



COORDINATION COMMITTEE FOR THE ADJUSTMENT OF
THE ECONOMY AND CONSUMER PROTECTION

GUIDELINES FOR ADAPTATION OF THE ECONOMY IN THE PROCESS OF THE CHANGEOVER FROM THE CROATIAN KUNA TO THE EURO

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DEFINITION OF A BUSINESS ENTITY FOR THE PURPOSE OF THESE GUIDELINES: Any natural or legal person including a non-profit organisation, a branch-office or a representative office of foreign business entities who conclude legal transactions or act in the market within their trading, business, craft-trade, non-profit or professional activities including persons acting in the name of or on behalf of a trader. Craft businesses, self-employment and family farms, are considered to be business entities.

1. INTRODUCTION

The purpose of these Guidelines is to provide information to business entities on the activities and adjustments to be expected in the process of replacing the Croatian kuna with euro.

The aim of the timely preparation is smooth and swift changeover of the official currencies, with a minimum impact to business activities and a maximum effectiveness.

The Republic of Croatia has been preparing for the changeover from the Croatian kuna to the euro during 3 key periods: the preparation period, the dual circulation period and the period after completion of the dual circulation.

Preparation period begins approximately six months prior to the introduction of the euro, i.e. when the Council of the European Union (hereinafter: the Council) decides that the Republic of Croatia is ready for introduction of the euro and sets the fixed conversion rate, until the date of the introduction of the euro. After announcement of the Council's decision on the euro adoption, the Government of the Republic of Croatia announces the euro introduction day and fixed conversion rate, the day of the beginning and the end of the dual circulation period and the day of the beginning and the end of the dual display.

During preparation period, the obligation of dual display starts, as well as frontloading, sub-frontloading and simplified sub-frontloading of euro cash.

Period of obligatory dual display starts on the first Monday in September 2022 and ends 12 months after the euro introduction day (starts on 5 September 2022 and ends on 31 December 2023).

Dual circulation period starts on the euro introduction day and lasts for 2 weeks (it starts on 1.1.2023 at 00:00 and it ends on 14.1.2023 at 24:00). Dual circulation period ensures that cash transactions may be executed both in euro and in kuna as the legal means of payment, i.e. during that period both euro and kuna will be put into circulation.

It is extremely important not to underestimate the extent of the activities and changes that need to be made in order to adapt business to the new official currency – the euro. Business entities need to establish their own needs and modifications in terms of the currency changeover, and accordingly decide on the most suitable method for implementation of the regulated measures.

Estimation of the expected effect of the currency changeover to business activities and timely preparation will enable overcoming of challenges that that will inevitably arise from the process of the changeover from the kuna to the euro.

On 12 July 2022, the Council adopted three final legal acts necessary for Croatia to be able to introduce the euro on 1 January 2023. This completed the procedure in the Council that will

enable Croatia to become a member of the euro area and from 1 January 2023 use the common currency of the EU, the euro.

In one of the three legal acts, the conversion rate between the euro and the Croatian kuna was established in the amount of

1 EUR = 7,53450 kuna

This corresponds to the central parity of the Croatian kuna against the euro, which was established at the time of the inclusion of the Croatian kuna in ERM II:

- [Council Decision on the adoption by Croatia of the euro on 1 January 2023](#)
- [Council regulation as regards the introduction of the euro in Croatia](#)
- [Council Regulation as regards the conversion rate to the euro for Croatia](#)

2. PREPARATIONS FOR THE CHANGEOVER FROM THE KUNA TO THE EURO

One of the first steps that need to be taken in preparation for the euro changeover is to assess the expected impact of the change of currency on business operations. Once the impact has been estimated, a plan of activities should be defined with a defined time frame. Costs of the adaptation will be borne by business entities independently, taking into account principles of efficacy and economy defined by [the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia \(Official Gazette of the Republic of Croatia *Narodne novine*; NN 57/22\)](#).

Development and implementation of the plan of preparation activities for the euro introduction may have far-reaching consequences for business entities and their operations, considering financial and human resources, therefore it is extremely important that senior management gives an adequate attention to the euro introduction process.

Regular monitoring of the pre-defined plan of activities of a business entity is crucial for detecting possible issues and risks at an early adaptation phase, which would enable modification and solutions in a timely manner.

Late detection of problems and risks in adaptation may lead to difficulties or delays in implementation of necessary adaptations, and thereby to unadjusted business operations or impossibility to do business after the euro introduction day.

2.1. ADAPTATION OF ACCOUNTING, FINANCIAL REPORTING AND FILING TAXES AND OTHER PUBLIC LEVIES

The changeover from the kuna to the euro will imminently affect the accounting system of a business entity as well as adaptation of financial reporting and filing taxes and other public levies.

Accounting processes generally rely on a relevant IT system which presents a source of important quantitative and qualitative information. Therefore, a timely adaptation of an IT system is important for adjustment of all other elements of accounting and financial affairs of a business entity.

2.1.1. BOOKKEEPING DOCUMENTS IN BUSINESS BOOKS

Bookkeeping documents (invoice, payment slips, giro accounts statements, dispatch notes, delivery notes, order forms, receipt notes and so on) which serve as the evidence for business events to be entered into the business books, have to be indicated in the official currency. In the period ending on 31 December 2022 bookkeeping documents have to be indicated in kuna and in the period starting from 1 January 2023 in euro.

For the purpose of better understanding provisions of the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia, the examples of handling bookkeeping documents in terms of issuing and entering into the business books are indicated below.

- A) Bookkeeping documents with the date of a business event and the date of issuing before and on 31 December 2022.

Bookkeeping documents with the date of a business event and the date of issuing before and on 31 December 2022, regardless of whether they contain dual amounts (in kuna and in euro), **have to be issued and entered into business books for 2022 in kuna.**

- B) Bookkeeping documents with the date of a business event before and on 31 December 2022, issued in the period after 1 January 2023.

Bookkeeping documents with the date of a business event before and on 31 December 2022, and with the date of issuing in the period after 1 January 2023, regardless of whether they contain dual amounts (in kuna and in euro), **have to be issued in euro and entered in the business books for 2022 in kuna, until all business books for 2022 are finished.**

With regard to exchange rate, we differ two cases:

- bookkeeping document with a date of a business event before and on 31 December 2022, issued in the period after 1 January 2023, when a contractual relationship involves a foreign currency – an agreed exchange rate is applied, i.e. the exchange rate on the day of a business event;
- bookkeeping document with a date of a business event before and on 31 December 2022,

issued in the period after 1 January 2023, when a contractual relationship does not involve foreign currency, a fixed conversion rate is applied.

- C) Bookkeeping documents with a date of business event and a date of issuing from 1 January 2023 onwards.

Bookkeeping documents with a date of a business event and a date of issuing after 1 January 2023, regardless of whether they contain dual amounts (kuna and euro), **are issued and entered in business books for 2023 in euro.**

Therefore, after the euro introduction, bookkeeping documents have to be issued in official currency independently of a business event. Business events referring to the period after the euro introduction day are entered in business books in euro, and if necessary, in another foreign currency as well, while business events referring to the period before the euro introduction day are entered in business books in kuna until closing the bookkeeping year. The same also applies for cancellation of a bookkeeping document from 2022. If a business entity cancels a bookkeeping document from 2022 in the period after 1 January 2023, this document has to be indicated in euro.

Furthermore, all invoices from 1 January 2023 are to be paid in euro, while only in the period of dual display, i.e. during first 14 days from the euro introduction day, kuna may be used for payments in cash as a legal tender. If an invoice is not paid in cash, it will be covered into euro considering that the amounts in deposit, savings and transactional accounts, other payment accounts, payment instruments and in other records will be converted from kuna into euro free of charge and by applying the fixed conversion rate and in accordance with the conversion and rounding rules referred to in the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia, without amending the unique bank account number.

For a clearer display of entries of bookkeeping documents into the business books, we hereby provide the following table:

| Date of a business event (provided services or delivered goods) | Date of invoice | Date of payment | Invoice currency | Currency of business book entry | Payment currency |
|---|-----------------|-----------------|------------------|---------------------------------|------------------|
| 15.12.2022 | 15.12.2022 | 31.12.2022 | kuna | kuna | kuna |
| 15.12.2022 | 15.12.2022 | 15.01.2023 | kuna | kuna | euro |
| 15.12.2022 | 15.01.2023 | 15.01.2023 | euro | kuna | euro |
| 15.01.2023 | 15.01.2023 | 15.01.2023 | euro | euro | euro |

The Act on the Introduction of Euro as the Official Currency in the Republic of Croatia regulates that the midpoint exchange rate of the Croatian National Bank (HNB) for kuna in relation to euro on 31 December 2022 shall be equal to the fixed conversion rate. All balances, receivables and payables are transferred and converted by applying the fixed conversion rate and in

accordance with the conversion and rounding rules as an initial condition on 1 January 2023 into official currency – euro.

If a business entity receives an invoice in euro or in another currency for example on 15 December 2022, this invoice is registered in business books in kuna in accordance with the midpoint exchange rate of the Croatian National Bank on that particular day. It is important to mention that in the event of transferring payables and/or receivables to a new business year, the amount of payables and/or receivables in kuna is converted into euro by applying the fixed conversion rate.

If a business entity receives an invoice after closing the business year for the preceding period, it will be registered in euro by applying the fixed conversion rate and in accordance with the conversion and rounding rules.

The invoice for delivered goods or performed services after 1 January 2023 which, in accordance with the VAT Act, should contain data on the cancelled invoice for the received advance issued by 31 December 2022 in kuna, is to be issued in euro, and the amount of the advance is indicated in euro by applying the fixed conversion rate and in accordance with the conversion and rounding rules.

Travel warrants

It is not necessary to apply dual display on travel warrants during the dual display period.

The advances paid until 31 December 2022 and converted after 1 January 2023 in first two weeks from the day of the euro adoption may be returned in kuna or in euro in the event of payment at a cash register by applying the fixed conversion rate and the conversion and rounding rules referred to in the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia.

Furthermore, for the purpose of registration in business books, in the event of unpaid travel warrants in a third currency, for example in USD, it is necessary to convert the amount in kuna on 31 December 2022 by applying the midpoint exchange rate of the Croatian National Bank for USD. The received amount in kuna is then converted in euro by applying the fixed conversion rate and in accordance with the conversion and rounding rules.

Conversion of salaries and of other income

During the dual display period employers are obliged to dual display the total amount paid to the employee's account indicated on payrolls and other payments given to employees in accordance with the employment contract.

Dual display period starts on 5 September 2022. Employers are obliged to display the total amount in kuna and in euro on a payroll slip and other payments for August, if the salary is paid after 5 September 2022. Employers who pay salaries for August on 4 September 2022 or earlier, do not have to apply the dual display on them.

Calculation and payment of salaries and of other compensation during 2022, ending with the salary for November 2022, which is to be paid in December 2022, is done in kuna. Salaries and other compensation for December 2022 being paid from 1 January 2023 are to be paid in euro. In order to provide payment of salary in euro for December 2022 along with deductions, it is necessary to calculate the salary in euro. The obligation for a calculated salary for December 2022 is registered in business books in kuna. This is the reason why the **gross amount I** is necessary to convert in kuna which will then serve for calculation of all salary items in kuna. Upon concluding the business year of 2022, the obligation for the salary of December 2022 is transferred to the initial state of 2023 and is converted to euro by applying the fixed conversion rate and in accordance with the conversion and rounding rules. Upon payment of salaries in euro in January 2023, the transferred obligations from 2022 are being closed.

The same applies to service contracts, copyright fees and similar obligations of business entities for payment of taxable second income.

Calculation of the salary average for sick leave

| Reporting period of the salary average | Date of document | Document currency | Dual display YES / NO |
|--|------------------|--|-----------------------|
| 6.2022 – 11.2022 | 15.12.2022 | kuna | NO |
| 7.2022 – 12.2022 | 15.01.2023 | If salaries have been paid in the period 7-12 month, they will be displayed in kuna in the upper part of the form, but they will be converted into euro and aggregated, and the average hourly rate will be calculated in accordance with formula and displayed in euro in the lower part of the form. | NO |
| 10.2022 – 03.2022 | 15.04.2023 | Combination (salaries paid in kuna will be displayed in kuna, and salaries paid in euro will be displayed in euro). For the purpose of calculating average hourly rate, salaries paid in kuna will be converted into euro and aggregated with salaries paid in euro, and in the lower part of the form an average hourly rate will be displayed in euro. | NO |

The same applies to all other requirements for calculation of the salary average.

2.1.2. DRAWING UP ANNUAL FINANCIAL REPORTS

Translation of balances in business books

Business books open at the beginning of a business year in accordance with the final balance done at the end of the preliminary business year or in accordance with the list of assets and liabilities of start-ups or in accordance with bookkeeping documents. Business books have to be closed four months after the end of a business year, at the latest. Business entities have to respect the principle that account balances on the last day of the reporting period have to be identical to the initial balances of the same accounts on the first day of the following reporting period. The same applies to accounts kept off-balance. Business entities whose business year corresponds to a calendar year, convert balances of 31 December 2022 into euro by applying the fixed conversion rate and in accordance with the conversion and rounding rules. For those business entities whose business year does not correspond to a calendar year, the proposition is to make a technical balance of 31 December 2022. For example, if a business year starts on 1 October 2022 and ends on 30 September 2023, business entities translate all balance items and income statement items on 31 December 2022 and translate them as an initial balance on 1 January 2023 in euro. On 30 September 2023 entrepreneurs display balance and income statement pursuant to opening balance in euro for a part of the year referring to 2022, including registered transactions in euro for the remaining months in 2023.

Drawing up and submitting financial statements

Business entities, subject to submitting annual financial statements, pursuant to provisions of the [Accounting Act \(Official Gazette of the Republic of Croatia *Narodne novine*; NN 78/15, 134/15, 120/16, 116/18, 42/20 and 47/20\)](#) whose business year **corresponds** to a calendar year, have to draw up and submit annual financial statements in accordance with deadlines in 2023 for 2022 in **kuna**. The reason for this is that in 2022 kuna is official currency and all bookkeeping amendments in business books are displayed in kuna regardless of the fact that financial statements are drawn up and submitted in 2023 when official currency will be euro.

Business entities, subject to submitting annual financial statements, pursuant to provisions of the Accounting Act whose business year **does not correspond** to a calendar year, and whose last day of the financial year is after the euro introduction day, give data for the preceding business year in financial statements in euro.

Entrepreneurs drawing up financial statements in accordance with Croatian Financial Reporting Standards, where data are for the first time displayed in euro, comparative information from the previous reporting periods in kuna are converted and displayed in euro by applying the fixed conversion rate and in accordance with the conversion and rounding rules for a better comparability of information. Entrepreneurs subject to International Financial Reporting Standards as a financial reporting framework, disclose comparative information in accordance with provisions of the International Financial Reporting Standards.

2.1.3. FILING TAXES AND OTHER PUBLIC LEVIES

Public authorities that issue administrative, judicial and other individual acts in the period of the dual display are subject to dual display. Dual display will be provided in a way that a total monetary amount of the established obligation or right of the act, pursuant to which there is a payment obligation, will be dually displayed in kuna and in euro along with indication of the fixed conversion rate. By way of derogation, obligation of dual display does not apply to contracts that a public authority concludes with business entities and with other public authorities.

Tax filing for 2022 and preceding years is done in kuna, and for 2023 and onwards in euro. Corrections of tax returns are submitted in currency in which they were originally submitted. VAT form for December 2022 is submitted in kuna in January 2023 in accordance with the statutory time limit, considering that business events indicated in the form for December 2022 refer to accounting period of 2022.

Ledgers of incoming and outgoing invoices for accounting period of 2022 and earlier are displayed in kuna, and for accounting period of 2023 in euro. Balance books of unpaid incoming and outgoing invoices on 31 December 2022 of a VAT payer chargeable upon payment, need to be translated in 2023 in euro by applying the fixed conversion rate and in accordance with the conversion and rounding rules.

VAT return in passenger transport by 31 December 2022 is displayed in kuna, and from 2023 in euro. Right for VAT return in passenger transport after 1 January 2023 on the grounds of invoices issued by 31 December 2022 is displayed in euro by applying the fixed conversion rate and in accordance with the conversion and rounding rules.

Corporate tax returns, as well as income tax returns for 2022, submitted in 2023, are filled in kuna.

Corporate taxpayers, whose taxation period begins prior to the euro introduction and ends after the euro introduction day, file corporate tax returns in euro for the given taxation period.

XML fiscalisation scheme will not be amended and the information for 2022 will be submitted in kuna, and for 2023 in euro. During the dual circulation period, i.e. from 1 January to 14 January 2023, fiscalisation for issued invoices will be done in euro.

JOPPD Form (report on receipts, income tax and surtax and contributions for compulsory insurance), which in accordance with special regulations on income taxation contains 22xxx reporting mark, is submitted in kuna, and JOPPD Form containing 23xxx reporting mark is submitted in euro. Salary statements and payments during 2022, and finally the salary for November, which is paid in December, are displayed in kuna and the JOPPD Form will contain 22xxx mark. Salary statements and other fees for December 2022 and for 2023 paid in January 2023, are displayed in euro. Corrections and amendments of JOPPD Form are submitted in the currency in which the original form has been submitted.

The same will apply to all other forms submitted in 2023, and which refer to the period of the preceding year (PO-SD, PO-SD-Z, DOH, GFI POD, ZPP-DOH, PD, PD-IPO and so on). After the euro introduction day, all payments on the grounds of issued tax or other decisions will be done in euro only. On the euro introduction day, banks and other payment service providers are subject to obligation to convert the amounts on accounts from kuna to euro in accordance with the fixed conversion rate, free of charge. In this process, transaction account numbers containing monetary amounts remain the same, i.e. despite the conversion of the amounts from kuna to euro, the account numbers will not change.

2.1.4. TRANSLATION OF COMPARATIVE FINANCIAL STATEMENTS OF THE ENTITIES SUBJECT TO THE IFRS

Translation of comparative statements into euro

In accordance with provisions of Article 72(3) of the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia entrepreneurs subject to the International Financial Reporting Standards (hereinafter: IFRS) as a frame of financial reporting, display comparative information in accordance with provisions of the IFRS. The method of translation is specified in the International Accounting Standards (hereinafter: IAS) 21 The Effects of Changes in Foreign Exchange Rates and SIC 7 Introduction of the Euro. The method of translation of comparative information indicated here does not refer to consolidated annual financial reports.

Change in functional currency

Pursuant to provisions of IAS 21.35 and 21.37 change in functional currency is carried out prospectively, i.e. from the date of translation onwards. In accordance with provision of IAS 21.37, an entity translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost. Change in functional currency means that on 1 January 2023 entities will have to open their business books in euro. It is pointed out that entities whose business year does not correspond to a calendar year will have to on a date, which is earlier than the date of the euro adoption, translate all items of the balance sheet into euro. Furthermore, they will also have to translate the balance sheet items on comprehensive income for the period from the beginning of the business year to the day of the euro adoption into euro. For translation of transactions in the part of the business year preceding the date of the euro adoption, consultations with IT experts are recommended as they may assess optimal methodology of translation within the existing or additional functions of computer programmes used by an entity.

Translation of comparative information into euro in accordance with IAS 21

Financial information referred to in financial statements for the period ending by 31 December 2022 will be displayed in kuna as functional currency and reporting currency in accordance with provisions of the Accounting Act. Information in financial statements for the current reporting

period starting after 31 December 2022 has to be displayed in euro, and therefore the comparative information in those financial statements will have to be displayed in euro. IAS 21 contains the following rules for translation from the functional currency into reporting currency:

| | |
|--------|---|
| 21.39 | <p>The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy are translated into a different presentation currency using the following procedures:</p> <ul style="list-style-type: none"> (a) assets and liabilities for each balance sheet presented (including comparatives) are translated at the closing rate at the date of that balance sheet; (b) income and expenses for each income statement showing profit or loss and other comprehensive income (including comparatives) are translated at exchange rates at the dates of the transactions; and (c) all resulting exchange differences are recognised in other comprehensive income. |
| 21.40. | <p>Often out of practical reasons, income and expenses are translated at the rate which approximately corresponds to rates at the dates of transactions, for example the average rate for the period. However, the use of average rates is appropriate only if rates do not fluctuate significantly.</p> |

In accordance with the mentioned provisions of IAS 21 the comparative positions in the statement on comprehensive income are translated at the spot exchange rate on the final day of the reporting period.

Causes of exchange differences

In accordance with IAS 21.41, exchange differences referred to in item 21.39 c result from:

- (a) translating income and expenses at exchange rates at the dates of transactions and assets and liabilities at the closing rate;
- (b) translating the opening net assets at a closing rate that differs from the previous closing rate.

Foreign exchange

Translation of assets and liabilities on 1 January 2023 will be done at the fixed conversion rate of 7,5345 kuna for 1 euro in accordance with Council Regulation (EU) 2022/1208 of 12 July 2022 amending Regulation (EC) No 2866/98 as regards the conversion rate to the euro for Croatia (OJ L 187/18, hereinafter: the Regulation). Financial information for the comparative period may be translated at average rate for the relevant period. It is noted that IAS 21 allows the use of average rate in translation only if within the observed period there weren't significant changes of the exchange rate. Otherwise, transaction exchange rates have to be changed. The following table 1 shows trends of the monthly average of middle exchange rates in 2021 and in 2022, as well as derogation percentages in relation to the fixed conversion rate from the Croatian kuna to the euro.

Table 1 Trends of the monthly average of middle exchange rates in 2021 and in 2022, and derogation percentages in relation to the kuna/euro fixed conversion rate

| Year | Month | Average middle rate in euro | Fixed rate in euro | Derogation % |
|-----------------|-------|-----------------------------|--------------------|----------------|
| 2021 | 1 | 7,559122 | 7,534500 | 0,33 % |
| 2021 | 2 | 7,566050 | 7,534500 | 0,42 % |
| 2021 | 3 | 7,574976 | 7,534500 | 0,54 % |
| 2021 | 4 | 7,565690 | 7,534500 | 0,41 % |
| 2021 | 5 | 7,521969 | 7,534500 | -0,17 % |
| 2021 | 6 | 7,494933 | 7,534500 | -0,53 % |
| 2021 | 7 | 7,496131 | 7,534500 | -0,51 % |
| 2021 | 8 | 7,490529 | 7,534500 | -0,58 % |
| 2021 | 9 | 7,486224 | 7,534500 | -0,64 % |
| 2021 | 10 | 7,505860 | 7,534500 | -0,38 % |
| 2021 | 11 | 7,513637 | 7,534500 | -0,28 % |
| 2021 | 12 | 7,517451 | 7,534500 | -0,23 % |
| 2022 | 1 | 7,521206 | 7,534500 | -0,18 % |
| 2022 | 2 | 7,527367 | 7,534500 | -0,09 % |
| 2022 | 3 | 7,566771 | 7,534500 | 0,43 % |
| 2022 | 4 | 7,554003 | 7,534500 | 0,26 % |
| 2022 | 5 | 7,535920 | 7,534500 | 0,02 % |
| 2022 | 6 | 7,522584 | 7,534500 | -0,16 % |
| | | | | |
| 2021 | | 7,524381 | 7,534500 | -0,13 % |
| 1-6/2022 | | 7,537975 | 7,534500 | 0,05 % |

Source: Croatian National Bank – the monthly average of middle exchange rates kuna/euro

Table 1 shows that derogations of the monthly average of middle exchange rates of the Croatian National Bank from the fixed conversion rate are insignificant at the annual level. The fixed conversion rate corresponds to the conversion rate established on 12 July 2020 by the Regulation, and it is set at 7,53450 kuna per 1 euro.

Translating equity items and the surplus on 1 January 2023

Entities subject to IFRS/IAS in the main financial statements show equity and the surplus at least in accordance with positions regulated by the Ordinance on the structure and content of annual financial statements (Official Gazette of the Republic of Croatia; NN 95/16 and 144/20). Provisions of IAS 21 do not regulate translation of equity and the surplus of companies (apart from the current profits) and therefore you may find below the methods of translating these items that may be considered as appropriate. The share capital should be displayed in nominal amounts established by the rules on conversion into euro at the fixed conversion rate and in accordance with provisions of the Companies Act referring to nominal amounts of shares in euro. Capital and revenue reserves are translated into euro at the fixed conversion rate. Other items of equity and the surplus (apart from the current profit/losses) are translated at the fixed conversion rate. The current profit/loss from the previous period is translated into euro in a manner referred to in item 3, and exchange difference is indicated within other comprehensive income.

Foreign accounts

Until the day of the euro adoption, transactions which are denominated in a foreign currency, or which require settlement in a foreign currency, initially are accepted in the functional currency (kuna), at the spot exchange rate (usually the middle exchange rate of the Croatian National Bank) between functional and foreign currency, applicable at the transaction date (item 21 of IAS 21 and item 11.25 of CFRS 11). When producing financial statements on 31 December 2022, it is necessary to carry out the subsequent valuation of foreign transactions, i.e. translation of transactions in foreign currency into the functional currency (kuna) on the day of producing the balance at the exchange rate (middle exchange rate of the Croatian National Bank pursuant to Article 45 (3) of the Foreign Exchange Act) on the day of the balance for monetary items. Article 94 of the Act Introduction of the Euro stipulates that the middle exchange rate of the Croatian National Bank for kuna in relation to euro on 31 December 2022 will correspond to the fixed conversion rate. Translating foreign currency transactions into the functional currency (kuna) will result in foreign exchange differences. The amounts in kuna on the day of producing the balance (31 December 2022) will be converted into euro at the fixed conversion rate in order to establish the opening balance on 1 January 2023 in euro.

2.2. ADAPTATION OF IT SYSTEMS

Adaptation of IT systems to introduction of the euro requires timely preparation. First, it is important to bear in mind that availability of IT experts and services may be significantly limited during the process of adaptation, which may cause a risk not only in terms of delay of necessary adaptations, but it can also cause higher costs.

First step is to establish which IT systems will be affected by the changeover (for example invoicing and billing, payroll, management information and ticketing systems, purchasing software, stock-control applications as well as systems processing financial information, and so on). This step enables initial overview of IT systems to which the following actions apply.

The next step will be establishing the volume of the required adaptations for each of the mentioned IT systems. This step needs to cover the following:

- upcoming legal acts and by-laws that regulate this area (the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia and supporting legislation)
- methods to be used for upgrading the IT systems in the process of the euro changeover, by manufacturers or by IT system maintenance specialists for purchased or licenced IT systems.

The necessary adaptations include ensuring that the IT systems can do the following:

- cope with the requirements of the dual display of prices within the established timeframe (before and after the euro introduction day)
- on the euro introduction day implement conversion of all amounts and financial documents from kuna to euro according to the fixed conversion rate and rounding rules
- after the euro changeover day, support implementation of all processes in euro as the official currency

- cope with requirements of dual cash circulation (in euro and in kuna) in first two weeks after the euro changeover day
- ensure parallel reporting (optional adaptation) with the same period of the preceding year (where the results of the preceding year should be converted to euro for the purpose of reporting)
- hold the option of the implementation of the processes in kuna for the operations referring to the preceding year, and which are done in the current year (for example drawing up financial reports for the preceding year in kuna).

Optional adaptations of IT systems depend on specific needs of different business entities. Although they are not regulated, such optional adaptations of IT systems may affect work performance after the euro changeover, therefore it is advisable to consult them. The example of such adaptations is parallel reporting on current business results with the same period of the preceding year.

All adaptations of IT systems should be carefully and timely tested, in order to avoid errors and to provide necessary updates in accordance with the deadlines for the euro changeover.

Main tasks in adaptation of IT systems for the euro changeover:

- ✓ analysis of all IT systems with an aim of identification of those affected by the euro changeover
- ✓ defining the volume of necessary adaptations in such IT systems in cooperation with relevant stakeholders (business and IT specialists, manufacturers of IT systems, ...)
- ✓ drawing up a plan for adaptation of IT systems, bearing in mind their interdependencies and required phased delivery to production work (from the first deliveries related to dual display and onwards)
- ✓ implementation of the adjustment plan along with continuous supervision of the progress and managing the implementation risks
- ✓ detailed testing of the adapted IT systems, their upgraded functionality and interconnectedness
- ✓ integration testing with the connected external IT systems (partners, suppliers, and others), as appropriate
- ✓ drawing up a plan for transition in production work for more complex IT systems, with alternative scenarios for risk actions
- ✓ testing and simulation of the plan of transition to production work for more complex IT systems
- ✓ implementation of the plan of transition to production work
- ✓ reinforced supervision of work at the beginning of the use of adapted IT systems
- ✓ removing unnecessary adaptation after finalising the need for their use (for example, after the period of dual display).

2.3. CASH MANAGEMENT

Ensuring a smooth changeover from kuna to euro is one of the most important steps in the preparations, in particular for business entities with a high cash turnover.

Alongside the banking sector, the retail sector plays a crucial role in gathering and withdrawing banknotes and coins in kuna in the dual circulation period.

Business entities have to acquire the necessary volumes of euro banknotes and coins in order to perform cash transactions in the new currency as from the day of the euro introduction. This mainly refers to the retail sector which carries out a high number of cash transactions.

Some business entities (traders and service providers) dealing primarily in cash will face significant challenge during first two weeks (14 days of the dual circulation) from the euro introduction day because the consumers will be able to pay both in kuna and in euro, while the mentioned business entities will have to return change in euro whenever this is possible. During those 14 days of dual circulation, retailers will have to accept up to 50 coins in kuna per one transaction as well as certain number of banknotes in kuna, applying regulations on anti-money laundering and terrorism financing by limiting payment transactions or payments in cash (up to HRK 75.000,00). By means of an exception, if traders may not return the rest of the change in euro cash due to a justified cause, they may return the rest of the change in kuna cash, or both in kuna cash and in euro cash. This might be applicable to certain business entities (retailers and service providers) in rural and less populated areas where access to banks is limited, and on other traders who will not have an option to return the change in euro cash.

After expiry of the two-week period (the dual circulation period), euro will be a single legal tender. Traders and service providers during the dual display period will be able to lodge proceeds both in kuna and in euro, and banks, FINA (Financial Agency) and Croatian Post will register it in euro on the business account.

Four months before the introduction of the euro, the Croatian National Bank will start frontloading euro banknotes to banks, while the frontloading of coins will begin three months before the introduction of the euro at the earliest. The frontloading of cash to banks is necessary in order for banks to be able to exchange currency for citizens and business entities in the necessary volume as of the euro introduction day. Banks will be able to supply business entities with euro banknotes and coins even before the euro introduction day within the process of sub-frontloading. The frontloading of business entities with euro cash is necessary in order to enable them to give change to their consumers only in euro whenever possible, as of the euro introduction day, in accordance with regulatory provisions.

A precondition for the start of the sub-frontloading is that the bank is frontloaded with euro cash and that a business entity concluded a contract on sub-frontloading with the bank. The sub-frontloading may start on 1 September 2022 at the earliest for euro banknotes, and on 1 October 2022 for euro coins. In agreement with interested business entities, banks will determine the amounts of cash to be frontloaded to them, bearing in mind the cash changeover (conversion) process itself and its smooth completion.

One month before the official euro changeover, banks and their authorised representatives (FINA and/or Croatian Post) will frontload business entities and consumers with coin starter kits.

Frontloading with coin starter kits will be free of charge, and the value of starter kits will be converted in accordance with the fixed conversion rate and the rules on conversion and rounding.

Five (5) days prior to the euro introduction day, at the earliest, banks will be able to carry out the so-called simplified sub-frontloading, distributing cash in the amount of up to EUR 10.000 to business entities, by applying the fixed conversion rate and in accordance with the rules on conversion and rounding. **Only micro business entities will have the right to participate in the procedure, that is, natural and legal persons with less than ten employees and whose annual business revenue/assets does not exceed two million euro.** A precondition for the start of simplified sub-frontloading is previously signed declaration on the simplified sub-frontloading by a micro business entity. Sub-frontloading, as well as simplified sub-frontloading of their clients, banks will perform free of charge for handling and payment of the cash. When performing sub-frontloading and simplified sub-frontloading, banks which are not business banks of their clients where clients have opened their business accounts are entitled to charge handling fee for cash transactions.

Draft contract on sub-frontloading between banks and business entities, and standardised declarations for a simplified sub-frontloading of micro business entities will be made by the Croatian National Bank by 30 June 2022.

Business entities will be informed on the methods of sub-frontloading within the communication campaign.

In exchange for the euro cash received in sub-frontloading, business entities will have to submit appropriate collateral (for example a bank may block disposition of monetary amount on the account of a business entity in countervalue of euro cash which was frontloaded, in accordance with the fixed conversion rate and the rules on conversion and rounding). The amount will be charged from the account on the euro introduction day. Therefore, there is no conversion at the moment of frontloading, but on the euro introduction day the business entity “pays” the euro received in sub-frontloading. Monetary amounts are considered financial insurance and may not be subject to enforcement. While in the case of sub-frontloading bank may request another collateral, for simplified sub-frontloading the collateral is predefined, and this prevents dispose of monetary amounts on the account of a business entity.

On the other hand, when frontloading with euro coin starter kits in there is no collateral because the payment is carried out at that moment (a business entity pays euro coin starter kit at the moment of receipt in kuna in accordance with the fixed conversion rate and the rules on conversion and rounding). In business books, the obtained euro currency is then registered in foreign currency imprest accounts in accordance with the midpoint exchange rate of the Croatian National Bank, pursuant to legal provisions, along with registering foreign exchange

differences, noting that on 31 December 2022 the midpoint exchange rate of the Croatian National Bank will be equal to the fixed conversion rate and there will be no foreign exchange differences.

It is important to point out that business entities and consumers need to keep the cash from the sub-frontloading separately from all other banknotes and coins, other currencies, i.e. other assets in order to avoid their circulation before the euro introduction day.

Business entities should ensure sufficient storage capacities in a timely manner, as well as transport capacity for returning cash in kuna to banks.

At the cash registers, specific facilities, such as additional drawers, may be envisaged for handling and storing euro cash and kuna cash in parallel. For storing cash in cash registers, every business entity independently decides on options for separating currencies.

Consumers could be encouraged to pay the exact amount whenever possible, and to use electronic methods of payment (for example, credit or debit cards). An example of good practice is that during the COVID 19 pandemic, use of electronic methods of payment by consumers has been promoted through various communication channels.

2.4. INFORMATION AND TRAINING FOR STAFF

It is particularly important to raise staff awareness of the euro introduction, especially of the staff directly working with consumers. It has to be made clear to staff how the changeover will occur and what their role in the process will be.

The changeover might create a very stressful situation for the staff, therefore possible problems and ways to deal with them should be identified.

The methods for resolving consumer complaints have to be in accordance with provisions of [the Consumer Protection Act \(Official Gazette of the Republic of Croatia; NN 19/22\)](#) and the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia.

As an additional measure for consumer protection, business entities may ensure certain internal inspections to check whether the converted prices are correct, to check return of change for banknotes and coins, and to resolve consumer complaints.

It may also be constructive to involve employees in the discussion on the impact of the euro introduction on salaries. In order to familiarise the staff with the new currency, it is obligatory to indicate on the payrolls **the total amount paid, both in euro and in kuna during the obligatory period of dual display**. It is also obligatory to indicate the fixed conversion rates on the payslips. It may be advisable to explain how the amount in euro is calculated, in accordance with the rules on conversion and rounding.

Staff dealing with cash in consumer relations, in particular cashiers, should be trained on the appearance and security features of the euro banknotes and coins, with a view to reducing the

risk of errors. The Croatian National Bank will organise training on security features of the euro banknotes and coins through the National Training Programme. The training will begin at the end of June or at the beginning of July 2022 by means of e-learning module upon completion of the corresponding application. Business entities will be informed about the schedule and access to the education in a timely manner.

3. RELATIONS WITH CONSUMERS

3.1. INFORMING CONSUMERS

Opinion polls showed that many Croatian consumers are concerned that the euro introduction might result with consumer price increase, i.e. that business entities concluding contracts with consumers might increase retail prices without justification.

Mechanisms that will contribute to building a safe environment for consumers:

- Code of Ethics
- Monitoring prices of goods and services
- Supervision of traders and service providers
- Dual display of prices.

3.2. CODE OF ETHICS

The purpose of the Code of Ethics is to enable reliable and transparent introduction of the euro in the Republic of Croatia. Business entities that operate in **direct contact with consumers** will be invited to join the initiative for the purpose of promoting correct conversion and display of prices and other monetary amounts, without unjustified increase of retail prices.

Business entities who join the Code of Ethics will be given a visual identification label – a logotype and a slogan which will signal consumers that the entity is reliable and that the prices and other monetary amounts therein are correctly converted and displayed, and that the prices of goods and services were not increased without a justified cause.

Business entities will be able to access the Code of Ethics application online by means of NIAS. before the beginning of the obligatory dual display of prices, i.e. during the third quarter of 2022 until 31 December 2023. The list of business entities that join the Code of Ethics will be publicly available.

By joining, business entities guarantee implementation of the principles of the Code of Ethics and thus acquire the right to set the visual identification label – a logotype and a slogan, to their sales and service provision points, as well as setting a logotype and a slogan when carrying out promotional and marketing activities (for example, printed flyers and leaflets, announcements on websites, social networks, mobile applications and in other media). Business entities will receive necessary number of visual identification labels for all their branches.

The Code of Ethics application will provide to all citizens an option of submitting their feedback on business entities that joined the Code of Ethics, by means of the eCitizen portal.

3.3. DUAL DISPLAY

The period of dual display (in euro and in kuna) is planned in accordance with [the National Euro Changeover Plan](#). The obligation of dual display starts on the first Monday in September 2022 and ends 12 months after the euro introduction day (starts on 5 September 2022 and ends on 31 December 2023), and it will be implemented in accordance with the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia, Consumer Protection Act and the Ordinance on method of display of retail prices and prices per a unit of measure for goods and services.

Business entities may start with the dual display of prices and other monetary amounts when the conversion rate between the euro and the Croatian kuna is set, that is on the 12 July 2022, and when all technical requirements have been met.

Obligation of dual display of prices and other monetary amounts is crucial for prevention of unjustified price increase and incorrect price conversion. Besides, this will enable easier adaptation of consumers to prices and other monetary values indicated in euro.

Obligation of dual display applies exclusively to direct relation to consumers.

Conversion of prices and other monetary amounts is done exclusively by using the fixed conversion rate, in its full numerical amount.

Competent authorities will thoroughly monitor the compliance with the mentioned obligations. The consumers will also have an important role in monitoring the application of dual display of prices and other monetary amounts as well as of their correct conversion, and they will be able to report any irregularity to competent authorities (for example: State Inspectorate, Croatian Regulatory Authority for Network Industries, Croatian National Bank and other).

Dual display should be unambiguous, clearly indicated and easily readable, and a full amount of the fixed conversion rate has to be used always in the process of conversion.

Furthermore, dual display is obligatory for all types of sale¹:

- in business premises on the selling venue, on the goods, or on the price list in the context of services
- on a website
- in an offer or a contract on a durable medium
- in the notices given to the consumer before or during the conclusion of the off-premises contract and distance contracts
- during advertising in any form, by which the selling of goods or services is offered

¹ The method of the dual display as indicated in 3.4.1.

- in the reminder and other notice of outstanding debt delivered to the consumer, the total amount of debt
- through other forms of price display.

Business entities have to ensure dual display of the total amount for goods and services to the consumer in the offer, in the case of advance payments and consumer contracts.

Dual display does not apply to commercial contracts, i.e. offers, advance payments, invoices and similar documents of B2B, internal invoices of a business entity and different registers and reports to be submitted to public authorities.

Business entities are not subject to dual display when they issue offers, contracts, advance payments, invoices and similar documents to government institutions (B2G).

Exceptions to the obligation of dual display of prices and other monetary amounts for goods and services include the following:

A) on the occasion of selling goods and providing services in one of the following ways:

- via vending machines
- retail trade on stands and benches (at markets and outside markets, within shopping malls)
- via kiosks (a kiosk is a shop selling limited product range over the counter without consumers entering inside)
- via itinerant trade
- in production facilities of family farms and in a facility of a private lessor providing catering service in a household
- in production facilities of natural or legal persons holding an aquaculture or fish and other marine farming privilege
- in warehouses and venues that sell agricultural planting material
- occasional sales (fairs, exhibitions and so on)

B) when dual display would cause disproportionate costs to a business entity, in following cases:

- gas station price totems, fixed panels and other fixed poles with price indicators, as well as generators, and electric charger venues
- TV interfaces for the purpose of selling services
- cash register screens and self-service devices for the sale of goods and services
- discount coupons and coupons in the value of returned goods
- price checkers in shops
- lottery games, amusement games
- amount of airline ticket prices
- amount of prices on scales and weighted price labels

- a taximeter
- C) a business entity is not subject to dual display of prices and other monetary amounts for the following:**
- refundable fees on packaging
 - refundable fees on packaging that are visible on the automated device (TOMRA) for retrieving waste packaging
 - prices printed on books and on periodicals
 - values and amounts indicated on consignments and referrals
 - values printed on postage stamps and franked stamps or other appropriate mark on the postage paid
 - values displayed for prepaid electronic communications services
 - values and amounts stated on payment orders issued on the basis of an invoice or other individual act, or on the basis of the indicated price
 - values displayed on public payphone cards
 - values printed on the SIM card packaging
 - values printed on the gift card and the stored-value card
 - prices printed on the ticket, on the passenger transport service ticket
 - values on documents issued in accordance with EU standards and prescribed XML scheme.

Prices for the listed exceptions have to be indicated in kuna until 31 December 2022, and starting from 1 January 2023 in euro.

Identification documents, postage stamps, franked stamps, revenue stamps, lottery games with a predetermined result, discount coupons, coupons in the value of returned goods, packaging with the stated pictogram of the refund fee, prepaid vouchers, stored-value cards, gift cards, books and other periodicals, official forms and printed matters, that were printed or on sale before the euro introduction day, and on which the amounts are stated in the kuna, are used even after the euro introduction day until they run out, by applying the fixed conversion rate and in accordance with the rules on the conversion and rounding.

NOTE: The above-mentioned exceptions do not apply to the dual display obligation of a business entity for the total invoice amount.

IMPORTANT! Although vending machines and self-service systems are exempted from the dual display obligation, if they provide an invoice then the dual display has to apply therein.

ADDITIONAL CLARIFICATION OF SPECIFIC EXEMPTIONS:

Tickets

Dual display of prices is not obligatory on tickets (for example public transport tickets, theatre tickets, concert tickets and so on) which do not represent at the same time the invoice. Dual display of ticket prices has to be indicated in pricelists, labelling or in some other easily identifiable way during the entire dual display period.

Note: Tickets that are at the same time invoices (for example transport tickets) are not exempted from the dual display obligation considering that exemptions do not apply to dual display of the total invoice amount. Invoices issued in the dual display period are subject to dual display of a total amount in accordance with the fixed conversion rate and the rules on conversion and rounding. In other words, tickets that at the same time serve as invoices are subject to dual display. Also, they have to contain fixed conversion rate.

Gift cards

For gift cards with previously set prices, the retail price is indicated both in euro and in kuna during the period of dual display.

However, dual display of prices does not require modifications of the visual content of a gift card, but the **dual price** is indicated as for other products; the price may be indicated on labelling, price tag, sticker, on the shelf in front, below or next to a gift card, and exceptionally above a gift card in way that it may not be confused for the labelling of a nearby product. The obligation of a dual display of prices is also applied to online shopping and to off-premises sale.

Gift cards issued with an amount in kuna will be valid after the euro introduction day, and business entities need to ensure automatic conversion of the amount from kuna to euro, applying the rules on conversion and rounding. After the euro introduction day, business entities do not need to inform consumers on the remaining amount on the gift card because it will be visible on the invoice.

Loyalty programmes

Business entities do not need to dually display amounts for loyalty programmes and loyalty cards. In particular, the amounts listed in the mentioned programme and on the mentioned cards do not represent the price of a certain product or a service, and therefore they are indicated in kuna by 31 December 2022, and after 1 January 2023 in euro.

Deposit refund schemes

Although refundable fee on packaging is one of the exemptions from the obligation of the dual display as this is a pictogram which thereby does not represent the price itself, **in cases when the refundable fee is indicated separately on shelf-edge labels, the amount of the fee then has to be dually displayed.**

Packaging containing the refundable fee amount in kuna is not subject to conversion after the euro introduction day, but it is used until it is run out.

The refundable fee amount which is currently 0,50 kuna is to be converted by using fixed conversion rate, *(for example, the amount of refundable fee after rounding is 0,07 EUR; (the procedure: 0,50 kuna divided with 7,53450 EUR, the pictogram value of 0,066361404 EUR, after rounding is 0,07 EUR)*).

Since the refundable fee amount is fixed and as such established by the Ordinance on packaging and packaging waste, the harmonisation of the Ordinance is expected in 2022, in the part referring to refundable fee in euro, so that the current amount of 0,50 kuna will be converted in accordance with the fixed conversion rate and rounded pursuant to mathematical principles and the rules on rounding regulated by the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia.

Deposits

When the price of a deposit is displayed separately on a shelf-edge label, then the price has to be dually displayed. It is necessary to convert the amount of a deposit for the purpose of dual display from kuna to euro in accordance with the fixed conversion rate and the rules on conversion and rounding.

Claims and return of goods

When consumers buy products in kuna, and return those products after the euro introduction day, the return is made in applicable currency, i.e. in euro in accordance with the rules on conversion and rounding regulated by the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia.

SIM cards and prepaid cards for electronic mobile communications services and payphone cards

When buying prepaid card (electronic communications service paid in advance, the so-called prepaid e-voucher), consumers receive an invoice and a voucher for the card, and in this case the voucher does not need to contain dual display of the price.

A SIM card with a monetary amount (for example 20,00 kuna) indicated on the packaging with the SIM card does not need to be modified, i.e. monetary amount in kuna is used until it is run out. After that, monetary amounts on a SIM card are printed in euro.

For payphone cards which were on the market before the euro introduction day, the consumer receives an invoice, and it is sufficient that the invoice contains dual display of price. It is possible to use them until they run out.

However, dual display has to be ensured as for other products as well, i.e. the price may be indicated on the labelling, price tag, sticker, on the shelf in front, below or next to a SIM card, and exceptionally above the SIM card in a way that it may not be confused for the labelling of a

nearby product. The obligation of a dual display of prices is also applied to online shopping and to off-premises sale.

Text (SMS) messages

It is not necessary to dually display the amount listed in text (SMS) messages as a notification (information) in accordance with an invoice or another single document.

However, the mentioned exception does not apply to text (SMS) messages that will result in charging (for example text messages received abroad from a mobile network operator wherein the users are informed that they are subject to a roaming service and about prices applied to services used abroad within a certain tariff).

3.4. CONVERSION

Only the fixed conversion rate established by the Council Regulation is used for the conversion of kuna to euro, and it generally consists of six digits. As for the Republic of Croatia, this means that the fixed conversion rate is to consist of the whole number followed by five decimals. **The fixed conversion rate with all its numerical components should be used for conversion of amounts from kuna to euro.** Conversion of prices by application of a shorter version of the fixed conversion rate rounded for example to two decimal units **is not allowed.**

Conversion is done as follows (using the fixed conversion rate between the euro and the Croatian kuna):

$$1 \text{ EUR} = 7,53450 \text{ kuna}$$

After conversion from kuna to euro by applying the full amount of fixed conversion rate by using five decimals and in accordance with the mathematical principle of rounding, the given result is rounded to two decimals, with accuracy of one cent, and on the basis of the third decimal after a comma²:

- if the third decimal is less than five, the second decimal remains unchanged
- if the third decimal is equal to or more than five, the second decimal is increased by one.

For amounts which are after application of the fixed conversion rate and the rules on conversion and rounding smaller than a cent, that part of the total debt from a debtor to a creditor is released, i.e. that part of the total debt is written off ex-officio as tax costs of the period in which is written off in accordance with the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia.

Taking into account the above-mentioned, there are at least two digits indicated after a decimal point when converting prices.

² In Croatian language a comma is used as a decimal separator (*translator's note*).

Example:

| Price in kuna | Price in euro before rounding | Price in euro after rounding |
|-------------------|-------------------------------|------------------------------|
| 69,99 HRK | 9,289269360 EUR | 9,29 EUR |
| 249,80 HRK | 33,1541575 EUR | 33,15 EUR |
| 10 HRK | 1,327228084 EUR | 1,33 EUR |
| 0,03 HRK | 0,00398168 EUR | 0,00 EUR |
| 0,04 HRK | 0,00530891 EUR | 0,01 EUR |

Conversion of currencies must not result in increase of prices or increase of the value of goods and services.

Exceptions to application of the rounding rules

The unit price of goods and services (electricity, utility services, petroleum products, natural gas, liquefied natural gas and so on)

Low value unit prices expressed for units of account of goods and services, used as a multiplier for calculating the price of goods and services, as well as other low value prices converted from kuna to euro, are rounded and indicated to more than two decimals, and only the final amount which is to be charged may be rounded to two decimals.

For unit prices of goods and services which are not indicated in decimals or are indicated in one decimal in accordance with other applicable regulations, when converting from kuna to euro a mathematical principle of rounding may be applied to two decimals, where the second decimal is always zero, provided that if the second decimal is lower than five, the first decimal remains unchanged, and if the second decimal equals to or is more than five, then the first decimal is increased by one.

Differences in the process of conversion and rounding

In dual display of prices and other monetary amounts, prices and other monetary amounts indicated in another currency which is not legal tender are for information purposes only. In other words, difference in conversion from kuna to euro and vice versa may occur only due to the application of the fixed conversion rate and mathematical rules on conversion and rounding. Therefore, the difference may occur only due to mathematical operations.

If a justified correction of price in kuna occurs in the period from 5 September 2022 to 31 December 2022, the price in kuna is amended and the new price is converted into euro in accordance with the fixed conversion rate and the rules on conversion and rounding.

If a justified correction of price in euro occurs after 1 January 2023, the price in euro is amended and the new price is converted into kuna in accordance with the fixed conversion rate and the rules on conversion and rounding.

Price formation

When forming prices, business entities on the euro introduction day, but also before and after that day, can always lower the price, i.e. round the price down for the purpose of creating psychological prices, but rounding up is prohibited in the process of the introduction of the euro, contrary to the rules on the conversion and rounding, because this would be contrary to the basic principles of the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia, and especially to the principle of consumer protection, which states that the consumer must not be in a less favorable financial position than he would have been if the euro had not been introduced.

For example, if a business entity for a product that charged 12,00 kuna (1,59 euro) until the euro introduction day, wants to from the euro introduction day charge 1,50 euro for that same product, that is correct and allowed, only that price must be correctly converted and indicated in kuna (11,30 kuna) on tags, shelf-edge labels or on another method of displaying the prices. In the described case, such price reduction is beneficial to the consumers and is allowed and even desirable because it will show that not only the process of introducing the euro was not used to put consumers in a disadvantageous position, but the whole process is directed in a way that is more favorable for the consumers compared to the period before the introduction of the euro.

Psychological pricing

In terms of psychological pricing, it may be necessary to establish a new price threshold. In this respect, a systematic rounding down would be a commercial option that could be used in advertising.

3.5. DUAL DISPLAY OF PRICES FOR GOODS AND SERVICES

3.5.1. METHOD OF DUAL DISPLAY OF PRICES FOR GOODS AND SERVICES

During the dual display period (starting on the first Monday in September 2022 and ending on 31 December 2023) business entities have to ensure display of prices and other monetary amounts both in euro and in kuna. A suggestion for dual display is to primarily indicate price in euro (on the left side or at the top), and that the price in kuna is secondary (on the right side or below).

Business entities may use one labelling during the entire period of dual display of prices, and they may modify it, provided that this is in accordance with the obligation of dual display.

Prices and other monetary amounts of goods and services have to be clearly indicated, easily readable, comprehensible, and indicated in a manner not misleading for consumers and that consumers may clearly understand to which product or a service the price refers to.

The fixed conversion rate has to be displayed as well on a visible spot in the premises or at the place of the service provision. The fixed conversion rate has to be indicated on the websites and self-service devices in a clear, visible and readable manner. In case of telephone sales, it has to be clearly communicated.

During the obligatory dual display period (from 5 September 2022 to 31 December 2023) the fixed conversion rate has to be always indicated in the same way *1 EUR = 7,53450 kuna*.

Price per a unit of measure has to be indicated on the selling spot, except in cases regulated by the Ordinance on method of display of retail prices and prices per a unit of measure for goods and services.

When indicating prices of goods and services we suggest ISO code *EUR* or designation *€*. Both *EUR* and *€* in Croatian texts follow the amount and are separated by a hard space (for example the amount of 30 EUR or 30 €).³

About the method and the model for the dual display of prices, each business entity decides independently, taking into consideration the dual display requirements in accordance with the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia, Consumer Protection Act and the Ordinance on method of display of retail prices and prices per a unit of measure for goods and services.

You may find below the examples on how a business entity may apply dual display of prices.

³ [Publications Office – Interinstitutional Style Guide – 7.3.3. Rules for expressing monetary units \(europa.eu\)](https://europa.eu/publications-office/interinstitutional-style-guide/7.3.3-rules-for-expressing-monetary-units)

3.5.1.1. METHOD OF DUAL DISPLAY OF PRICES FOR GOODS AND SERVICES IN BUSINESS PREMISES AND IN E-COMMERCE

Dual display of prices has to be indicated in the price tags with the name of a product:

1. on a product (for example tags, labels)

Examples:



DISPLAY OF PRICES BY USING PRICE TAG GUN

| |
|------------|
| 1234567890 |
| 4,11 € |
| 30,99 kn |

2. on a shelf-edge label containing the name of a product

Examples:

DISPLAY OF RETAIL PRICE OF GOODS

| | |
|-----------|----------|
| Pen, blue | |
| 5,31 EUR | 39,99 kn |

DISPLAY OF RETAIL PRICE AND PRICE PER A UNIT OF MEASURE

| | |
|-------------------------|-------------------------|
| Grinded coffee 175g | |
| 2,33 EUR 9,09 EUR/kg | 17,59 kn 68,52 kn/kg |

Note: Display of price per a unit of measure is not required for⁴:

- products weighing less than 50 grams or having a volume less than 50 millilitres
- products sold as gift boxes or sets
- products sold within special types of sale
- pet treats
- cakes
- alcohol beverages in containers of maximum size of 100 ml
- frozen desserts having a volume of maximum 500 ml
- fruits and vegetables sold per piece or in bundles

DISPLAY OF RETAIL PRICE OF GOODS ON THE OCCASION OF A SPECIAL TYPE OF SALE (ACTION SALE)

| | |
|---|---------------------|
| Chicken fillet 600g (22% price reduction) | |
| 3,72 EUR | 28,07 kn |
| 4,78 EUR | 35,99 kn |

DISPLAY OF RETAIL PRICE ON THE OCCASION OF SPECIAL TYPE OF SALE (SEASONAL DISCOUNT)

| | |
|----------------------|----------------------|
| Dress | |
| 33,18 EUR | 250,00 kn |
| 39,82 EUR | 300,00 kn |

⁴ Pursuant to Article 6 (2) of the [Ordinance on method of display of retail prices and prices per a unit of measure for goods and services \(Official Gazette of the Republic of Croatia; NN 66/14 and 16/15\)](#).

DISPLAY OF RETAIL PRICE OF GOODS ON THE OCCASION OF SPECIAL TYPE OF SALE (SALE)

| Washing machine | |
|-----------------------|------------------------|
| 265,44 EUR | 1 999,99 kn |
| 398,17 EUR | 2 999,99 kn |

Note: When a tag/label contains information in other currencies, it is allowed to display more currencies (in addition to kuna and euro) on the label, provided that obligation of the dual display of prices (in kuna and in euro) is met during the entire dual display period in accordance with the rules on conversion and rounding regulated by the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia.

The dual display obligation in online sale covers the following:

- prices on the home page, but only if a certain product is already highlighted on the home page, offered to the consumer at a certain price, and which the consumer can order by clicking on that product (that is, save it to the cart),
- during the display of suggested products, given that the consumer is offered and suggested the purchase of a specific product as a result of the consumer's selection or search for some other items/goods,
- the total amount of the cart,
- the total amount at the end of the purchase (the amount that the consumer will have to pay),
- the total amount on the order confirmation,
- the total amount on the invoice.

DISPLAY OF PRICES OF SERVICES (PRICE LIST)

When we speak about **dual display of prices for services**, a business entity has to ensure that the price both in euro and in kuna is indicated so that it is unambiguous, easily identifiable and clearly readable on pricelists, which are easily available to consumers on selling spots, i.e. in premises, on websites, and self-service devices. In case of telephone sales, it is necessary to clearly communicate dual prices of services.

If business entities are not able to indicate full offer of services on their pricelists, considering the number and variety of the services, then they have to ensure that the price of the services are displayed for example:

- in catalogues of services with prices
- in special brochures or leaflets with a clear description of services with their prices.

Caterers are subject to obligation of the dual display of prices along with indication of the fixed conversion rate from 5 September 2022 to 31 December 2023.

Examples of displaying prices of services in pricelists:

| <u>English language course</u> | | |
|--------------------------------|------------|-------------|
| One-month course | 159,27 EUR | 1.200,00 kn |
| Six-month course | 796,34 EUR | 6.000,00 kn |
| Accelerated course | 437,99 EUR | 3.300,00 kn |

DISPLAY OF RETAIL PRICE OF SERVICES ON THE OCCASION OF A SPECIAL TYPE OF SALE (ACTION SALE)

| <u>Massage</u> | | |
|----------------|----------------------|----------------------|
| 60 min | 26,54 EUR | 200,00 kn |
| | 37,16 EUR | 280,00 kn |
| 120 min | 66,36 EUR | 500,00 kn |

Note: For the occasional sales (action sales, sale, seasonal discount and so on), business entities do not have to cross through the price as indicated above in the Guidelines, i.e. it is sufficient to display the lowest price applied by a business entity for the last 30 days since the beginning of the occasional sale and the reduced price in accordance with provisions of the Consumer Protection Act.

3.5.1.2. METHOD OF DUAL DISPLAY OF PRICES FOR GOODS AND SERVICES OFF-PREMISES AND BY TELEPHONE

As for the off-premises sale or telephone sales, a business entity has to ensure dual display as follows:

- on notices which are delivered to consumers before the conclusion of a distance contract
- on an offer which business entities deliver to consumers on a durable medium after the offer has been given to consumers by telephone.

IMPORTANT! Retail price of a product displayed both in euro and in kuna forms an integral part of the contract concluded off-premises or over the internet or by telephone.

For example, in the event of a product sale on a formal dinner off-premises of a business entity, dual price has to be displayed on a prior notice which the business entity gives to a consumer in writing (on a paper) during that dinner, and which will form an integral part of the contract after the conclusion thereof.

3.5.1.3. METHOD OF DUAL DISPLAY OF PRICES FOR GOODS AND SERVICES DURING MARKETING AND PROMOTIONAL ACTIVITIES

Business entities have to ensure dual display of prices and other monetary amounts during marketing and promotional activities as well (for example on flyers and leaflets, TV commercials, billboards, social networks, websites, mobile apps and in other media), in accordance with the Act on the Introduction of Euro as the Official Currency in the Republic of Croatia.

The fixed conversion rate should be indicated during marketing and promotional activities in a single place, i.e. it is not necessary to display it on every product or a service. For example, in the case of a flyer, it should be placed at the bottom thereof; in the case of a leaflet, it should be placed at its first page; in TV commercials, at the bottom/top of the screen and so on.

The obligation of dual display of prices does not apply to radio advertising or to voice mails through other types of advertising, such as voice-over TV ads.

3.5.2. DUAL DISPLAY ON INVOICES

Dual display obligation applies to **the total amount on invoices**.

This means that the prices of items on invoices will be displayed in kuna by 31 December 2022, and a total amount both in kuna and in euro in accordance with the fixed conversion rate and the rules on conversion and rounding. After the euro changeover, prices of items on invoices will be displayed in euro, and a total amount both in euro and in kuna in accordance with the fixed conversion rate and the rules on conversion and rounding.

Cash registers and other payment devices of business entities have to be adapted to dual display so that **the total amount on invoices could be indicated in both currencies.**

On the other hand, POS terminals at cash registers will not be necessary to adapt, as the dual display obligation will be met on the final invoice. In particular, it is not necessary to indicate dual price on the POS screen, nor on the printed slip (receipt of payment) since the dual display obligation will be met on the final amount on the final invoice.

The invoice has to contain the fixed conversion rate as well.

Model of dual display of amounts, i.e. methods in which dual display will be indicated on the invoice, is left to the choice of business entities.

3.5.3 DUAL DISPLAY ON PAYROLLS

During dual display, business entities will have to **indicate the total amount on salary slips** and other remuneration paid to the employee's account (Christmas bonus, holiday bonuses, child bonuses, meal allowances, service benefits and so on) **in both currencies.**

If for example Christmas bonus, holiday bonus and similar bonuses are indicated on separate payrolls, a total amount has to be dually displayed on them.

Travel orders are exempted from the dual display obligation.

Furthermore, net amounts of fees within copyright agreements, as well as net fees within temporary service contracts, including student contracts are subject to dual display.

The amount of salary set by employment contracts and by other acts establishing the amount of salary and of other remuneration in kuna have to be converted into euro in accordance with the fixed conversion rate and the rules on conversion and rounding.

In cases where payment of the net salary is partially done on the protected and partially on the regular account, a total amount being paid to an employee's account (regular and protected) is subject to dual display.

4. CONTRACTS

According to the principle of contract continuity, the existing contracts with amounts in the kuna remain valid after 1 January 2023. Monetary amounts in these contracts will be considered as monetary amounts in euro as the official currency on the euro introduction day, using the fixed conversion rate and the conversion and rounding rules.

The same applies to employment contracts which will not be subject to modifications only due to introduction of the euro as the official currency. Amounts in working regulations, annexes to contracts and so on, which will be modified after the introduction of the euro, have to be displayed in the euro.

For contracts concluded with partners located outside the euro area, it might be useful to introduce a euro clause which states that, if the term of the contract continues after the euro introduction day, it is agreed that the euro will be the binding currency unit.

In the event of any question or ambiguities regarding application of these Guidelines, please contact the Ministry of Economy and Sustainable Development at euro@mingor.hr

5. CHECKLIST

PREPARATIONS FOR REPLACING KUNA WITH EURO

- Have you been informed of the euro introduction day?
- Have you determined the effect impact of the euro on functioning and the business activities?
- Has a business plan (a roadmap for activities) on how to deal with the changeover from the Croatian kuna to the euro been prepared, including clear task assignments?
- How will the changeover be managed (time frames, sufficient human and financial resources, coordination with other business functions)?
- Is efficient monitoring planned in order to identify problems and risks?
- Have you been informed of all information regarding the procedure of the euro introduction?

ADAPTATION OF ACCOUNTING AND FINANCIAL MANAGEMENT

- Has the financial plan for the year in which the euro will be introduced been drawn up in euro?
- Has it been checked from which date or for which period tax returns and related documents and reports (e.g. concerning company tax, VAT, withholding tax on employees' wages and salaries) as well as financial statements must be submitted in euro?
- Have the company's statutes and by-laws been reviewed?

ADAPTATION OF IT SYSTEMS

- Has an inventory of all IT systems used by the enterprise been established (e.g. invoicing and billing, payroll, management information, ticketing systems, stock management) affected by the changeover?
- Have all IT systems affected by the changeover been identified?
- Has information from the providers of IT system been collected on whether the systems meet the requirements for the euro changeover (e.g. capability of dealing with two or

more currencies, dual-currency display in the dual-circulation period, support for changing forms and reports, correct application of the conversion and rounding rules, documentation of historical data in the national currency)?

- Has the IT hardware that needs to be upgraded or replaced been identified (e.g. server, notebooks, keyboards, printers, cash registers, vending machines, card readers)?
- Have the necessary external resources for the IT adaptation been determined and booked in good time?
- Has the timely availability of IT upgrades or replacements been checked?
- Have interfaces been identified that connect different IT systems within the business, as well as systems connected with those of partners, suppliers, etc.?
- Which systems must – from a business and/or technical perspective – be changed over at which point in time (e.g. need for a synchronised change of certain systems)?
- Has the adaptation of the IT systems, either in-house or by external contractors, been prepared and implemented?
- Have the needs for testing the IT systems and the timing of the testing been established?
- What are the implications for electronic method of payment?

CASH MANAGEMENT

- Has the demand for euro cash in the first weeks after the changeover been assessed in relation to cash transactions and has the bank been contacted for the supply of euro cash before euro-day (sub-frontloading, simplified sub-frontloading)?
- Have euro coin starter kits been ordered, if necessary?
- Have the related logistical and security aspects been dealt sufficiently (security, insurance, etc.)?
- Are specific measures envisaged for handling both euro cash and kuna cash at checkouts?
- Are training measures foreseen as regards the appearance and security of euro banknotes and coins? Are training measures for handling and manipulating euro cash envisaged?

INFORMATION AND TRAINING FOR STAFF

- Have different training measures been planned and envisaged by the financial plan (e.g. staff with direct consumer contact, dealing with cash, working in the IT unit, etc.)?
- Have employees been informed about consequences for net salaries, non-taxable benefits (conversion rules and policy on rounding, etc.)?
- Is it planned to designate a contact point whom employees can ask for information?

INFORMING CONSUMERS

- Have consumers, including business partners, been contacted and informed about the introduction of the euro in Croatia?
- Have you been informed on dual display and other currency value display and on how it will be implemented (price labels on products, shelf-edge labels, off-premises, by telephone, on the websites, on price lists, on invoices etc.)?
- Has a strategy for establishing prices in euro been developed (conversion rules, rounding, etc.)?
- Have you decided to join the Code of Ethics? If yes, join in time to get the required visual identification label!
- Has the inner control been established to check the validity of the calculated prices and for resolving consumer complaints?

CONTRACTS

- Have all existing contracts been checked (employment contracts, lease contracts, contracts with business partners outside the euro area, contracts with banks and other business entities)?