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## FISCALIZATION IN CROATIA: EVALUATION FROM 1.0 TO 2.0

**Abstract:** *The paper “Fiscalization in Croatia: Evolution from 1.0 to 2.0 – Technical, Legal, and Business Changes” examines key phases in the development of fiscalization within Croatian legislation and business practice. The first part analyzes Fiscalization 1.0, which established the basis for digital control of cash transactions in retail, defining the technical framework and main objectives such as business transparency and reducing the grey economy. The second part outlines the requirements of Fiscalization 2.0, which from 2026 introduces mandatory electronic reporting of all business transactions, including B2B and B2G exchanges, digital document exchange, and the elimination of traditional record-keeping systems. The paper compares regulatory frameworks, technical implementations, and their impact on entrepreneurial activity. Special attention is given to the preparation of entrepreneurs and accountants, software adaptation, and new reporting obligations toward the Tax Authority. Fiscalization 2.0 is concluded to represent an essential step toward a digital economy, increasing efficiency and transparency in Croatia’s business environment.*

**Keywords:** *Fiscalization; Croatian fiscalization model; Digital Economy; Croatia; B2B/B2G*

**JEL Classification:** *jel H26; jel H32; jel M48; jel O33*

### 1. Introduction to fiscalization

The institutional implementation of fiscalization in the Republic of Croatia marked a turning point in the development of the domestic system for monitoring, controlling, and recording economic transactions. It has had long-term implications for fiscal policies, entrepreneurial practices, and information technology. The fundamental purpose of fiscalization was to enhance transparency of fiscal flows, reduce tax evasion, and strengthen the fairness of the tax system through digital processing and electronic submission of data to the Tax Authority.

The Croatian fiscalization model, characterized by a software-based approach rather than reliance on hardware fiscal devices, offers entrepreneurs a more financially feasible and technologically adaptable solution. This has facilitated faster and more comprehensive implementation across various sectors of the economy.

Since the initial phase—Fiscalization 1.0—which involved the issuance and reporting of cash receipts in retail, the system has undergone con-

tinuous improvements and modifications based on technological advancements and evolving needs of the country’s fiscal policy.

The modern phase, Fiscalization 2.0, represents a significant step toward digitalizing the entire life cycle of invoices. It introduces mandatory fiscalization for business transactions (B2B, B2G) and electronic document exchange. These changes, occurring within the context of the global trend toward digital transformation of public services and the economy, focus on increasing transparency, efficiency, and timeliness of tax oversight, while also easing business operations by reducing administrative barriers and risks for economic entities.

Through an overview of the historical development, regulatory frameworks, technological requirements, and their implications for business practices, this paper provides a comprehensive analysis of Fiscalization 1.0 and 2.0, examining their impact on the Croatian economy, with particular attention to challenges and recommendations for business entities and tax institutions.

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## 2. History of fiscalization and its significance

In the professional literature, numerous definitions of fiscalization can be found. Although they differ in their formulation, they share common key elements. However, to fully understand this concept and its practical application, it is essential to identify the fundamental characteristics of fiscalization and analyze its implementation through a specific example. Therefore, this chapter not only defines fiscalization but also presents an analysis of its implementation in the Republic of Croatia.

### 2.1. Definition and Implementation of Fiscalization in Croatia

The most widely accepted definition of fiscalization is the one officially issued by the Republic of Croatia, which states: "Fiscalization in cash transactions is a set of measures undertaken by obligated entities to enable effective control of the cash flow" (Galušić et al., 2014). The idea of introducing fiscalization in Croatia, along with the specific steps toward its implementation, emerged in the second half of 2012. The primary motivation for adopting this measure was the presence of numerous unlawful and criminal activities, including various types of fraud, manipulation, illegal appropriation of financial resources, and unrecorded cash transactions. Such phenomena caused serious problems within the country, contributed to the proliferation of the informal economy, and resulted in significant economic losses (Petrović, 2015). Recognizing the importance of this measure, the Ministry of Finance prepared a Draft Law on Fiscalization in Cash Transactions at the end of July, which was subsequently approved by the Croatian government and sent for parliamentary procedure. The Croatian Parliament enacted the Law on November 23, 2013, and following its publication in the Official Gazette and the adoption of the relevant Regulations, fiscalization officially came into force on January 1st of the following year.

In Croatia, the process of fiscalization has been carried out through three phases (NN 133/2012):

1. The Fiscalization Phase began on January 1, 2013, and covered medium and large entrepreneurs, as well as obligated entities engaged in hospitality activities and food preparation. Specific examples of entities in this phase include lawyers, healthcare professionals, veterinarians, and public notaries.

2. The Fiscalization Phase with Application started on April 1, 2013, and applies to obligated entities involved in wholesale and retail trade, motor vehicle and motorcycle repairs, and those engaged in certain self-employment activities (such as stores offering motor vehicle accessories, tobacco products in specialized shops, flower shops, and fruit markets).
3. The final phase of the process, which also marked the comprehensive inclusion of all obligated entities, began on July 1, 2013, and mandated the procurement of digital certificates and issuance of receipts via electronic payment devices. This phase covered all obligated entities except those explicitly exempted by the newly enacted law.

In Croatia, a software-based fiscalization solution is employed, involving a control system for issuing receipts through specially adapted electronic payment devices. This entails that all obligated entities are required, before issuing a receipt, to submit it to the Tax Administration, which then approves it by sending a Unique Receipt Identifier (JIR).

### 2.2. Advantages and Disadvantages of Fiscalization 1.0

Fiscalization 1.0, introduced in 2013 in the Republic of Croatia, had a significant impact on financial transparency and oversight of cash transactions among entrepreneurs, particularly in the B2C segment. Table 1 presents the advantages and disadvantages of this phase.

Fiscalization 1.0 delivered visible benefits for public finances, but also revealed limitations that later served as the foundation for upgrading to newer generations of fiscalization.

Fiscalization offers numerous advantages but also presents challenges. Aside from the well-known benefits, various other positive aspects can be highlighted; however, these are considered to be the most significant. Regarding its drawbacks, they primarily relate to costs that are one-time and justified in the long term. Although businesses initially incur expenses related to acquiring necessary equipment, software solutions, and training employees to use them, these costs are essentially investments that bring multiple future benefits. Fiscalization improves business processes, increases competitiveness, ensures fairer conditions among entrepreneurs, and generally contributes to more stable economic development and the growth of the national economy.

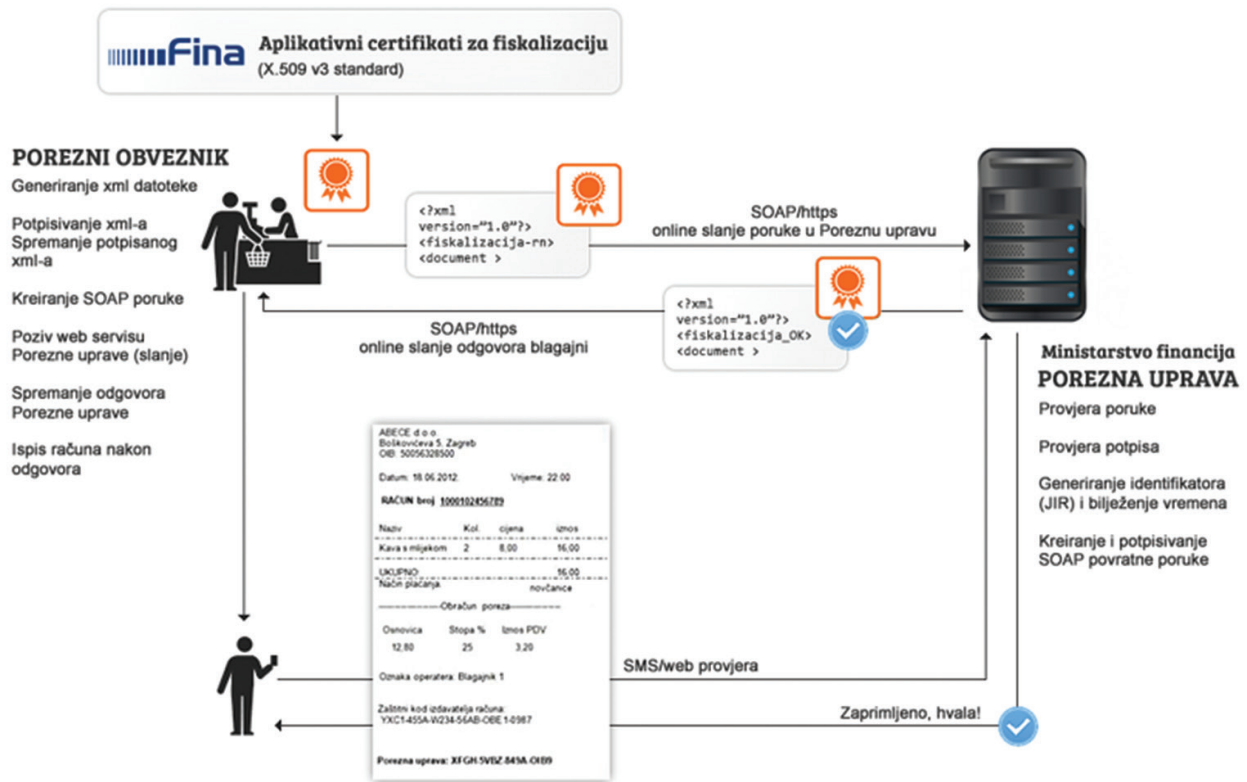


Figure 1. Fiscalization Process

Table 2. Advantages and Disadvantages of Fiscalization 1.0 (Author's compilation based on Moj eRačun, 2025)

Advantages	Disadvantages
Increased business transparency — every cash receipt had to be reported to the Tax Administration, reducing the potential for income concealment and tax evasion;	Limited scope — the system covered only cash and card transactions, while cashless payments to bank accounts remained outside fiscalization, allowing some evasion practices;
Faster and more efficient tax oversight — the Tax Administration received all data in real time via online platforms, facilitating transaction monitoring and irregularity detection;	Administrative burden — entrepreneurs had to adapt their operations, acquire appropriate software, and train employees, resulting in additional costs and efforts for micro and small businesses;
Reduction of the grey economy — electronic oversight of cash flow led to a decrease in unrecorded transactions and strengthened tax discipline among obligated entities;	Technical complexity — reliance on stable internet connections and reliable software solutions made operations more difficult in smaller areas or regions with unstable infrastructure;
Adaptability to technological solutions — the Croatian model was based on software fiscalization, reducing the implementation costs for entrepreneurs compared to hardware solutions.	Mismatch with future digital needs — due to the exclusive focus on B2C and cash receipts, the system was not fully aligned with upcoming electronic accounting and digitalization requirements.

To better understand the reasons for its introduction, it is important to consider the circumstances that led to the implementation of fiscalization in Croatia. According to Kudeljan (2013), before the adoption of the Law on Fiscalization in Cash Transactions, only about 15% of total revenue was reported as cash flow, which clearly indicated inconsistencies, given that cash payments were

common in everyday transactions. This situation demonstrated that transaction oversight was weak or almost nonexistent, making it necessary to establish a more effective control system. The most appropriate solution proved to be fiscalization, whose model was quickly developed and backed by legislation.



An analysis by the Tax Administration (Vuraić Kudeljan, 2013) showed that reported turnover and income of tradespeople in many cases were unrealistically low, suggesting concealment of actual revenue. The main cause of this problem was uncontrolled cash flow. Furthermore, tax audits comparing inventory records with reported turnover indicated that tax authorities found it difficult to prove the true scope of business activities.

Due to significant losses caused by tax evasion and the growth of the grey economy, the Ministry of Finance introduced fiscalization as a new form of transaction oversight for all entrepreneurs receiving cash payments. In the context of fiscalization, cash payments are considered transactions carried out with banknotes, cards, checks, or similar methods, except for direct transfers from account to account. Conversely, payments via bank transfer or general bank slips are not considered cash transactions (Brkanić, 2012).

All these reasons, along with suspicions from the Ministry of Finance that some entrepreneurs manipulate reported turnover, led to the adoption of fiscalization—a system that has significantly changed Croatia’s economic reality. “This measure has enabled greater oversight, more transparent business operations, and a reduction in tax fraud, thereby decreasing state losses and making the market fairer and more regulated” (Brkanić, 2012).

### 3. Liable entities for fiscalization

According to the provisions of the Income Tax Act, the Value Added Tax Act, and the General Taxation Act, individuals and legal entities engaged in activities that require issuing invoices for delivered goods or provided services are (Tax Administration, 2016:4-6):

1. Individuals subject to income tax from self-employment:

- a) Sole proprietorships and activities equivalent to sole proprietorships,
- b) Activities of liberal professions – this includes professional activities of individuals who are formally and legally insured under mandatory insurance regulations. These are also the primary activities of these individuals, and they are registered as income tax payers. Examples include:
  - self-employed healthcare workers, veterinarians, lawyers, public notaries, auditors, engineers, architects, tax consultants,

bankruptcy administrators, court interpreters, translators, tourism service providers.

- Autonomous work of scientists, writers, inventors, and similar professionals.
  - Independent teaching or educational activities and related occupations.
  - Journalists, artists, and athletes.
- c) Agriculture and forestry activities – if individuals are VAT payers or receive state subsidies:
- If their annual total income from agriculture and forestry exceeds HRK 80,500 in the previous calendar year.
  - If the income tax payer is also a VAT payer.
  - If they receive subsidies under the conditions prescribed by the Law on Support for Agriculture and Rural Development.
2. Legal entities liable for corporate income tax:
- a) Commercial companies,
  - b) Domestic branches of foreign companies (non-residents),
  - c) Other legal entities engaged in independent, continuous economic activities for profit, income, or other economically measurable benefits,
  - d) Institutions whose founders are not state bodies or local government units (private healthcare institutions, private preschools, and other private institutions),
  - e) Taxed entities as per the Tax Administration’s decision (associations performing economic activities and liable for corporate tax based on that decision).

Exceptionally, if certain entities carry out economic activities that would be unfairly advantaged by non-taxation, they also become liable for corporate income tax. These include:

- State administration bodies, regional and local government authorities, public institutes, and entities established by regional or local government units, as well as state agencies and the Croatian National Bank,
- Religious communities, political parties, trade unions, chambers, various associations—such as art associations, volunteer fire departments, technical culture societies, tourism boards, sports clubs, societies and alliances, foundations, and trusts,
- Any other entrepreneur not listed above and not subject to income tax under applicable regulations, whose profits are not taxed in any other way.

### 3. Individuals liable for corporate income tax:

- a) Individuals earning income from sole proprietorships and activities equivalent to sole proprietorships:
  - If in the previous tax period, they earned a total income exceeding HRK 2,000,000, Or if they earned an income exceeding HRK 400,000,
  - If they own long-term assets valued above HRK 2,000,000,
  - Or if they employed, on average, more than 15 workers in the previous period.
- b) Individuals may request, by the end of the current year, at the relevant Tax Administration branch according to their residence or habitual residence, to pay corporate income tax instead of income tax for the next calendar year.

## 4. Who is not required for fiscalization?

According to the publication by the Tax Administration (2016:6-8), obligated entities for fiscalization are:

### 1. Taxpayers engaged in the following activities:

- Sale of tickets or tokens in passenger transportation,
- Collection of tolls,
- Aircraft refuelling with petroleum derivatives at air service stations,
- Sale of own agricultural products at markets and open-air spaces,
- Sale of goods and/or services in postal transactions,
- Receipt of payments for participation in games of chance and entertainment games,
- Sale of goods or services via vending machines,
- Provision of banking and insurance services,
- Management of a central depository of dematerialized securities and registers of financial instruments,
- Record-keeping of transactions via measuring devices (e.g., electricity, gas, water, public communication services, etc.) by energy, utility, and telecommunications companies,
- Provision of healthcare services (participation in costs up to the full price of services at selected primary healthcare providers and issuing prescription medications),
- Veterinary activities and disease control measures for animals, as prescribed by com-

petent authorities of the Ministry of Agriculture, performed on-site and documented in specific reports,

- Sale of goods onboard aircraft during flights operated by Croatia Airlines JSL are not required to internally regulate the manner of numbering invoices or keep a register of business premises for these activities.

However, if these taxpayers also engage in other activities for which, under the General Taxation Act and the Value Added Tax Act, issuing invoices is mandatory, they are considered obligated to be fiscalized for those activities.

Specific regulations apply to vending machines, which are devices that accept and return money and fully replace employees for providing certain services (e.g., beverage, snack, or parking payment machines). Self-service checkouts in stores and devices issuing packaging receipts, provided that the cashier handles the payment at the exit from the parking lot, are not considered vending machines.

### 2. Taxpayers who, according to the provisions of the Value Added Tax Act, are not obliged to issue invoices:

- Insurance and reinsurance transactions, including related services provided by intermediaries and agents,
- Granting credits and loans, including brokerage services, and managing credits or loans when performed by the authorized person,
- Arranging credit guarantees and other related activities, including management of guarantees when conducted by the guarantor,
- Transactions and brokerage related to accounts and payments, including savings, current, and giro accounts, transfers, debts, checks, and other transfer instruments – except debt collection,
- Transactions and brokerage involving currencies, banknotes, and coins used as legal tender, except collectables, coins made of precious metals (gold, silver), or banknotes that are no longer in circulation and hold numismatic value,
- Transactions and brokerage involving securities such as stocks, shares in companies or associations, bonds, and similar instruments, except documents representing rights over assets or rights related to real estate,
- Investment fund management services.

### 3. Taxpayers who, according to the provisions of the General Taxation Act, are not required to issue invoices:



- When transactions involve organizing lotteries, betting games, casino games, or via gaming and entertainment machines,
- When the majority of turnover pertains to retail sales of daily newspapers, tobacco and tobacco products, stamps, and other postal securities,
- When sales are made via vending machines,
- When agricultural products are sold directly from a family farm (OPG) to end consumers at farm stands or markets and open-air spaces.

Sales at markets and open spaces are understood solely as direct sales of agricultural products to end consumers done at stalls or tables at markets or outside them.

However, if taxpayers also engage in other activities for which, according to the Fiscalization Law, they are obliged to implement fiscalization, or if they are required by the General Taxation Act to issue invoices, then they are obliged for those additional activities.

#### 4. Obligation of income tax for property:

- Citizens renting residential space,
- Citizens renting or leasing commercial premises and movable assets,
- Citizens renting beds, rooms, or apartments to travellers and tourists, or organizing camps on their own land,
- Citizens who sell, donate, exchange, or transfer real estate they acquired or inherited within a period of less than three years from acquisition,
- Citizens who sell, exchange, or transfer ownership of more than three real estate of the same type within five years,
- Heirs or acquirers of copyright who transfer acquired property rights for compensation for a fixed period.

#### 5. Obligation of income tax from other income:

- Income from other sources includes earnings that individuals earn outside of a regular employment relationship, which are not considered income from dependent or autonomous work, or from property or capital investments.

### 4.1. Fiscalization process for special payments

During payments made via compensation, assignment, transfer, or statement of offset, fiscalization is not performed. Such payments are not consid-

ered cash payments; therefore, the process of fiscalization of invoice issuance is not applied. However, if a taxable entity wishes to fiscalize such an invoice using a payment device adapted for fiscalization, it may do so. In this case, the method of payment is marked with the symbol “T” (cashless payment) (Tax Administration, 2016: Obligation of Fiscalization).

Regarding foreign citizens and whether they are obliged to implement fiscalization if conducting economic activities in Croatia, the answer is yes. This applies to all foreign individuals and legal entities that have an obligation to pay income tax from self-employment or corporate income tax. An exception exists when these persons perform activities that are legally exempt from the obligation of issuing invoices or fiscalization (Tax Administration, 2016: 8).

VAT refunds to foreigners in passenger transport are not subject to fiscalization, as the invoice issued to the foreign customer upon purchase of goods has already been fiscalized as a cash transaction.

## 5. Obligations of the fiscalization responsible entity conducting cash transactions

Cash transactions are considered payments for supplied goods or services made with banknotes and coins that are legal means of payment, payment cards, checks, or other similar payment instruments, excluding direct bank transfers to accounts. Aside from the general obligations prescribed by the Fiscalization Law (NN 133/2012), obligated entities conducting cash transactions are required to undertake the following steps:

1. Acquisition of Application Certificate – if not previously obtained, obligated entities must acquire a certificate from the Financial Agency (FINA) for electronic signing of invoice elements and identification during electronic data exchange with the Tax Administration. Depending on the connection method, the entity independently decides the number of digital certificates needed for implementing fiscalization.
2. Adaptation of Payment Devices – before commencing fiscalization, obligated entities must adapt existing or procure new electronic payment devices equipped with software enabling:
  - Electronic signing of invoice elements,
  - Electronic data exchange with the Tax Administration.

There is an exemption to this rule: if a business operates in an area where establishing an internet connection is not possible, a simplified fiscalization process is carried out. Such an inability must be confirmed with a certificate from HAKOM. The same simplified process applies to small obligated entities.

3. Submission of Business Premises Data – before beginning fiscalization, the entity must electronically provide the Tax Administration with data on the business premises where it operates, according to the data specified in the internal act. If the entity has multiple premises, data must be submitted for each. Business premises are marked with identifiers specified on the invoices. In case of changes (e.g., cessation of activity, opening of a new premises), the obligated entity must submit updated data before applying the change to the Tax Administration via electronic connection.

A special case applies to field sales: if product or service sales take place in the field with cash payments, a portable payment device with software that enables electronic signing and data exchange with the Tax Administration must be used. In this case, each employee using such a portable device is considered a mobile business premises, which must be indicated in the internal act and on the invoice number, along with the device designation.

4. Issuance of Cash Transactions Invoices — the obligated entity must issue invoices via payment devices capable of electronic signing and internet data exchange with the Tax Administration.

During invoice issuance:

- The entity electronically signs the invoice elements and sends them to the Tax Administration,
- The Tax Administration verifies the validity of data and certificates,
- If conditions are met, a Unique Invoice Identifier (JIR) is assigned, which must be unique for each invoice,
- The entity can then print the invoice with the assigned JIR.

If an error occurs and a JIR cannot be assigned, the Tax Administration sends a rejection message with an error description. In such cases, the cashier must issue an invoice without a JIR, and the obligated entity is required to correct the irregularities and submit the data subsequently within 48 hours. The 48-hour period starts at 00:00 hours the next day, benefiting the taxpayer legally.

5. Handling Device Malfunction — the obligated entity must have an integrated invoice book, certified by the competent branch of the Tax Administration, which allows temporary issuance of invoices until the device is restored.

All noted obligations do not fully apply to small obligated entities of fiscalization, which will be described in more detail in the following chapter. However, small entities may voluntarily issue invoices via electronic payment devices, applying all fiscalization procedures and rules as obligated entities.

When dealing with multiple activities, if the obligated entity issues cash invoices for only one of the activities performed, fiscalization must be applied solely to that activity. For other activities not paid in cash, fiscalization is not required.

In cases where activities are seasonal (only part of the year), the obligated entity must carry out all necessary fiscalization procedures before the start of the season. These include:

- Adopting an internal act with data on the business premises and rules for invoice numbering,
- Adjusting invoice content and numbering procedures,
- Displaying a sticker indicating the obligation to issue and accept invoices.

When the obligated entity ceases operations at a business premises conducting seasonal activity, it must close the premises by sending an XML message with a closing indicator, according to the Technical Specification for users published on the Tax Administration's website. Upon resuming activity in the same season or the next year, the entity must re-register the premises electronically (Tax Administration, 2016:11-13).

### 5.1. Procedure for Ceasing Operations and Certificate Expiry

If an obligated entity for fiscalization ceases operations and has not deregistered the business premises, and if their FINA certificate has expired, electronic deregistration is no longer possible, as a valid certificate is required for this process (Tax Administration, 2023).

In such cases, the obligated entity must document the situation and the reasons why deregistration was not carried out within its internal act. (Tax Administration, 2023)

This document must be retained and made available in the event of tax inspection, so that author-



ized officers of the Tax Administration can verify the circumstances of the termination of business activities (Tax Administration, 2023).

## 6. Obligations of small obligated entities engaged in cash transactions

Small obligated entities are taxpayers who pay income tax based on a flat-rate amount. They are not required to issue invoices via electronic payment devices, but may do so voluntarily if they choose. Small obligated entities must comply with the following obligations (Tax Administration, 2013:12):

### 1. Create an internal act that describes:

- The business premises,
- Operator designations – persons authorized to issue invoices (e.g., 1 – Ivo Ivić, 2 – Mario Marić).

A business premises is defined as any enclosed or open space, as well as a mobile location (e.g., a van or delivery vehicle) used for conducting sales of goods or services. For fiscalization, a separate business premises can be a part or multiple parts of a single space where different activities are performed. It also includes locations temporarily used for business activities — for example, at fairs, seminars, or similar events.

In the case of field work, the obligated entity independently determines whether to keep a separate “mobile business premises,” depending on the nature of the activity. If a physical person provides services in the field, the address of the business premises is recorded as the type of premises (e.g., mobile shop) or the registered business address of the obligated entity.

Data required in the description of the business premises:

- a) The address of the business premises or, if immutable, the type of activity (e.g., online store, mobile shop, etc.);
  - b) Days of operation and working hours of the premises.
2. Before commencing the obligation of fiscalization, the obligated entity must have the prescribed book of invoices endorsed by the Tax Administration. The numbering of invoices begins anew each calendar year, starting from number 1.
  3. The entity issues cash transaction invoices exclusively from the endorsed invoice book.

4. In enclosed business premises, a notice must be prominently displayed informing customers that they are obliged to accept and retain the issued invoice.

### 6.1. Required Invoice Elements

According to the provisions of the Income Tax Act (Tax Administration, 2013:13), the obligated entity is required to issue an invoice for every supply of goods or performed service, in at least two copies:

- One copy is handed to the customer,
- The other remains with the obligated entity as the basis for accounting.

An invoice must contain the following basic information:

1. Name and address of the business,
2. Personal Identification Number (OIB) of the owner,
3. Date of issuance of the invoice,
4. Invoice number,
5. Name of the goods or service,
6. Unit price and total invoice amount.

Additional mandatory data on the invoice includes:

1. Date and time of invoice issuance (date, hour, and minute).
2. Invoice number consists of three parts:
  - It resets annually at number 1 at the beginning of each calendar year, with no skipping or arbitrary combinations (e.g., 7001, 100001, etc., are not permitted).
  - Business premises code: designation rules are established by the internal act at the start of fiscalization.
  - Payment point code.
3. Payment method designation – indicating whether it is:
  - Cash payment (banknotes, coins, cards, checks), or
  - Cashless payment (bank transfers, letters of credit, promissory notes, promissory slips, etc.).

## 7. Obligations of small obligated entities engaged in cash transactions

Invoices for cash transactions, including slips from receipt printers or confirmations from payment devices, must contain at least the following information (NN 133/12, 115/16, 106/18, 121/19, 138/20, 114/23):





stead of the production environment of the fiscalization system.

- Missing recorded invoice: The invoice with the specified JIR or security code is not registered in the official Tax Administration records.

## 8. Fiscalization 2.0

In the second phase of fiscalization, the obligation to record invoices through the Tax Administration's system is expanded to include electronic invoices (eInvoices) in business transactions between entrepreneurs (B2B). Fiscalization 2.0 represents an upgraded version of the fiscalization system introduced in Croatia in 2013. While the previous model (Fiscalization 1.0) was applied exclusively to dealings with consumers (B2C), covering cash and card payments, the new system extends the scope to transactions between businesses (B2B) and transactions with government authorities (B2G). A prerequisite for this expansion is the mandatory exchange of eInvoices, ensuring complete digitalization of the issuance and receipt process. All these changes in business operations are defined by the Fiscalization Act (Filipović, 2025).

The implementation of eInvoice fiscalization will significantly simplify administrative processes. The number of prescribed forms will be reduced, and it will be possible to pre-fill legally required forms, resulting in substantial administrative relief for taxpayers. Additionally, the fiscalization of all issued invoices will enable real-time tracking of economic flows, strengthening transparency and contributing to the reduction of illiquidity in the economy. A key innovation of the Fiscalization 2.0 system is that invoices paid via transaction accounts will also be fiscalized, ensuring full recording of all business transactions regardless of the payment method.

Taxpayers are obligated to submit fiscalization data related to (Filipović, 2025):

- Incoming invoices, and
- Outgoing invoices.

The most significant change within the new fiscalization system is the introduction of mandatory electronic invoices (eInvoices). Unlike the previously used PDF documents, which were often employed in business practice, eInvoices are structured digital documents in XML format, enabling automatic processing via accounting software. This eliminates the need for manual data entry, accelerates invoice processing, enhances

operational efficiency, and significantly reduces the likelihood of errors.

The following changes for entrepreneurs are set to take effect (Filipović, 2025):

1. From January 1, 2026: All VAT-registered taxpayers must issue and receive eInvoices. Entrepreneurs outside the VAT system (flat-rate taxpayers, family farms, associations) must have the technical capability to receive eInvoices.
2. From January 1, 2027: The obligation to issue eInvoices will be extended to all business entities, including those outside the VAT system.

## 9. How to prepare for fiscalization 2.0?

According to Filipović (2025), four key steps are essential for preparing for Fiscalization 2.0:

1. Select an information intermediary: E-invoices will no longer be sent via email but through a secure network and dedicated access points. The most common solution for entrepreneurs will be to collaborate with an authorised intermediary that provides a platform for sending, receiving, and storing e-invoices. Larger companies with their own IT resources can also develop their own software solutions. The list of authorized intermediaries will be published on the Tax Administration's portal and will be updated after September 1, 2025, as intermediaries receive confirmation of compliance.
2. Prepare the KPD codes: Each item on the invoice must have an appropriate code from the Classification of Products by Activities (KPD). Without a correct code, the e-invoice will not pass the fiscalization process. These codes can be obtained through the KLASUS application provided by the National Institute of Statistics. It is recommended that entrepreneurs pre-list all products and services and assign proper codes to them. The introduction of KPD codes will enable the Tax Administration to better monitor commodity flows and detect potential irregularities or false invoices.
3. Secure a digital archive: According to legal provisions, all e-invoices must be stored in their original XML format for at least 11 years. PDF images or printed invoices are not sufficient. Most information intermediaries offer secure digital archiving services as part of their offerings for long-term document storage.
4. Test the system: The transitional period from September 1 to December 31, 2025, is dedicated to system testing. Entrepreneurs are advised

to use this time to trial sending and receiving e-invoices in cooperation with their accounting and chosen intermediary, to identify and resolve any technical or organizational issues promptly.

Although Fiscalization 2.0 is expected to increase control and operational efficiency, some accounting professionals believe that the new rules will also increase their workload.

## 10. Free tools of the tax administration and authorities

Through the Tax Administration, free tools can be downloaded for implementing Fiscalization 2.0. These include MIKROeRČUN – a solution for small entrepreneurs, and FiskAplikacija – a control panel for all users. MIKROeRČUN is designed for flat-rate taxpayers, small associations, and family farms (OPG) that are not registered for VAT. Starting from January 1, 2026, it will enable the reception of e-invoices, and from January 1, 2027, it will also support issuing and storing e-invoices. Access will be available via the eTax system, and the application will be used exclusively for B2B e-invoice exchange (between business entities), not for invoices to consumers (Filipović, 2025).

Furthermore, it is important to mention FiskAplikacija – a control panel for all entrepreneurs, which will be accessible to all business entities and serve as a central platform for monitoring fiscalized invoices. It will display all incoming and outgoing invoices along with their statuses (e.g.,

Received, Paid, Rejected). The system will automatically generate an informational VAT report based on received data and provide insight into the information held by the Tax Administration.

Filipović (2025) states penalties for non-compliance with deadlines:

- Failure to submit data on e-invoice collection:
  - o For legal entities: from €1,320 to €26,540,
  - o For responsible persons: from €260 to €2,650.
- Failure to store invoices in the original XML format:
  - o Penalties can amount to up to €66,360.

## 11. How much will the tax administration save for entrepreneurs?

With the implementation of mandatory e-invoice exchange and fiscalization, as well as the establishment of the eReporting system, several outdated forms and administrative procedures will be eliminated. According to data from the Action Plan for the period 2024–2025, it is estimated that economic entities will be relieved of over €120 million, and the total positive impact of the Fiscalization 2.0 project on the national economy is projected to be approximately €364 million (Portal Fiscalization 2.0, 2025).

Figure 4 will present an estimated overview of savings for entrepreneurs across specific segments and how administrative relief will be achieved (Portal Fiscalization 2.0, 2025).

PROCJENA UŠTEDA (ADMINISTRATIVNOG RASTEREĆENJA) ZA PODUZETNIKE		
1.	Ukidanje Izvješća o obavljenim donacijama hrane (DON-H)	15.083,70
2.	Ukidanje Knjige izlaznih računa (I-RA)	8.250.119,79
3.	Ukidanje Posebne evidencije o prodanim dobrima kupcima u okviru putničkog prometa (PDV-F)	75.576,46
4.	Ukidanje Prijave o tuzemnim isporukama s prijenosom porezne obveze (PPO)	3.541.353,32
5.	Ukidanje Posebne evidencije o primljenim računima (U-RA)	60.757.944,50
6.	Automatizacija postupka slanja računa računovodstvenom servisu	14.466.177,26
7.	Zamjena papirnate arhive računa - <u>earhivom</u>	3.242.149,97
8.	Promjene u postupku slanja i izdavanja računa	29.900.000,00
<b>Ukupno (EUR)</b>		<b>120.248.405,00</b>

Figure 4. Estimated Savings



## 12. Questions and answers that may interest users of fiscalization 2.0

According to the Tax Administration (2025, 2-20), the most common questions of interest are:

- What is the process for issuing and fiscalizing invoices and eInvoices?
  - o The process of issuing invoices and performing invoice fiscalization, known as Fiscalization 1.0, is carried out primarily in the context of end-user transactions, i.e., when a taxpayer issues an invoice to consumers or end customers, regardless of the payment method. Since this involves issuing invoices to final users, this form of business is called B2C (Business to Customer). It is important to note that the obligation to fiscalize invoices paid via transaction accounts will be mandatory starting from January 1, 2026.
  - o Conversely, issuing eInvoices and their fiscalization—referred to as Fiscalization 2.0—relates to transactions between taxpayers and other legal entities explicitly defined in the law as issuers and recipients of eInvoices within domestic transactions. This type of business is covered under the terms B2B (Business to Business) and B2G (Business to Government). The law does not impose a requirement for all entities in B2B and B2G relationships to issue eInvoices; it applies only to those defined by law as obliged to issue and receive eInvoices, and only for domestic transactions. Therefore, in practice, there may be situations where there is no legal obligation to issue an eInvoice. In such cases, business entities can issue invoices in other formats (e.g., paper invoices) and are not required to perform fiscalization or reporting under the Law on Fiscalization.
- What are the differences in the implementation of fiscalization for end-user transactions versus eInvoices?
  - o Fiscalization for end-user transactions, which has been in place for over twelve years, continues to operate with minimal adjustments to the existing system. The new development is that starting from January 1, 2026, invoices in end-user transactions paid via transaction accounts will also need to be fiscalized.
  - o The current model of fiscalization involves automatically sending a fiscalization message, digitally signed with a certificate, to the Tax Administration at the time an invoice is issued. After confirmation, the Tax Administration assigns a Unique Invoice Identifier (JIR), which is returned to the cash register and printed on the invoice.
- o On the other hand, fiscalization of eInvoices represents a new, technologically advanced system applied in B2B and B2G transactions. It is based on the exchange of structured electronic invoices, where software solutions enable automated fiscalization without manual data entry.
- Are family farms (OPGs) registered for VAT obliged to perform fiscalization?
  - o According to current regulations, family farms (OPGs) are still exempt from the obligation of fiscalization when selling their own agricultural products on their premises, at markets, or fairs.
  - o However, if an OPG is a taxpayer for income from self-employment or corporate income tax, although they can apply this exemption, it is limited strictly to sales of their own products to end consumers in designated places and sale formats. In all other types of transactions, such an OPG must issue invoices and perform fiscalization.
  - o Additionally, if an OPG, as a taxpayer, issues an invoice to another business entity recipient of an eInvoice, and there is no legal exemption for that transaction, they are obliged to issue an eInvoice, perform its fiscalization, and are considered the recipient of the eInvoice as well.
- Are OPGs with supplementary activities obliged to perform fiscalization?
  - o Yes, because an OPG engaged in supplementary activities such as providing accommodation, excursions, or work with tractor machinery is considered a taxpayer for income from self-employment and is obliged to fiscalize in the B2C segment.
  - o The exemption applies only to sales of their own agricultural products directly to end consumers—at farms, markets, or fairs. In all other business activities involving supplementary services, OPGs must issue invoices and perform fiscalization.
- Can the same digital certificates be used for the fiscalization of both invoices and eInvoices?
  - o Yes, the same digital certificates issued by authorized trust service providers in Croatia can be used for both invoicing and eInvoice fiscalization. For invoices, the certificate is used to sign fiscalization messages, while for eInvoices, it also signs messages during the exchange. The taxpayer can, with authoriza-

tion, allow another person to use their certificate to carry out fiscalization on their behalf.

- Can tips be recorded and fiscalized when paid separately via transaction accounts?
  - o Since fiscalization in end-user transactions applies to all invoices regardless of the payment method, tips can also be received when paying via a transaction account. In this case, tips must be recorded in the Fiscalization System at the moment when the payment is posted in the business records of the obligated entity. The deadline for fiscalization is therefore linked to the payment posting deadline, in accordance with tax regulations.

### 13. Conclusion

The process of fiscalization in the Republic of Croatia, from its pivotal introduction to the upcoming reform known as Fiscalization 2.0, represents one of the most significant steps in the digital transformation of the tax system and the economic environment. The fiscalization system is not merely a technical tool for monitoring invoice issuance but a complex mechanism that links fiscal transparency, digital efficiency, and the fight against the grey economy.

Fiscalization 1.0, introduced in 2013, primarily aimed to establish oversight over transactions in the end-consumer segment (B2C), i.e., between obligated taxpayers and citizens as final customers. This system mandated the issuance and fiscalization of invoices at the point of sale, regardless of the payment method, allowing the Tax Administration to monitor each invoice in real time. By applying digital certificates, unique invoice identifiers (JIR), and QR codes, this model enabled effective control of transactions and significantly reduced unreported sales.

Despite its successful implementation and operational stability, technological advances and European initiatives to improve electronic invoice exchange created the need for system enhancement. This led to the development of Fiscalization 2.0, based on mandatory exchange and fiscalization of structured electronic invoices (eInvoices), extending beyond traditional paper invoice issuance. It introduces standardized data exchange between economic operators (B2B) and between entrepreneurs and public authorities (B2G).

The fundamental difference between Fiscalization 1.0 and 2.0 lies in their scope and technical implementation. While Fiscalization 1.0 pertains to end-user transactions and is performed at the moment of invoice issuance to consumers, Fiscalization 2.0 focuses on the digital exchange of structured eInvoices between business entities. This reform requires compliance with new technical standards, the use of KPD codes for each invoice item, secure communication channels via information intermediaries, and the digital archiving of eInvoices in their original XML format for a minimum of 11 years.

The introduction of the new system also brings substantial economic and administrative benefits. It is estimated that digitization of fiscal and accounting processes will relieve entrepreneurs of over €120 million, and the overall positive impact on the economy could reach approximately €364 million. Thus, fiscalization is positioned not only as a control instrument but also as a tool for improving business efficiency, reducing administrative costs, and strengthening competitiveness within the European Single Market.

Although numerous benefits, such as increased transparency, simplified VAT reporting, and reduced risks of tax irregularities, are anticipated, the professional community also highlights potential challenges. Accountants, especially small entrepreneurs and family farms (OPGs), will face the need for additional training, software adaptations, and adherence to requirements for the storage and digital signing of documents. However, previous experience with Croatian fiscalization demonstrates that entrepreneurs are capable of successfully implementing complex digital systems with appropriate institutional support.

In conclusion, Fiscalization 2.0 is not merely a technical upgrade but a fundamental transformation of how business transactions are recorded, exchanged, and monitored in Croatia. Its successful implementation requires coordination among government institutions, entrepreneurs, information intermediaries, and professional bodies. In the long term, it ensures a more modern, efficient, and transparent economic system. Thus, fiscalization is evolving from a mere tool of tax oversight into a key element of the digital transformation of public administration and the economy, affirming Croatia's readiness to align with European standards of electronic business and fiscal transparency.



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