COMPANY FOMATION
C R O A T I A

PRIVATE LIMITED COMPANY (CRO: D.O.O.)

Private limited companies are the most frequent type of company in Croatia. A private limited company is one in which one or more legal entities or natural persons invest stakes in the total authorized capital as contractually set beforehand. Stakes need not be of the same amount. In the process of company formation, a founder may acquire multiple business stakes. The total amount of all stakes must correspond to the amount of the company's authorized capital (Art. 385.). Stakes may not take the form of securities.

Founders

Owners may be either domestic or foreign legal entities and natural persons. Just one owner may also establish this type of company. A private limited company is a legal entity. This status is established by entry into a court register. Company assets are strictly separated from the property of owners. The company is liable for its debts with all its assets. Owners are not liable for company debts. Exceptionally, they may be held liable for company debts if they abuse the principle of their nonliability

Authorized capital

The initial authorized capital of a private limited company must be shown in Croatian currency – Euro (EUR). The minimum amount of COMPANY FORMS PRIVATE LIMITED COMPANY (Croatian abbreviation: d.o.o.) initial authorized capital may not be below 2.654€. The minimum amount of an initial authorized stake must be expressed with a whole number that is a multiple of 100. The nominal amounts sum of all business stakes must be equal to the total amount of authorized capital. Before entry into a court register, each founder must pay for at least one quarter of an authorized stake that is to be paid for in cash, while the total amount of payments in cash may not be lower than HRK 10,000, i.e. at least one half of authorized capital must be provided in cash. The initial authorized stake may also be provided by investing tangibles or rights, which is to be done completely prior to company entry into a court register. Stakes in cash are to be paid into a company account held with a financial institution in Croatia.

Company start-up procedure

A private limited company is established on the basis of articles of association, which must be signed by all founders in the form of a notarized document or a notarized private document. If the company is established by just one founder, the founding document is a statement on establishment submitted by the company founder in the form of a notarized document.

The articles of association or statement on establishment should contain the following:

information about the founder (name and surname or company name, founder's residence or registered office, and, if the founder is a natural person, personal identification number) company name and registered office business activity of the company total amount of authorized capital amount of each investor's individual ownership stake (if investment has been made in tangibles and intangibles, their detailed description and valuation is required) indication whether or not the company is established as a going concern
the rights and obligations that the owners have with respect to the company, in addition to the obligation to pay for the ownership stake, as well as the rights and obligations of the company with respect its founders.
The totality of each individual owner's rights and obligations constitutes his/her stake in the company. As a rule, the size of a stake is proportional to the size of authorized capital paid up.

Costs of establishment

The costs of preparatory procedures or establishment may not be refunded to the founders from authorized capital. In particular, it is not permitted to add such costs to the capital as a stake. Compensation for company establishment costs may be approved only to the amount specified in the articles of association. Unless otherwise agreed in a contractual form, the founders bear the costs of company establishment proportionally to the size of their authorized stakes.

Company bodies

A company must have a management board and a general meeting. The company management board may have one or more members (directors). A foreign national may also be a member of the management board. Members of the management board are appointed and released from duty by company owners. The management board is responsible for company management, company representation, the orderly keeping of the company's business records, preparation of financial reports and for the records of ownership stakes in the company.

A company must have a supervisory board only if the average number of employees in a year exceeds 200, if law explicitly requires so for a particular business activity, if the initial authorized capital of the company exceeds HRK 600,000 and the company has more than 50 owners, if the company has a single management that runs public and private limited companies that must have supervisory boards under the law, or if it directly participates in them through direct shares in the authorized capital exceeding 50% (whilst in both cases the number of employees in one of the companies or all of them together exceeds 200), or if the company is a general partner in a limited How to Start Up an Enterprise in Croatia 11 partnership and the total number of employees in the company and limited partnership together exceeds 200 (Art. 434.). The supervisory board must have at least three members, and if there are more members, their number should be an odd one. A foreigner may also be a member of the supervisory board. Company owners elect members of supervisory boards.

A company general meeting is a mandatory body to be established by a private limited company. Company owners must vote in a general meeting to decide on issues that are their responsibility pursuant to the Companies Act and to the company's articles of association.