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PRESS RELEASES

Solidarity charge - a new non-tax levy

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The Government on September 3, 2015 adopted a [Regulation on Amendments to the Energy Act](#) and a [Regulation on the Criteria for Granting the Status of Vulnerable Consumer of Electricity from the Energy Grid](#), with a view to basing its welfare policy on subsidizing electricity costs rather than providing social transfers. The use of electricity price for welfare policy purposes is a classic example of the government's quasi-fiscal activity, with an unknown financial effect and no accurate information on the number of potential beneficiaries of such a welfare measure. However, as of October 2015, the so-called „solidarity charge“ will be added to the Government's hidden levies list.

The Government has introduced a 'solidarity charge' - a new non-tax levy to be paid by most households starting October 2015. Imposing this charge is contrary to the Government's measures to reduce the burden of non-tax levies¹ that became one of the economic policy priorities in 2015 (discussed within the European Semester). Interestingly, levies borne exclusively by households (such as the solidarity charge) are not included in the Government's Register.

Who is a vulnerable consumer in the energy sector? On September 3, the Government adopted a Regulation on Amendments to the Energy Act (OG 95/15) governing the rules of granting vulnerable consumer status, and a Regulation on the Criteria for Acquiring the Status of Vulnerable Consumer of Electricity from the Energy Grid (OG 95/15). A vulnerable consumer is a consumer who is, due his/her low-income status, temporarily or permanently unable to pay the costs of energy supplied to him/her by an energy grid operator. Pursuant to the Energy Act, a vulnerable consumer is entitled to the coverage of energy costs up to a certain amount, and the entitlement is determined in accordance with the relevant social welfare acts and regulations. According to the Regulation, the “vulnerable consumer status” is recognised to an end-consumer of energy supplied by an energy grid operator, who falls into the category 'households', if he/she is any of the following: 1) a beneficiary of the guaranteed minimum compensation; 2) a member of the household receiving the guaranteed minimum compensation; 3) a personal disability compensation beneficiary; or 4) a member of a disability compensation beneficiary's household“ The vulnerable consumer status is determined by a competent social welfare centre. The Government's Regulation is targeted at electricity consumers.

Numerous go-between. Solidarity charge constitutes part of the electricity price paid to an energy supplier on top of the normal price by other consumers not classified as vulnerable consumers. Electricity suppliers are required to pay the amount of the charge to the State Treasury account. The solidarity charge is actually an addition to the electricity price payable by an end consumer falling into the category 'households'. The charge amounts to HRK 0.03 per kWh of consumed electricity, excluding

¹ The Government of the Republic of Croatia (2015). [The Register of Non-tax Levies](#).

VAT. The funds raised are recorded in the State Budget as earmarked funds of the Ministry of Social Policy and Youth and will be used for subsidizing the electricity costs of lower-income households in the form of vouchers worth HRK 200 per household. The vouchers may be used exclusively for the payment of electricity bills.

Imposing solidarity charges is a quasi-fiscal activity of the government with an unknown fiscal effect. The **Proposal for Amendments to the Energy Act** and the **Explanation of the Regulation**, as well as the **Proposal for Amendments to the Social Welfare Act** were not accompanied by either the implementation cost estimates for these regulations (the explanation only indicates that there will be no direct expenditures for the Budget), or information on the actual number of beneficiaries per social welfare centre. The available Government's documentation does not provide a clear insight into the way the amount necessary to be collected from the solidarity charge has been determined. However, by adopting this Regulation, the Government has opened the way for extending the scope of the charge to include gas and heating consumers.