77(1) of the Aliens Act):

1. **a work contract, or a written confirmation of a concluded work contract or other appropriate contract** (which proves that the foreign investor is employed),
2. **a justification for employing the foreign investor** instead of Croatian citizens, which contains information on foreign language skills, qualifications and work experience, and why the job cannot be filled from the Croatian labour market.

C. Conditions applicable to self-employed investors

The following conditions are applicable to **all self-employed investors**, regardless of whether they are self-employed in their own business, in a company in which they own more than 51% of the shares or in their own crafts business:

- self-employed investors must **invest at least HRK 200,000** in the establishment of a company or crafts business (approximately EUR 27,000)¹⁹ proven by providing, together with the application, a description of the investment carried out in tangible or intangible assets of any of the following kind:²⁰
 - tangible assets: the value of real estate/buildings and equipment/machinery, of which the value of the real estate may amount up to 50% of the total value of the material property,
 - intangible assets, i.e. eligible investment costs, may include certain categories of non-material investment (patents, licenses, know-how, etc.),
 - intangible assets that represent investment costs and meet the following conditions:
 - are used exclusively in the company or crafts business
 - considered as an asset with a write-off possibility (depreciable asset),
 - are included in the balance sheet as assets
- Proof that the company or crafts business does not do business at a loss,
- **Proof of the settlement of tax obligations and contributions** in the Republic of Croatia.
- a **business plan** with the following information:
 - information on the company or crafts business
 - investments made for a period of one year
 - list of tangible and intangible assets
 - in the case of the **business plan for self-employed investors who own a crafts business**, the business plan must in addition, reflect the following aspects:
 - activities of the crafts business
 - employment plan including job creation by job type, qualifications and number of executive staff

¹⁹ Article 78(3) Aliens Act.

²⁰ Articles 25 and 26 of the Regulation on the Status and Work of Foreigners.

Apart from the above, Articles 25 and 26 of the Regulation on the Status and Work of Foreigners, respectively, prescribe further specific conditions for self-employed investors depending on whether (1) they own a company or, without owning the company, hold over 51% of the shares; or (2) they own a crafts business. Table 1 below shows the documents that must accompany the applications for a residence and work permit for each of these sub-categories of self-employed investors.

Table 1 Documents accompanying the application of self-employed investors for a residence permit

Self-employed investors who own a company or, without owning a company, hold over 51% of the shares (Article 25 Regulation on the Status and Work of Foreigners)	Self-employed investors who own a crafts business (Article 26 Regulation on the Status and Work of Foreigners)
<ol style="list-style-type: none"> 1. a list of members of the company certified by the Commercial Court or, if the applicant is an investor holding over 51% of the shares, a notary certificate on the members of the company certified by the Commercial Court 2. Information on creditworthiness and solvency: BON 1 and BON 221, as well as a certificate from the competent Tax Administration on settled tax liabilities and contributions not older than one month²². 	<ol style="list-style-type: none"> 1. Information on solvency (BON 2), as well as a certificate from the competent Tax Administration on the settled tax obligations and contributions not older than one month, 2. a certificate on the amount of income from self-employment issued by the Tax Administration, 3. a list of long-term assets - Form DI for the extension of a residence and work permit²³. 4. within the six months of submitting the application, the license or decision to start the crafts business must also be submitted

■ *Procedural stages*

The procedure for all foreign investors (whether employed or self-employed) to obtain a residence and work permit starts with the filing of the application. The application must be filed **in person** with the competent police administration or police station of the intended place of residence (if the applicant is already residing in Croatia)²⁴ or with the Embassy of Croatia (if the applicant resides abroad and is requesting to enter the Croatian territory for the first time)²⁵.

²¹ BON 1 are the information on creditworthiness while BON 2 are the information on solvency. BON-1 includes general information on business entity; performance information and indicators for the past two years; staffing level and average salary trend; balance of funds for the past year; company's rating in the respective industry or relevant size group; and explanation of performance indicators. BON 2 includes general information on business entity; balance of funds in the account; the total amount of receipts in favour of the account in the previous 30 days; average balance of funds in the account in the previous 30 days; the amount of the approved framework credit; the amount of the outstanding non-recorded liabilities; the number of days of uninterrupted account blocking and the number of days of account blocking in the past 6 months. See Official Web-site of Financial Agency (FINA), <http://www.fina.hr/Default.aspx?sec=1161>.

²² Article 25 of the Regulation on status and work of foreigners in the Republic of Croatia.

²³ Article 26 of the Regulation on status and work of foreigners in the Republic of Croatia.

Paragraph 2 of the Article stipulates that a third-country national shall provide the proof of crafts business registration in a crafts business register and the proof of compliance with the conditions referred to in paragraph 1, item 1 of this Article when submitting the application for the first issuing of a stay and work permit in a newly established crafts business. Paragraph 3 of the said Article further elaborates that the third-country national referred to in paragraph 2 of this Article shall, after issuing the first stay and work permit outside the annual quota, submit to the relevant police department or police station within 6 months the crafts business license or decision on registering the date of the beginning of crafts business and a copy of work contracts and applications for pension and health insurance for at least 3 Croatian nationals.

²⁴ For example, third-country nationals can already be residing in Croatia on the basis of a different permit (such as a student or research permit) and that when the permit expires and they wish to continue to reside in Croatia they decide to apply for a stay and work permit under the investors' residence scheme. This is induced from the provisions regulating the permanent stay. Namely, according to Article 92(1) of the Aliens Act, the permanent stay may be granted to a third-country national who, until the date of his application, was **continuously legally** residing in the Republic of Croatia for five years, including a temporary stay, asylum or subsidiary protection.

²⁵ Article 48(1) of the Aliens Act: "The application for the approval of temporary stay shall be submitted to the diplomatic mission or consular office of the Republic of Croatia".

The **form**²⁶ of the application (i.e. Form 9a) is prescribed by the Regulation on the Status and Work of Foreigners in the Republic of Croatia²⁷. The application form should be **bilingual**, i.e. printed in Croatian and English. The **documents accompanying** the application for granting a residence and work permit (explained above under “conditions to apply for a residence permit”)²⁸ must be in their original form or a certified copy, and foreign documents must be officially translated into the Croatian language and notarised²⁹.

Article 50(1) of the Aliens Act provides that the **competent authority** responsible for **deciding** on the application for a residence and work permit for third-country nationals (including foreign investors) is the **Ministry of the Interior**. The **police officers** are in charge of **examining the application and the accompanying documents** and verifying the information therein declared.³⁰ The legislation does not provide the term within which the competent authorities must examine and issue the corresponding decision on the application for a residence and work permit.

■ *Application fees*

All foreign applicants (including investors) have to pay the regular **administrative fees** to obtain the residence and work permit. The latter are prescribed by the Regulation on the Administrative Fee Tariffs³¹. The issuing of a residence and work permit costs HRK 560 (approximately **EUR 75**).

■ *Reasons for the refusal of a residence permit*

There are no specific **reasons for the refusal of a residence and work permit** when the applicant is a foreign investor. General rules of Article 54 paragraphs (3) and (4) of the Aliens Act apply. Under this provision, the competent authorities may decide to reject an application when:

- the conditions to apply are not fulfilled;
- the documentation supplied is fraudulently obtained or it is forged;
- there is evidence or serious, objective reasons to believe that the foreigner has entered Croatia to reside for purposes different from those declared in the application;
- when an alert has been issued in the Schengen Information System regarding the applicant.

Furthermore, general grounds for **withdrawing a residence and work permit** and terminate the temporary stay apply³²:

- when the circumstances for the approval of temporary stay cease to exist,
- if the foreigner is prohibited to enter and stay in Croatia,

²⁶ Article 2(2) of the Regulation on status and work of foreigners in the Republic of Croatia.

²⁷ Article 21(1) of the respective Regulation stipulates that: “The application form for stay and work permits (Form 9a) is white and sized 21x29,7 cm”. Form 9a is available at the web site of the Ministry of the Interior (see *Zahtjev za izdavanje dozvole za boravak i rad – OBRAZAC 9a*): <http://stari.mup.hr/1252.aspx>.

²⁸ According to Article 23(1) of the Regulation on status and work of foreigners in the Republic of Croatia, the application for a stay and work permit outside the annual quota should be accompanied by the documentation required by Article 4(1) of the Regulation as well as the work contract, or a written confirmation of a concluded work contract or other appropriate contract, the evidence of acquired foreign qualifications and competences, and proof of registration of a company, branch office, representative office, crafts business, association or institution in the Republic of Croatia. The above-mentioned Article 4(1) prescribes that the documentation should consist of a colour photograph (35x45 mm), a proof of secured means of subsistence, a proof of health insurance, a copy of a valid travel document to be verified by the official after having inspected the original travel document, and the evidence justifying the purpose of stay.

²⁹ Article 2(1) of the Regulation on status and work of foreigners in the Republic of Croatia.

³⁰ Article 207(2) of the Aliens Act in relation with Article 4(7) and (8) of the Regulation on Status and Work of foreigners in the Republic of Croatia. In the case of the permanent stay, this is regulated by Article 18(5) and (8) of the respective Regulation.

³¹ Regulation on the administrative fee tariffs (*Uredba o tarifama upravnih pristojbi*), Official Gazette of the Republic of Croatia, Nos. 8/17, 37/17, 129/17), available at: https://narodne-novine.nn.hr/clanci/sluzbeni/2017_01_8_232.html, https://narodne-novine.nn.hr/clanci/sluzbeni/2017_04_37_789.html, https://narodne-novine.nn.hr/clanci/sluzbeni/2017_12_129_2953.html.

³² Article 72(1) of the Aliens Act.

- if within 30 days after the approval of temporary stay, the applicant fails to register their place of temporary residence with the police administration or police station,
 - if the applicant moved out of the Republic of Croatia or stays abroad uninterruptedly for a period over 30 days, and
 - if the applicant stays in the Republic of Croatia contrary to the purpose of the temporary stay permit.
- **Legal remedy(ies) in case of refusal**

There are no legal remedies specific to foreign investors, general rules apply. Legal remedies are available to all third-country nationals applying for a temporary residence and work permit.

An **appeal** against the **decision on the application** may be filed, where the Commission shall decide about the appeal³³. An appeal is not permissible against a decision refusing the issuing of a stay and work permit if the annual quota is full or if the annual quota for extension, new employment or seasonal employment was not set, but an administrative dispute may be initiated³⁴.

An **appeal** may be filed against the **decision of the police administration or police station on the termination** (withdrawal) **of temporary stay**, where the Commission shall decide about the appeal³⁵. The Aliens Act does not specify who can contest the decision but it can be concluded *mutatis mutandis* from the other provisions of the Act that this right is granted to the applicant³⁶.

1.2 COMPETENT AUTHORITIES AND NON-PUBLIC BODIES

As noted above (General Background – Competent Authorities), a residence permit is defined by Article 2(1)(9) of the Aliens Act as a document issued to a third-country national on an approved temporary or permanent stay by the **Ministry of the Interior** through the relevant **police administration or police station**, which allows her/him to enter and reside in the Republic of Croatia in accordance with the stated purpose.

An application for temporary stay is usually submitted to the **diplomatic mission or consular post** of the Republic of Croatia³⁷. Temporary stay applications for third-country nationals who do not require a visa for entry into the Republic of Croatia may be submitted to the **police administration or police station based in the place of the intended stay of the third-country national**, the registered office (seat) of the employer or the place of work of a third-country national³⁸.

The **Ministry of the Interior** decides on the application for the temporary stay permit through the competent police administration or police station according to the place of residence or intended residence of a third-country national³⁹. Applications for the extension of temporary stay shall be submitted at the latest 60 days before the expiration of the term of validity of the valid temporary stay

³³ Article 50(2) of the Aliens Act.

³⁴ Article 50(3) of the Aliens Act.

³⁵ Article 72(4) of the Aliens Act. The Act does not specify which body sets the respective Commission, who are the members of the Commission, how many members are there and how they deliver a decision. There is a number of provisions in the Aliens Act which refer to 'the Commission' without any specification. The only provision which does that is Article 9(3) regulating the matter of the refusal to issue a travel document for a third-country national, which stipulates that it is the Appeal Committee appointed by the Government of the Republic of Croatia which is responsible for the respective appeal. It could be possibly induced from that provision that the same principle applies to the other cases of 'the Commission' as well because while referring to the Appeal Committee, Article 9(3) adds the following note in the bracket: 'hereinafter referred to as: the Commission'.

³⁶ See for example Article 31(3) of the Aliens Act on the refusal of a visa.

³⁷ Article 48(1) of the Aliens Act.

³⁸ Article 48(2) of the Aliens Act.

³⁹ Article 50(1) of the Aliens Act.

permit, at the police administration or police station based in the place of temporary stay or the registered office (seat) of the employer or the place of work of the third-country national⁴⁰. In case that a third-country national aims to be granted permanent stay, he/she shall submit an application for the issuing of a permanent stay permit to the police administration or police station based in the place of his temporary residence⁴¹. The Ministry of the Interior issues a decision concerning the approval of permanent stay⁴². It also adopts the decision on termination of permanent stay at a proposal of the police administration or police station⁴³.

The national legislation **does not foresee the involvement of non-public bodies** in processing applications.

1.3 MONITORING OF THE PROCEEDINGS AND THE AUTHORITIES INVOLVED

The Aliens Act does **not** set out any **cap** for the scheme nor does it establish a **system of scrutiny** by the Parliament or other bodies. However, Chapter XIV of the Aliens Act establishes the **inspection and administrative supervision of the implementation of the Act**, including the supervision of the provisions related to the work of a third-country national.

It is noted that the supervision shall be carried out by the central state administration bodies responsible for supervising the application of regulations on labour and occupational safety, according to a special regulation⁴⁴. The Ministry of the Interior shall supervise the implementation of the Aliens Act, including the stay of third-country nationals⁴⁵. Insofar as it results from the inspection carried out by the Ministry that the work of a third-country national is contrary to the provisions of the Aliens Act, a motion to indict shall be filed with the court responsible for misdemeanours. The motion shall be filed against a) the third-country national, b) the legal or natural person who entered into an employment relationship with a third-country national or uses her/his work, c) the responsible person in the legal person, or d) the third-country national providing services on behalf of a foreign employer⁴⁶. In other words, all the four categories of the respective persons may be held liable.

1.4 INFORMATION ON APPLICATIONS

According to Article 204(1) of the Aliens Act, in order to ensure effective control of the implementation of procedures laid down in the respective Act, the Ministry shall maintain data filing systems of, *inter alia*, third-country nationals on short-term, temporary and permanent stay, and third-country nationals to whom a residence and work permit was issued.

In addition, pursuant to Article 205(1) and (2) of the Aliens Act, the Ministry competent for foreign affairs shall maintain a database on visa applications, extended visas, issued, refused, annulled and revoked visas, maintained within the Croatian Visa Information System. Furthermore, Article 54 of the Regulation on status and work of foreigners in the Republic of Croatia stipulates that the competent police administration, that is the police station, collects data on, *inter alia*, aliens with temporary stay, and aliens who have been granted a residence and work permit. According to Article 55(1) of the

⁴⁰ Article 53(1) of the Aliens Act.

⁴¹ Article 95(1) of the Aliens Act.

⁴² Article 95(2) of the Aliens Act.

⁴³ Article 99(2) of the Aliens Act.

⁴⁴ Article 207(1) of the Aliens Act. These matters are further regulated by the Occupational Safety Act, (*Zakon o zaštiti na radu*), Official Gazette of the Republic of Croatia, Nos. 71/14, 118/14, 154/14), available at: https://narodne-novine.nn.hr/clanci/sluzbeni/2014_06_71_1334.html, https://narodne-novine.nn.hr/clanci/sluzbeni/2014_10_118_2233.html, https://narodne-novine.nn.hr/clanci/sluzbeni/2014_12_154_2906.html.

⁴⁵ Article 207(2) and (5) of the Aliens Act. Every applicant who is a third-country national is obliged to register her/his place of residence.

⁴⁶ Article 207(3) of the Aliens Act.

Regulation, this data collected is kept permanently in the Information System of the Ministry of the Interior.

The Aliens Act and its complementary Regulation on status and work of foreigners in the Republic of Croatia do not impose an obligation to disclose information about successful applicants. However, the Ministry of the Interior enables the access to data collected through the request for the access to information, available on the web site of the Ministry⁴⁷.

The information on the statistical data regarding the number of applications for residence has been sought through the consultation of the following stakeholders: the Ministry of the Interior, the Permanent Representation of the Republic of Croatia to the European Union, and the IOM Croatia.

The data presented below were provided by the Ministry of the Interior.

Table 2 Statistics on applications for residence in general

Year	Total no. of requests for residence	No. of requests for residence by investors	No. of successful applications	No. of turned down applications	Sources
2012	16,068	-	14,851	1,217	Official database of the Ministry of the Interior
2013	17,311	-	15,770	1,541	As above.
2014	11,557	-	10,712	845	As above.
2015	9,367	-	8,569	798	As above.
2016	11,452	-	9,958	1,494	As above.
2017	18,648	2	16,716 (including two requests for residence by investors)	1,932	As above.

Note: Third-country nationals in the Republic of Croatia can apply for a temporary or permanent stay permit in accordance with the provisions of the Aliens Act, and the Ministry of the Interior provided the following data for the period from 2012 to 2017:

Table 3 Statistics on applications for temporary stay in general

Temporary stay ⁴⁸ (requests for residence in general)						
	accepted	refused	rejected	suspended	total	
2012.	13303	359	1	577	14240	
2013.	13032	298	4	777	14111	
2014.	8715	218		396	9329	
2015.	7050	203	2	407	7662	
2016.	8558	437	4	906	9905	
2017.	15744	324	17	1488	17573	

⁴⁷ Official Web-site of the Ministry of the Interior, Access to Information, <https://www.mup.hr/gradjani>.

⁴⁸ According to Article 47(1) of the Aliens Act, a temporary stay shall be granted to a third-country national who intends to stay or is staying in the Republic of Croatia for the following purposes: 1. family reunification, 2. secondary and university education, 3. scientific research, 4. humanitarian reasons, 5. life partnership, 6. work and 7. intra-corporate transfer. Article 52(1) of the Aliens Act specifies that the temporary stay permit is issued for a term of up to one year.

Table 4 Statistics on applications for permanent stay

Permanent stay ⁴⁹ (requests for residence in general)					
	accepted	refused	rejected	suspended	total
2012.	1548	244		36	1828
2013.	2738	282		180	3200
2014.	1997	160		71	2228
2015.	1519	165		21	1705
2016.	1400	116		31	1547
2017.	972	82		21	1075

1.5 INFORMATION ON APPLICATIONS BY FAMILY MEMBERS

■ *Measures concerning residence permits granted to family members:*

Article 55(1) of the Aliens Act regulates granting temporary stay for the purpose of family reunification to a third-country national who meets the criteria referred to in Article 54 of Aliens Act⁵⁰ and who is a member of the immediate family of, *inter alia*, a third-country national having obtained temporary or permanent residence permits.

Article 56(1) of the Aliens Act sets that, for the purposes of the Act, the following are considered members of the immediate family:

- spouses (in the case of polygamous marriages, the Croatian law only recognises this status to one of the spouses⁵¹)
- persons of the family unit,
- minors:
 - of both the spouses or extramarital partner⁵²; or
 - of one of the spouses or extramarital partner; or
 - adopted by the spouses or extramarital partners, whether together or separately

■ *Statistical data on the number/percentage of successful applications for residence permits for family members:*

The Ministry of the Interior has provided the data on the number of successful applications for a temporary and permanent stay for the family purpose in general (not specific to investors):

⁴⁹ According to Article 92(1) of the Aliens Act, a permanent stay may be granted to a third-country national who had approved temporary stay for an uninterrupted period of five years, including temporary stay, asylum or subsidiary protection. Permanent residence does not grant the same rights as citizenship. Article 98(1) of the Aliens Act specifies the rights granted to a third-country national with permanent residence which include the right to work and self-employment, to professional development; to education and student scholarships; to social welfare, rights arising from pension, health insurance and the right to child allowance; tax benefits; to access to the market of goods and services; the freedom of association and the freedom to connect and to be a member in organisations representing employees or employers or organisations whose members are engaged in special professions, including to remuneration provided by such organisations.

In addition, there are cases when a permanent residence can be lost but not citizenship; for example, if a person has moved from the Republic of Croatia or stayed abroad for more than a year (Article 99(1)(2)).

⁵⁰ See Section II.1.1 of this Report.

⁵¹ Article 56(3) of the Aliens Act.

⁵² Article 56(4) of the Aliens Act provides that extramarital couples are those formed by an unmarried man and an unmarried woman who have lived together for at least three years, or less if they have a common child.

Table 5 Statistics on successful applications of family members in general

Temporary stay (requests for residence in general)						
Ground	2012.	2013.	2014.	2015.	2016.	2017.
Marriage with a Croatian national	2733	1309	3	1	1	196
Family ties with a Croatian national	167	89	12	37	2	28
Marriage with a foreigner with a residence in Croatia	305	441	537	575	639	586
Family ties with a foreigner with a residence in Croatia	383	567	705	760	705	721
Cohabitation	103	58	4	8	9	3
Family reunification	3773	2180	289	249	195	254
A family member of an EU or EEA national		50	58	47	48	48
A family member of a Croatian national	13	3617	3470	1682	1409	1235
Permanent stay (requests for residence in general)						
Ground	2012.	2013.	2014.	2015.	2016.	2017.
Marriage with a Croatian national	339	147	7	10	3	11
Family ties with a Croatian national	24	5				2
Marriage with a foreigner with a residence in Croatia	53	39	20	25	47	43
Family ties with a foreigner with a residence in Croatia	47	50	69	79	99	105
Cohabitation	9	2	1	2		
Family reunification	344	167	24	37	36	23
A family member of an EU or EEA national		11	12	9	8	3
A family member of a Croatian national	20	1249	1377	963	957	523

2 TYPE OF INVESTMENT⁵³

Type of investment required	Applicability of financial threshold	Procedure to verify the fulfilment of the investment criterion	Competent authorities and non-public bodies
<p>Both employed and self-employed investors must⁵⁴:</p> <ol style="list-style-type: none"> carry out a direct investment through tangible or non-tangible assets. However, the amount of the investment depends on the type of investor (see next column) <p>AND</p> <ol style="list-style-type: none"> employ at least three Croatian citizens <p>Furthermore, as explained above (Section II.1) self-employed investors must, in addition to the above, be in one of the following situations⁵⁵:</p> <ul style="list-style-type: none"> own a company; OR without owning a company, hold at least 51% of the shares of a company 	<ul style="list-style-type: none"> Employed investors must make a direct investment of at least EUR 13,500 (HRK 100,000) Self-employed investors must make an investment of approx. EUR 27,000 (HRK 200,000) In addition, foreign investors, regardless of the category, must pay an application fee of approx. EUR 75 (HRK 560) 	<p>The verification of the fulfilment of the investment criteria is carried out during the check-up related to the procedure for the issuance of a residence and work permit out of the annual quota. (Article 76, Article 77, Article 78, Article 79, Aliens Act)</p> <p>There is no information on the frequency of the respective checks.</p> <p>The evidence that has to be presented to prove the investment requirement includes:</p> <ol style="list-style-type: none"> <u>For both employed and self-employed investors:</u>⁵⁶ <ul style="list-style-type: none"> proof of the registration of a company, branch office, representative office, crafts business, association or institution in the Republic of Croatia; AND work contract and applications for pension and health insurance for at least three Croatian nationals; <u>Apart from the above, in particular for employed investors, the following evidence must be provided (Article 77(1) Aliens Act):</u> <ul style="list-style-type: none"> work contract or a written confirmation of a concluded work contract or other appropriate contract; AND justification of the reasons for employing a foreign national rather than a Croatian citizen which contains information on foreign language 	<p>The competent authorities are the same as those presented for the general procedure on the application.</p> <p>As noted, a residence permit is issued to a third-country national on an approved temporary or permanent stay by the Ministry of the Interior through the relevant police administration or police station.</p> <p>An application for temporary stay is usually submitted to the diplomatic mission or consular post of the Republic of Croatia. Temporary stay applications for third-country nationals who do not require a visa for entry into the Republic of Croatia may be submitted to the police administration or police station based in the place of the intended stay of the third-country national, the registered office (seat) of the employer or the place of work of a third-country national.</p> <p>The Ministry of the Interior decides on the application for the temporary stay permit through the competent police administration or police station according to the place of residence or intended residence of a third-country national.</p>

⁵³ For the purposes of this Table, the term ‘investment’ covers any pecuniary disbursement required as part of the process for obtaining residence under the investors’ residence scheme.

⁵⁴ Article 78(1) and (3) of the Aliens Act.

⁵⁵ Article 76(1)(5) of the Aliens Act.

⁵⁶ Article 77(1), Article 78(3), Aliens Act; Article 24, Article 25, Article 26, Regulation on Status and Work of Foreigners in the Republic of Croatia.

Type of investment required	Applicability of financial threshold	Procedure to verify the fulfilment of the investment criterion	Competent authorities and non-public bodies
<p>in which they are self-employed; OR</p> <ul style="list-style-type: none"> ■ own a crafts business 		<p>skills, qualifications and work experience, and why the job cannot be filled from the Croatian labour market</p> <p>3. Furthermore, in particular, as explained in Section II.1 above, self-employed investors must provide (Articles 25 and 26 of the Regulation on the Status and Work of Foreigners):</p> <ul style="list-style-type: none"> ■ accounts and other evidence showing the investment through material and non-material assets to the minimum of HRK 200,000; AND ■ BON 1 and BON 2, as well as a certificate from the competent Tax Administration on settled tax liabilities and contributions not older than one month; AND ■ a business plan; AND ■ the documents in Table 1 <p>The investment does not involve a cash payment to the Ministry of Finances of the Republic of Croatia.</p>	

3 RESIDENCE PHASE

Residence permit	Procedure	Competent authorities and non-public bodies	Renewal of the residence permit
<p>The national legal framework grants a residence and work permit outside of the annual quota to foreign investors (regardless of whether they are employed or self-employed).</p> <p>The respective permit grants temporary stay of up to one year with a possibility of extension. This may</p>	<p>The national legal framework does not foresee carrying out checks on the fulfilment of the residence criterion.</p> <p>The evidence that needs to be presented to prove that the residence requirement is fulfilled is that a third-country national: 1. demonstrates the purpose of temporary stay, 2. holds a valid travel document, 3. has funds</p>	<p>The competent authorities are the same as those presented for the general procedure on the application.</p> <p>As noted, a residence permit is issued to a third-country national on an approved</p>	<p>The request for the extension of a temporary stay permit shall be submitted not later than 60 days before the expiry of the valid temporary stay permit to the police department or police station at the place of residence, or seat of the employer or place of work of a third country national. A third-country national who submitted an</p>

Residence permit	Procedure	Competent authorities and non-public bodies	Renewal of the residence permit
<p>lead to permanent stay if a third-country national has continuously and legally resided 5 years until the day of the submission of an application for a permanent stay permit.</p> <p>(Article 52(1), Article 53(1), Article 76, Article 77, Article 78, Article 92(1), Aliens Act)</p>	<p>to support her/himself, 4. has a sickness insurance, 5. is not prohibited to enter to and to stay in the Republic of Croatia, and 6. does not pose a threat to public policy, national security or public health. (Article 54, Aliens Act)</p> <p>The investor may reside on the basis of temporary stay (i.e. a residence and work permit) up to one year. The request for the extension of a temporary stay permit shall be submitted not later than 60 days before the expiry of the valid temporary stay permit to the police department or police station at the place of residence, or seat of the employer or place of work of a third country national.</p> <p>The physical presence of the investor is required during the duration of a residence and work permit because as one of the reasons for the termination of temporary stay the national legislation lists a stay of a third-country national abroad for more than 30 days. Exceptionally, to a third-country national who, for a justified reason, leaves the Republic of Croatia for a period of up to 90 days, the temporary stay will not be suspended if he/she has previously notified the competent police authority or police station of her/his departure. If, after leaving the Republic of Croatia, extraordinary circumstances arise, a third-country national is obliged to notify the diplomatic mission or consular office of the Republic of Croatia within 30 days of the occurrence of these circumstances.</p>	<p>temporary or permanent stay by the Ministry of the Interior through the relevant police administration or police station.</p> <p>An application for temporary stay is usually submitted to the diplomatic mission or consular post of the Republic of Croatia. Temporary stay applications for third-country nationals who do not require a visa for entry into the Republic of Croatia may be submitted to the police administration or police station based in the place of the intended stay of the third-country national, the registered office (seat) of the employer or the place of work of a third-country national.</p> <p>The Ministry of the Interior decides on the application for the temporary stay permit through the competent police administration or police station according to the place of residence or intended residence of a third-country national.</p>	<p>application for the extension of temporary stay before the expiration of the valid temporary stay may remain in the Republic of Croatia until the decision on his application becomes enforceable. A police administration or police station shall issue a decision on the extension of temporary stay before the expiration of the term of validity of the valid temporary stay permit.</p> <p>The national legislation does not specify the duration of renewal. However, it could be inferred from the provisions on a permanent stay that the renewal could be extended at least up to five years. The permanent stay may be granted if a third-country national had approved temporary stay for an uninterrupted period of five years before the submission of the application, including temporary stay, asylum or subsidiary protection. It shall also be deemed that a third-country national had an uninterrupted stay in the Republic of Croatia if within a period of five years he/she was absent from the Republic of Croatia on multiple occasions up to 10 months in total, or up to six months in the case of a one-time absence. At the time of deciding about her/his permanent stay application, the third-country national must have approved temporary stay in the Republic of Croatia. (Article 53, Article 92(1, 2, 3,), Aliens Act)</p>

Residence permit	Procedure	Competent authorities and non-public bodies	Renewal of the residence permit
	<p>(Article 52(1), Article 53(1), Article 72(1)(4), Article 72(5), Aliens Act)</p> <p>According to Article 207(2) of the Aliens Act, the supervision related to the registration of residence of third-country nationals is carried out by police officers of the Ministry of the Interior. The police administration or police Station, will determine the address of the third-country national in the Republic of Croatia by inspecting the Information System of the Ministry of the Interior, or if it is the case of the first temporary stay, by inspecting the address of the third-country national which he/she has designated as his/her intended place of residence⁵⁷.</p>		

4 DUE DILIGENCE CRITERIA AND SECURITY CONSIDERATIONS

Due diligence and security considerations	Procedure to verify due diligence and security considerations	Competent authorities and non-public bodies	Ex-post checks
<p>One of the requirements for the approval of temporary stay of a third-country national wishing to invest in the Republic of Croatia is that he/she does not pose a threat to public policy, national security or public health. The same condition is also set in relation to the permanent stay.</p> <p>Security checks for third country nationals for the purpose of establishing</p>	<p>Security check are carried out while deciding on the application of a third-country national for temporary and permanent stay. The frequency of such checks is not regulated by national legislation.</p> <p>In order to determine whether a third-country national poses a threat to public order, the police administration or police station is obliged to request</p>	<p>As noted in the first column, security checks for third country nationals for the purpose of establishing national security reasons are carried out by the Security and Intelligence Agency (Article 5, Aliens Act).</p>	<p>According to the Security and Intelligence System Act, it is mandatory to conduct a security check for aliens whose residence is important for the security of the state (literal translation of the legal provision). The Aliens Act stipulates that security audits for third-country</p>

⁵⁷ Article 4(7) of the of the Regulation on Status and Work of Foreigners. In the case of the permanent stay, this is regulated by Article 18(5) of the respective Regulation.

Due diligence and security considerations	Procedure to verify due diligence and security considerations	Competent authorities and non-public bodies	Ex-post checks
<p>national security reasons are carried out by the Security and Intelligence Agency. An explanation of the decision rejecting or terminating the stay of a third-country national or expelling a third-country national under the grounds of national security shall specify the legal provision, where an elaboration of the grounds for the decision is not to be included.</p> <p>The national legal framework does not foresee evidence that has to be presented during checks for clean criminal records of potential investors. It also does not refer to the checks covering the origin of the money invested.</p> <p>(Article 5, Article 54, Article 96(1)(5), Aliens Act; Article 41, Act on Security Checks⁵⁸)</p>	<p>verification at the municipal and county courts and the Ministry of Justice in the procedure of issuing a temporary stay permit, and the police officers are also obliged to carry out checks in other records⁵⁹.</p> <p>The national legislation has only a general provision on the termination of temporary stay which prescribes that temporary stay of a third-country national shall terminate when the circumstances for the approval of temporary stay cease to exist, including the requirement related to public policy, national security or public health. There is a similar provision in relation to permanent stay too.</p> <p>Further criteria applied for turning down applications on the basis of due diligence checks are not specified.</p> <p>(Article 54, Article 72(1)(1), Article 99(1)(4), Aliens Act)</p>		<p>nationals for the purpose of determining the reasons for national security are carried out by the Security and Intelligence Agency.</p> <p>The same Act states that in an explanation of the decision rejecting or terminating the stay of a third-country national or expelling a third-country national under the grounds of national security shall specify the legal provision, where an elaboration of the grounds decisive to adopt the decision is not to be included. Hence, the Aliens Act does not allow the Security and Intelligence Agency to explain the reasons that were decisive for making a decision. Also, the Act on Security Checks provides that in the case of security checks for aliens, the competent Security and Intelligence Agency shall only provide the applicant with an opinion on the</p>

⁵⁸ Act on Security Checks (*Zakon o sigurnosnim provjerama*), Official Gazette of the Republic of Croatia, No. 85/08), available at: https://narodne-novine.nn.hr/clanci/sluzbeni/2008_07_85_2729.html.

⁵⁹ Article 4(8) of the of the Regulation on Status and Work of Foreigners. In the case of the permanent stay, this is regulated by Article 18(8) of the respective Regulation.

Due diligence and security considerations	Procedure to verify due diligence and security considerations	Competent authorities and non-public bodies	Ex-post checks
			<p>existence or non-existence of security restrictions.</p> <p>According to the latest 2017 Public Report of the Security and Intelligence Agency, in 2016, 73,511 persons were examined in processing the applications of aliens and citizenship requests (visas, residence permits, citizenship, and international protection). No cases of misuse associated with corruption and fraud were included into the Report.</p> <p>(Article 42, Security and Intelligence System Act⁶⁰; Article 5, Aliens Act; Article 41, Act on Security Checks; Public Report 2017, Security and Intelligence Agency, Zagreb, 2017, p. 22)</p> <p>No information on cases of misuse associated with corruption and fraud has been found.</p>

⁶⁰ Security and Intelligence System Act of the Republic of Croatia (*Zakon o sigurnosno-obavještajnom sustavu Republike Hrvatske*), Official Gazette of the Republic of Croatia, No. 79/06), available at: https://narodne-novine.nn.hr/clanci/sluzbeni/2006_07_79_1912.html.

III. RIGHTS GRANTED BY THE PERMITS

1 RIGHTS GRANTED TO INVESTORS

The national legislation differentiates between rights granted to a third-country national with temporary and with permanent stay permits.

Pursuant to Article 85.a of the Aliens Act, third-country nationals on temporary stay to whom a residence and work permit is issued enjoy the right to:

- right to work (employed or self-employed)
- professional development,
- education and student scholarships,
- social welfare, rights arising from pension, health insurance and the right to child allowance,
- tax benefits,
- access to the market of goods and services,
- the freedom of association and the freedom to connect and to be a member in organisations representing employees or employers or organisations whose members are engaged in special professions, including to remuneration provided by such organisations.

In addition, they are entitled to recognition of their diplomas and professional qualifications, as well as to consulting services provided by the employment offices according to special regulations.

A third-country national exercises the rights in accordance with the regulations governing the above-mentioned fields.

2 RIGHTS GRANTED TO THE INVESTORS' FAMILY MEMBERS

Article 55(1) of the Aliens Act regulates granting temporary stay for the purpose of family reunification to a third-country national who meets the criteria referred to in Article 54 of Aliens Act⁶¹ and who is a member of the immediate family of, *inter alia*, a third-country national having obtained a temporary or permanent stay permits.

In accordance with Article 61 of the Aliens Act, a third-country national granted temporary stay for the purpose of family reunification benefit from a right to education, professional development, work and self-employment in accordance with the provisions of the Aliens Act.

3 OTHER BENEFITS

No other benefits are granted to foreign investors and/or their family members.

⁶¹ See Section II.1.1 of this Report.

IV. INTERACTION BETWEEN RESIDENCE AND CITIZENSHIP SCHEMES

The acquisition of Croatian citizenship by investment is not explicitly regulated in the Croatian legislation. However, foreign investors can obtain the Croatian citizenship through Article 12 of the Law on Croatian citizenship (LCC)⁶² which reads as follows:

- “A foreigner whose acceptance to Croatian citizenship would be of interest to the Republic of Croatia can obtain Croatian citizenship by naturalisation, even if s/he does not fulfil the requirements of Article 8, Paragraph 1, Points 1-4 of this Act.
- A spouse of the person referred to in Paragraph 1 of this Article can also obtain Croatian citizenship, even if s/he does not fulfil the requirements of Article 8, Paragraph 1, Points 1-4 of this Act.
- The competent Ministry (in this case, the Ministry of Economy) gives an opinion on whether, if the foreigner referred to in Paragraph 1 obtains the Croatian citizenship, there is an interest for the Republic of Croatia⁶³.”

Article 8, Paragraph 1, Points 1-4 of the LCC to which Article 12 refers stipulates that:

“A foreigner can obtain the Croatian citizenship by naturalisation if s/he has submitted a request for Croatian citizenship and fulfils the following requirements:

1. that s/he is 18 years old and that s/he is not deprived of working capacity;
2. that s/he has relinquished their foreign citizenship, or that s/he submits proof that s/he will relinquish it if granted Croatian citizenship;
3. that s/he has lived and has had a registered residence in the Republic of Croatia until the submission of the request for at least eight continuous years and has been granted permanent residence;
4. that s/he is proficient in the Croatian language and Latin script, and is familiar with the Croatian culture and social arrangement.”

In line with Article 12, the only requirement which foreign investors aiming to obtain Croatian citizenship need to meet is the one set in Article 8, Paragraph 1, Point 5 – “that it can be concluded from their behaviour that they respect the legal order and customs of the Republic of Croatia.” In line with that, it can be concluded that the Croatian legal framework does not link the investors’ residence permit with obtaining citizenship by naturalisation.

The Ministry of the Interior has confirmed⁶⁴ that the Ministry of Economy gave a positive opinion for seven individuals to obtain Croatian citizenship by naturalisation in the interest of the Republic of Croatia in the reference period 2012-2018 (in 2012 for two persons, of which both are third-country nationals; and in 2014 for five persons, of which 4 are third-country nationals and one person who is a citizen of a Member State of the EEA). However, none of the above mentioned third-country nationals held a prior residence and work permit for foreign investors in the terms examined and explained in this Report.

⁶² Law on Croatian Citizenship (*Zakon o hrvatskom državljanstvu*), Official Gazette of the Republic of Croatia No. 53/1991, available at <https://www.zakon.hr/z/446/Zakon-o-hrvatskom-dr%C5%BEavljanstvu>.

⁶³ The first two paragraphs of the respective Article originate in the first 1991 version of the LCC while the third paragraph was added by the 1992 amendments to the LCC.

⁶⁴ Information gathered through consultation with national stakeholder (Ministry of the Interior, competent authority, 9 April 2018) (in writing).

V. ECONOMIC AND FINANCIAL EFFICIENCY OF RESIDENCE PERMITS FOR FOREIGN INVESTORS

The Croatian legislation does not establish any mechanism to monitor the economic impact and financial revenues of investors who have been granted residence.

There is no publicly available information or studies carried out to assess the economic and financial efficiency of residence schemes. The consulted national stakeholder, the Ministry of the Interior⁶⁵, confirmed that the economic and financial efficiency of the Croatian investors' residence scheme has not been analysed. The impact of this scheme in the Croatian economy (e.g. in terms of job creation, investment in Croatian companies and, thus, increase of productivity and competitiveness) remains unknown. An estimate of the income generated by investors' residence schemes cannot be drawn even if the number of successful applications is known (see [Tables 3](#) and [4](#) in Section II.1.4 of this Report) as the type and amount of investment in each of these applications is an incognita. Without these indicators, it is not feasible to measure the efficiency of residence permits for foreign investors in Croatia.

⁶⁵ Information gathered through consultation with national stakeholder (Ministry of Interior, competent authority, 9 April 2018) (in writing).