

2 Private Equity and Venture Capital Industry in Croatia: Tax and Legal Environment

RESEARCH PAPER

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Abstract

The author describes the methodology for assessing the suitability of tax and legal environment for the development of private equity and venture capital industry, designed by the European Venture Capital Association (EVCA). She applies this method to assess the tax and legal environment in Croatia. The results reveal that, according to the total composite score, Croatia belongs to the group of European countries whose tax and legal environment is relatively unfavorable for private equity and venture capital investments. Although one can notice some positive changes since 2004, Croatia has not significantly improved its ranking. A low level of investments in private equity and venture capital can partly be attributed to the negative score of Croatia's tax and legal environment. However, there are certainly other factors determining such a low interest, with all its possible negative effects on the appearance and development of young and innovative companies.

Keywords: private equity and venture capital, tax system, legal framework,
Croatia

JEL classification: G24, H24, H25, M13, O31

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