

Mastering the EUR-HRK Shift: A Guide for Croatian Companies

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The transition from HRK to EUR as the official currency in Croatia has brought about significant changes for joint stock and limited liability companies. The Croatian Companies Act has been amended to simplify the process of converting share capital to EUR, but the courts are still determining the exact methods for some aspects of the adjustment, leaving some uncertainties. In this newsletter, we will guide you through the process of converting your share capital to EUR for both joint stock and limited liability companies.

The acceptance of the Euro as the official currency in Croatia has had a ripple effect on the share capital of joint stock and limited liability companies. To help companies navigate this transition, the Croatian Companies Act has been amended to introduce a new procedure for converting share capital to EUR - Share Capital Adjustment Procedure (*Usklađenje*).

Joint Stock Companies

The minimum share capital for joint stock companies has changed from 200,000 HRK to 25,000 EUR, and the minimum nominal value of a share has changed from 10 HRK to 1 EUR. Here's how to make the conversion:

- (i) Multiply the share capital in HRK by the fixed currency exchange rate of 1 EUR = 7,53450 HRK; and
- (ii) Round the result to meet the statutory requirements for the set amount of share capital and nominal value of shares.

Nominal Value of Shares

The nominal value of a share must be a round number divisible by 1 EUR. Alternatively, shares can be issued without nominal value but must still not be below 1 EUR per share. This could be a useful option, if rounding could result in significant increase or decrease of share capital (more than 2%).

If the share capital should be increased as part of the Adjustment Procedure, such increased amount can be derived from capital reserves and profits of the company, without any limitations. Treasury shares are included and calculated when adjusting the share capital.

If the share capital should be decreased as part of the adjustment, the amount for which the share capital was decreased can only be paid into the capital reserves or be used to cover losses. This amount must not be paid to the shareholders.

Deadlines for Conversion

The adjustment must be done **within one year of the Euro becoming the official currency of Croatia (1 January 2023)**, or in case of any other corporate change related to the share capital of the company. If the companies fail to adjust their share capital within this deadline, it will be considered as a reason for the termination of the company, which the registry court will enter in the court register ex officio.

Decision Making Process

The adjustment decision should be passed by the general assembly with a simple majority. The provision on the requisite quorum or qualified majorities do not apply. This applies even if the shares are changed from shares with nominal value to the ones without it. Holders of preferred stocks

should also participate, even if they do not have a voting right.

Such simplified procedure can only be applied if the change to the share capital is within the acceptable threshold defined by the courts as a 2% change. If the change exceeds this threshold, the regular rules for increase and decrease of share capital apply, which require a quorum, special majority, and similar.

Limited Liability Companies

The minimum share capital for limited liability companies has changed from 20,000 HRK to 2,500 EUR, and the minimum nominal value of a share has changed from 200 HRK to 10 EUR. Here's how to make the conversion:

- (i) Multiply the share capital in HRK by the fixed currency exchange rate of 1 EUR = 7,53450 HRK; and
- (ii) Round the result to meet the statutory requirements for the set amount of share capital and nominal value of shares.

Nominal Value of Shares

The nominal value of a share must be a round number divisible by 10 EUR.

Deadlines for Conversion

The adjustment must be done within three years of the Euro becoming the official currency of Croatia or in case of any other corporate change related to the share capital of the company. If the companies fail to adjust their share capital within this deadline, it will be considered as a reason for the termination of the company, which the registry court will enter in the court register ex officio.

Decision Making Process

The decision to adjust must be passed by the assembly with a simple majority. The provision on the requisite quorum or qualified majorities do not apply.

This simplified adjustment procedure can only be applied if the change to the share capital is within the acceptable threshold defined by the courts as a 2% change. If the change exceeds this threshold, the regular rules for share capital increase and decrease apply.

Contact:

Neven Marić

+385 (0)91 203 6669

n.marić@bmwc.hr

Dr. Matthias Wahl

+385 (1) 5629 767

m.wahl@bmwc.hr

Ivan Luetić, LL.M. Harvard

+385 (0)91 588 5664

i.luetić@bmwc.hr

** This publication was prepared with assistance of associate Stjepan Gvozdić*

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