

**PROTOCOL
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF THE REPUBLIC OF CROATIA
AMENDING THE CONVENTION BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND
THE GOVERNMENT OF THE REPUBLIC OF CROATIA
FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF TAX
EVASION WITH RESPECT TO TAXES ON INCOME**

The Government of the United States of America and the Government of the Republic of Croatia,

Desiring to amend the Convention between the Government of the United States of America and the Government of the Republic of Croatia for the Avoidance of Double Taxation and the Prevention of Tax Evasion with respect to Taxes on Income, done at Washington December 7, 2022 (hereinafter the "Convention"),

Have agreed as follows:

Article I

1. Subparagraph (g) of paragraph 7 of Article 22 (Limitation on Benefits) of the Convention shall be amended by deleting the final "and".
2. Clause (ii) of subparagraph (h) of paragraph 7 of Article 22 (Limitation on Benefits) of the Convention shall be amended by deleting the final "." and replacing it with "; and".
3. The following new subparagraph shall be added to the end of paragraph 7 of Article 22 (Limitation on Benefits) of the Convention:

"i) the term "active conduct of a trade or business" means a specific unified group of activities of a resident of a Contracting State that: constitutes (or could constitute) an independent economic enterprise carried on for profit; ordinarily includes every operation which forms a part of, or a step in, a process by which an enterprise may earn income or profit, as well as the collection of income and the payment of expenses; and involves the regular performance of active and substantial management and operational functions through the resident's own officers or employees."

Article II

Paragraphs 2, 3 and 4 of Article 23 (Relief from Double Taxation) of the Convention shall be deleted and replaced by the following:

"2. In the case of the United States, double taxation shall be relieved in accordance with the provisions of, and to the extent allowed under, the law of the United States (as it may be amended from time to time without changing the general principle hereof) as follows:

- a) the United States shall allow to a resident or citizen of the United States as a credit against the United States tax on income applicable to residents and citizens, the income tax paid or accrued to Croatia by or on behalf of such resident or citizen;
- b) the United States shall allow to a United States company that is a United States shareholder of a company that is a resident of Croatia and from which the United States company receives dividends, a deduction in the amount of the dividends in computing the taxable income of the United States company; and
- c) the United States shall allow to a resident or citizen of the United States that is a United States shareholder or a foreign controlled United States shareholder of a controlled foreign corporation or a foreign controlled foreign corporation, as applicable, that is a resident of Croatia, as a credit against the United States tax on income applicable to residents and citizens, the income tax paid or accrued to Croatia by the controlled foreign corporation or foreign controlled foreign corporation, as applicable, that is properly attributable to the profits giving rise to an income inclusion of such resident or citizen.

For the purposes of applying subparagraphs (a) and (c) of this paragraph, the taxes paid or accrued to Croatia that are referred to in subparagraph (a) of paragraph 3 of Article 2 (Taxes Covered) shall be considered income taxes.

3. For the purposes of applying subparagraphs (a) and (c) of paragraph 2 of this Article, an item of gross income, as determined under the law of the United States, derived by a resident of the United States that, under this Convention, may be taxed in Croatia shall be deemed to arise in Croatia.

4. Where a United States citizen is a resident of Croatia:

- a) with respect to items of income, profit or gain that under the provisions of this Convention are exempt from United States tax or that are subject to a reduced rate of United States tax when derived by a resident of Croatia who is not a United States citizen, Croatia shall allow as a credit against Croatia tax only the tax paid, if any, that the United States may impose under the provisions of this Convention other than taxes that may be imposed solely by reason of citizenship under paragraph 4 of Article 1 (General Scope);
- b) for purposes of applying paragraph 2 of this Article to compute United States tax on those items of income, profit or gain referred to in subparagraph (a) of this paragraph, the credit referred to in paragraph 2 of this Article shall be determined after the credit referred to in subparagraph (a) of this paragraph; the credit so allowed shall not reduce the portion of the United States tax that is

creditable against the Croatia tax in accordance with subparagraph (a) of this paragraph; and

c) for the exclusive purpose of relieving double taxation in the United States under subparagraph (b) of this paragraph, items of income, profit or gain referred to in subparagraph (a) of this paragraph shall be deemed to arise in Croatia to the extent necessary to avoid double taxation of such income under subparagraph (b) of this paragraph."

Article III

Paragraph 1 of Article 24 (Non-Discrimination) of the Convention shall be deleted and replaced by the following:

"1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith that is more burdensome than the taxation and connected requirements to which nationals of that other Contracting State in the same circumstances, in particular with respect to residence, are or may be subjected. This provision shall also apply to persons who are not residents of one or both of the Contracting States. However:

a) for the purposes of United States taxation, United States nationals who are subject to tax on a worldwide basis are not in the same circumstances as nationals of Croatia who are not residents of the United States; and

b) the provisions of this paragraph shall not be construed as obliging the United States to grant to a national of Croatia any personal allowances, reliefs, and reductions for taxation purposes, including those on account of civil status or family responsibilities, if that national does not provide any social security number or numbers required by the U.S. Internal Revenue Code (as it may be amended from time to time) to claim such benefits."

Article IV

1. This Protocol shall be subject to ratification in accordance with the applicable procedures of each Contracting State. The Contracting States shall notify each other in writing, through diplomatic channels when their respective applicable procedures have been satisfied.

2. This Protocol shall enter into force on the date of entry into force of the Convention and shall form an integral part of the Convention.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto by their respective Governments, have signed this Protocol.

DONE at _____ in duplicate, in the English and Croatian languages, both texts being equally authentic, this ____ day of _____, 2026.

**FOR THE GOVERNMENT OF
THE UNITED STATES OF AMERICA:**

**FOR THE GOVERNMENT OF
THE REPUBLIC OF CROATIA:**