



CROATIAN NATIONAL BANK

Online POS fiscalization and CNB cash management

The Future of Cash conference, Sarajevo, November 2018

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Agenda

- 1 Cash cycle and payment infrastructure in Croatia
- 2 Online Fiscalization in Croatia
- 3 CNB cash management

The cash supply and cash cycle in the Republic of Croatia

Act on the Croatian National Bank

- 1 The Croatian National Bank plans banknotes and coins issuance and manages the total cash reserves
- 2 The CNB organizes and provides regular supply of banknotes and circulation coins on the territory of the Republic of Croatia

Decision on the supply of banks with cash

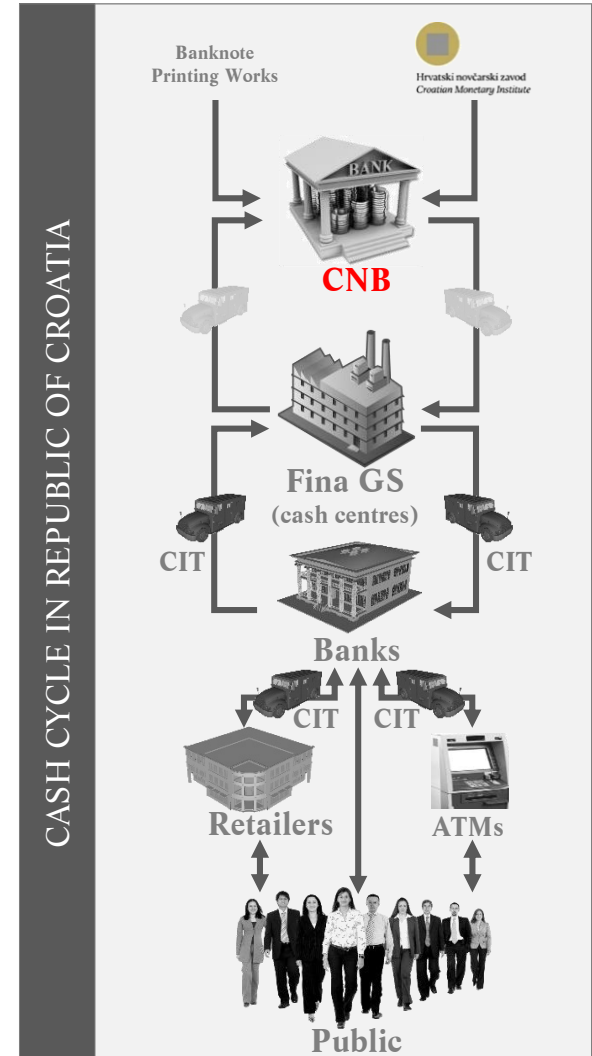
Decision on the conditions for the recycling of Kuna and Lipa banknotes and coins

Decision on handling Kuna banknotes and Kuna and Lipa coins unfit for circulation

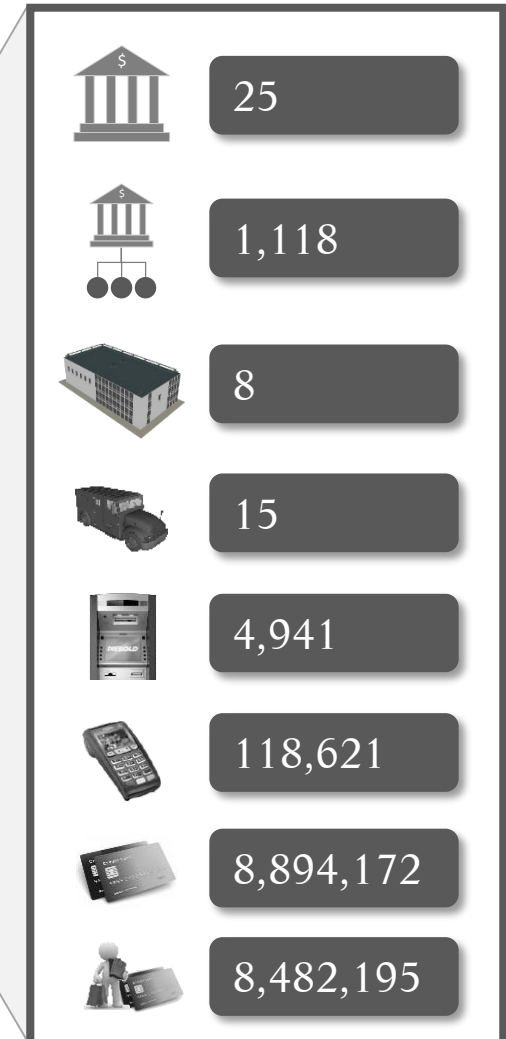
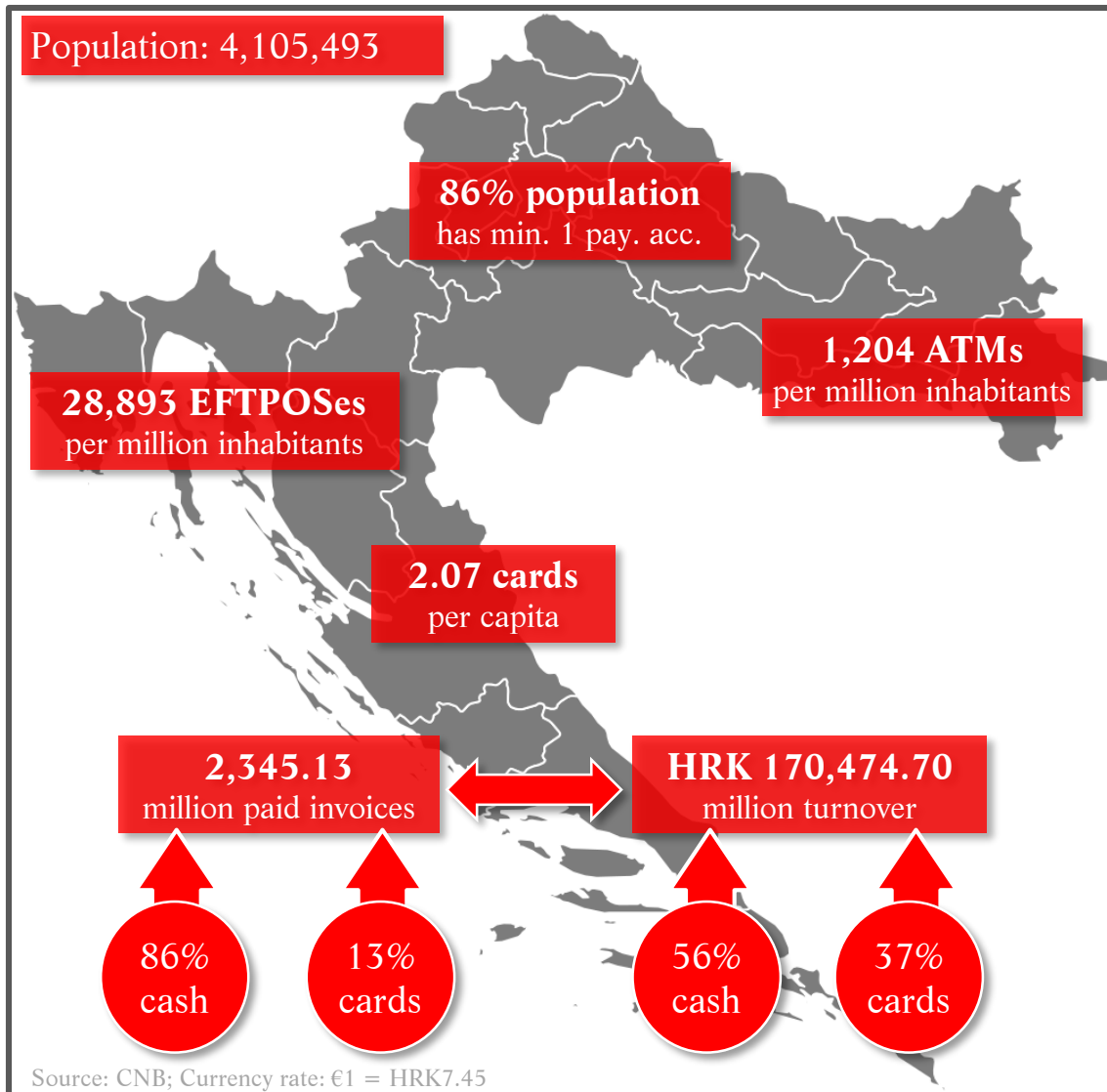
Decision on the minimum standards for automated and manual fitness sorting of banknotes

SUPPLY OF THE BANKS

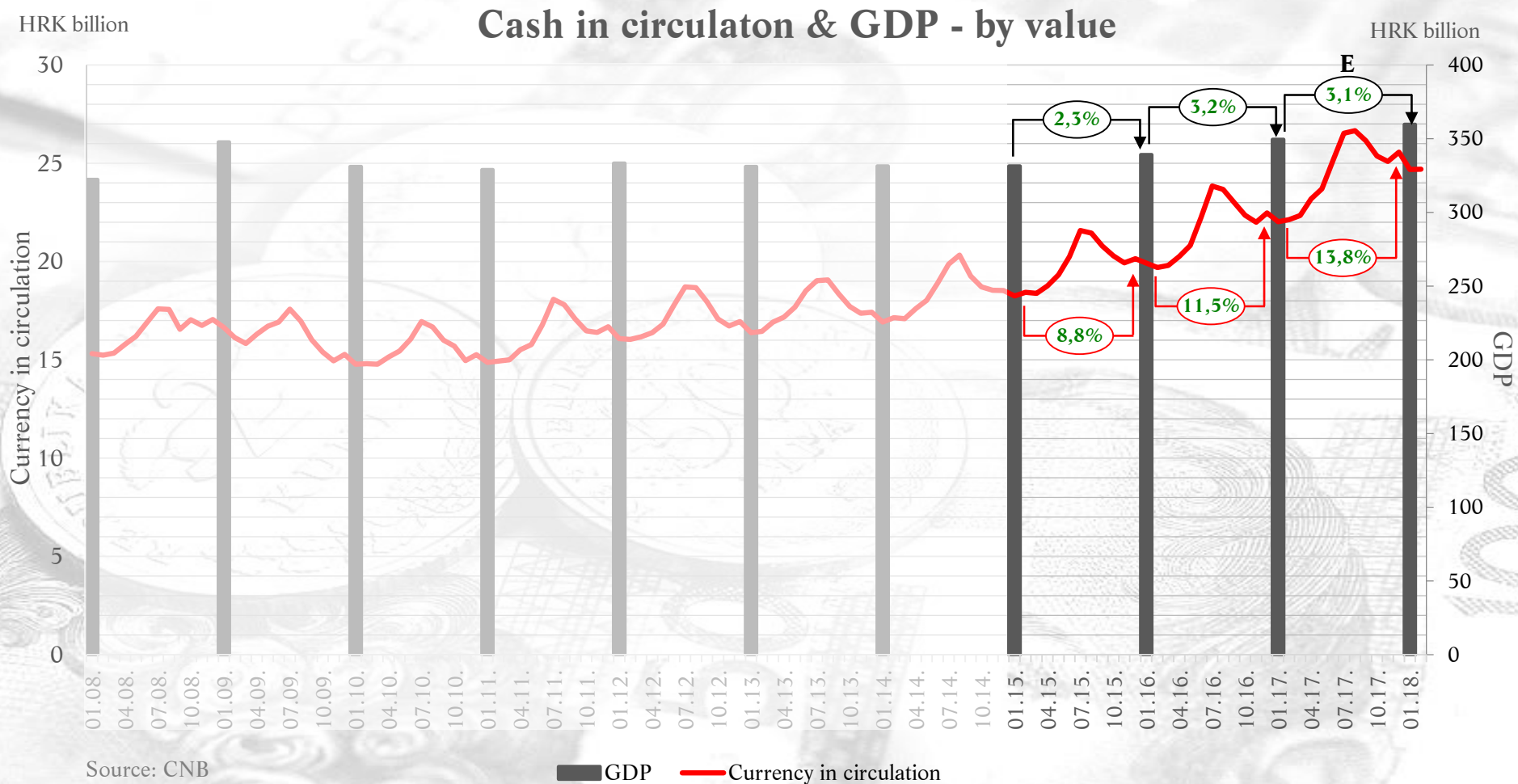
- ⇒ Outsourced to state owned company (Fina GS)
- ⇒ Conducted by 8 cash centres



Payment infrastructure on 31 December 2017



Cash in circulation 2008 – 2017



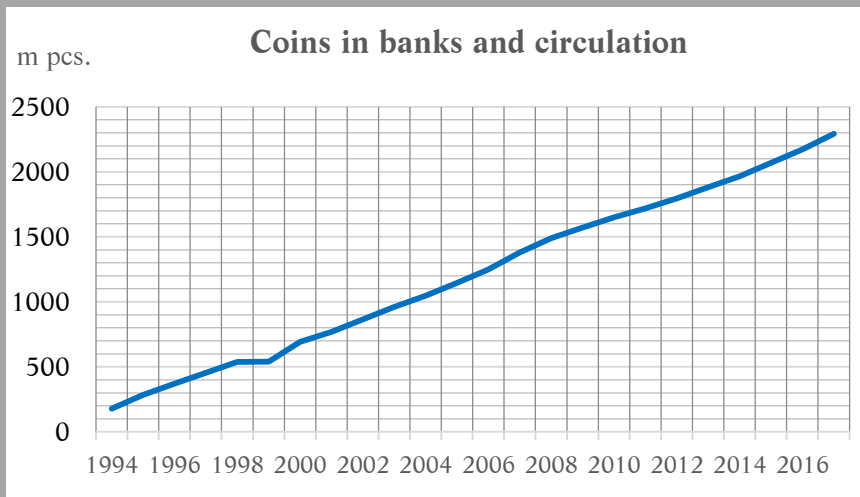
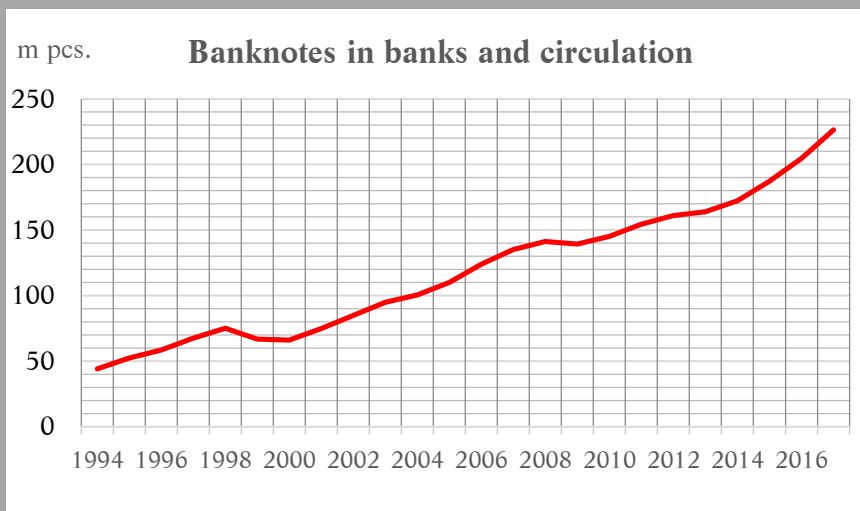
Source: CNB

Cash in circulation 1994 – 2017

	Volume (million pcs.)	Value (HRK million)	Weight (tons)
Total number of printed banknotes	1,298	162,118 (€21,761m)	1,141
Total number of minted coins	2,343	1,477 (€198m)	8,173
Total number of banknotes in circulation (EOY 2017)	180	24,228 (€3,252m)	191
Total number of coins in circulation (EOY 2017)	2,227	1,333 (€179m)	7,708

Currency rate: €1 = HRK7.45

Source: CNB



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Online Fiscalization in Croatia – Project of the Ministry of Finance

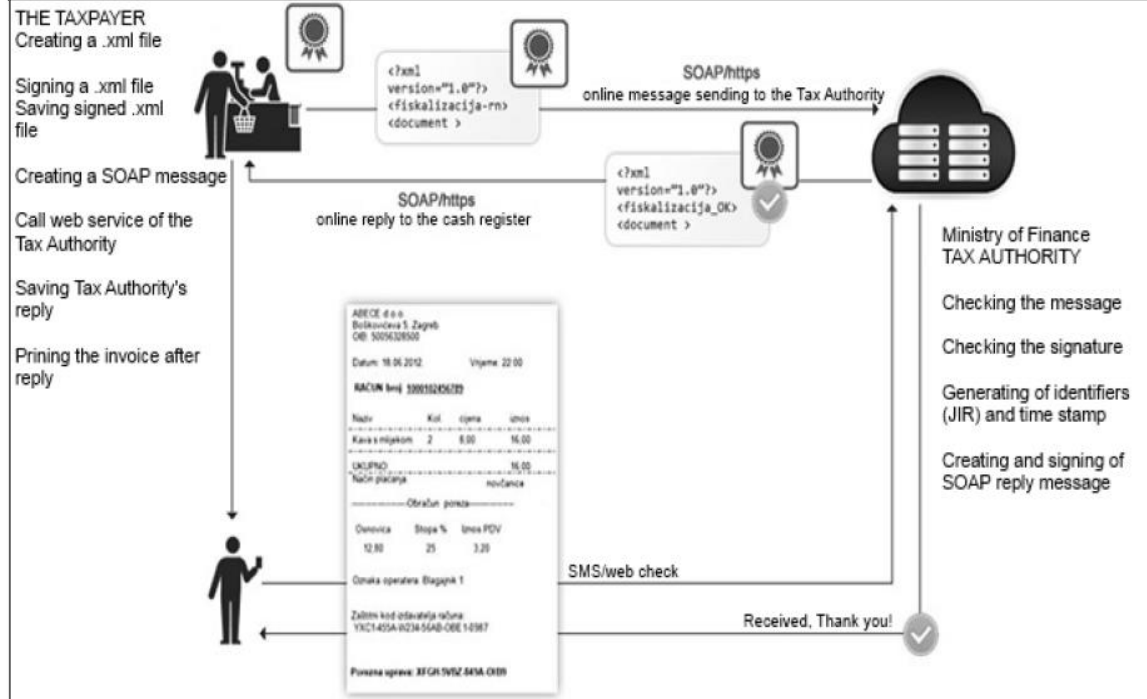
Model and goals

⇒ The Cash transaction fiscalization Act effective in Croatia as of 1 January 2013

⇒ Main goals of legislation:

- 1) Increase tax income
- 2) Efficient overview of realized cash turnovers
- 3) Enhance control of retail sales and decrease share of grey market
- 4) Better statistical information
- 5) Control of working time

Process



Source: RRIF, <https://www.rrif.hr/dok/preuzimanje/fiskalizacija2012.pdf>

⇒ Merchants did not subsidized by the Government - all costs covered by subjects of fiscalization (cash register, software, data traffic, certificates...)

Effects and results of the Online Fiscalization

Effects

- ⇒ Increased awareness about the need to operate fairly and transparently in business – enhanced control of retail sales and decrease share of grey market
- ⇒ Majority of business owners convinced the biggest advantage and priority of fiscalization is to combat black economy
- ⇒ Fiscalization implies stricter oversight of taxpayers' income with the intention of collecting higher tax revenues
- ⇒ Citizens will change their behaviour and will more often than before ask for and inspect invoices from shops, restaurants and other businesses
- ⇒ Efficient overview of realized cash turnovers
- ⇒ **Better statistical information**



Results after 5 years

Reduce share of shadow economy and tax evasions

Increase tax revenues

Positive impact on suppressing the unfair competition

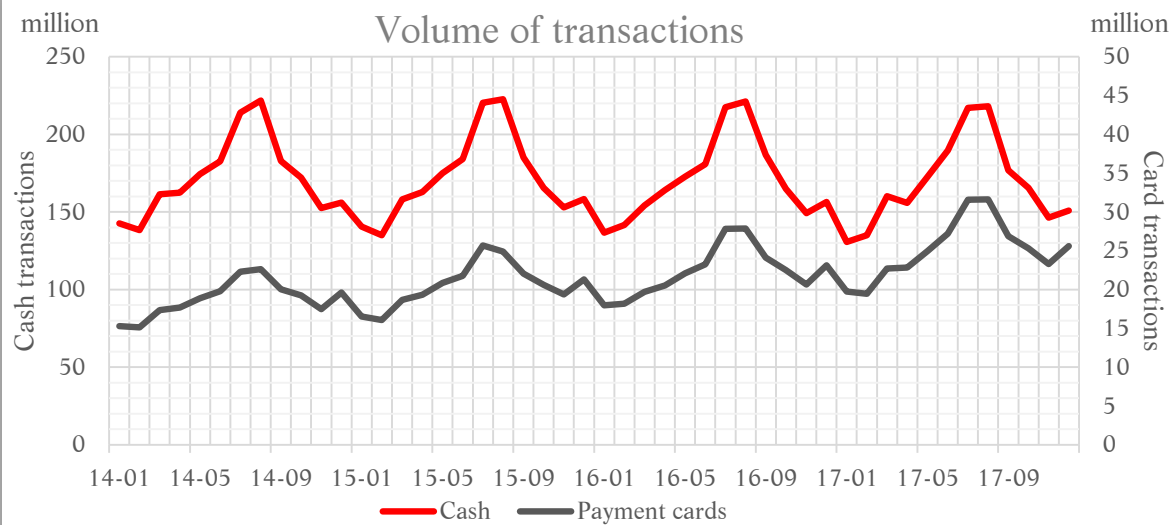
Increase transparency

First year results in turnover

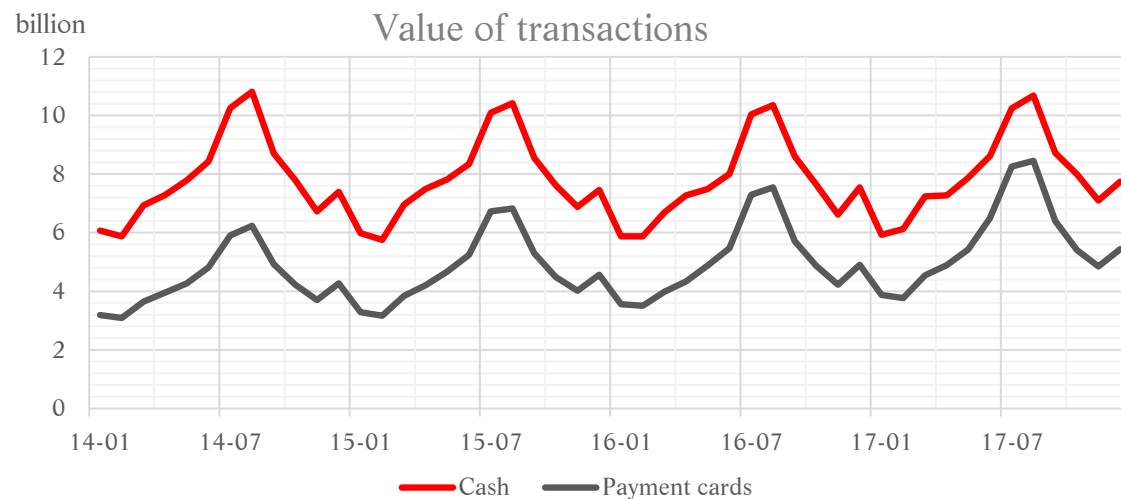
- ⇒ Restaurateurs, merchants and lawyers 17.82% (1,07 bn €)
- ⇒ Trade 13.89% (0.69 bn €)
- ⇒ Hospitality industry 40.52% (0.35 bn €)

Source: Ministry of Finance, Tax Administration

Cash vs Card – the data from Online Fiscalization (2014 – 2017)



Year	Cash Ratio
2014	88%
2015	89%
2016	88%
2017	86%



Year	Cash Ratio
2014	59%
2015	60%
2016	58%
2017	56%

Source: Ministry of Finance of the RC

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3 **CNB cash management**

CNB cash management

CNB cash management includes analysis of:

1. Volume of produced banknotes and coins
2. Turnover of the banknotes and coins
3. Logistic and strategic stock adequacy
4. Circulation needs assessment
5. Needs assessment for the production of new banknotes and coins

Needs assessment for new production includes:

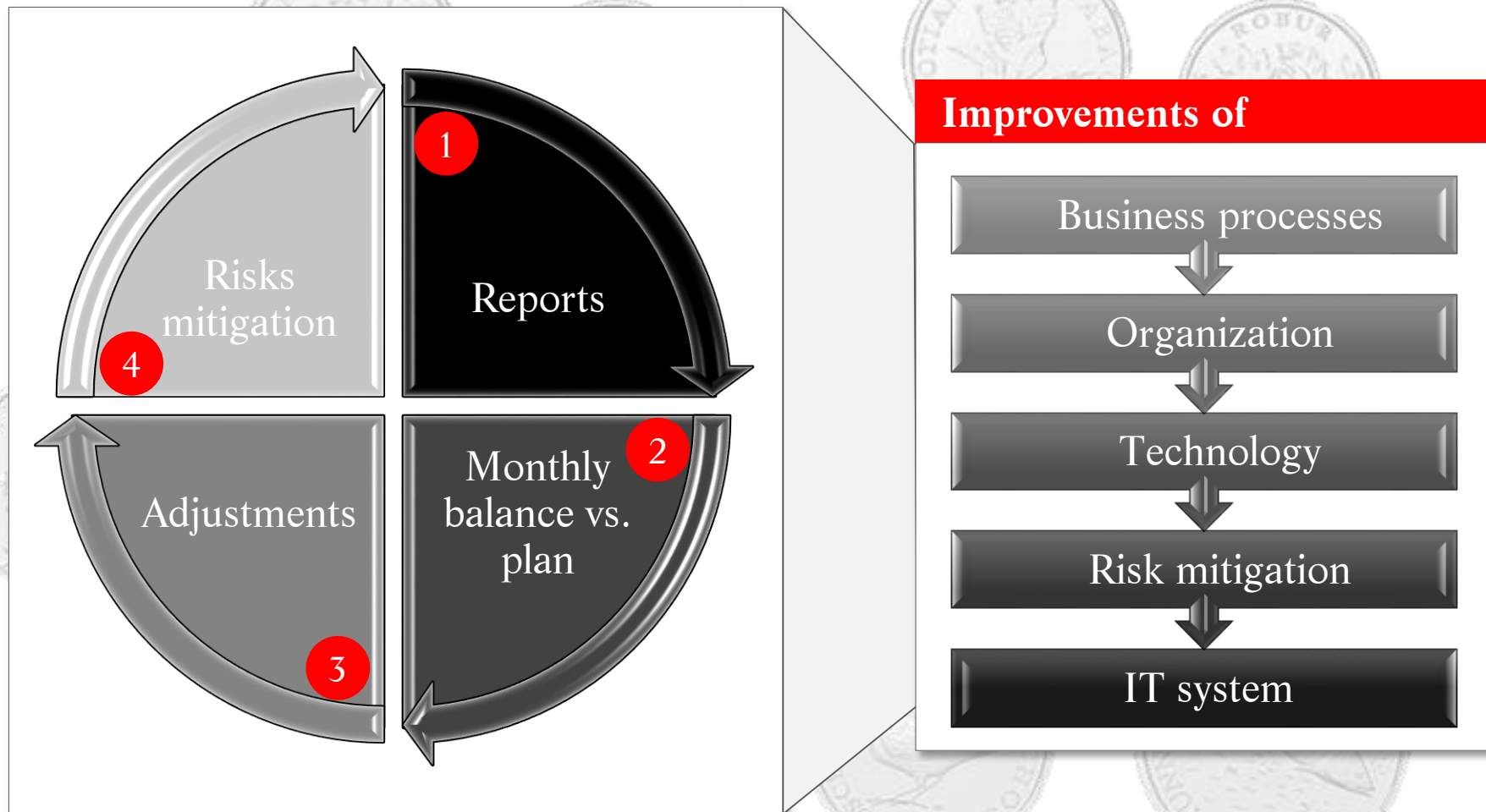
1. Economic activity, inflation rate and **cash ratio** trend
2. Banknotes from circulation and new production
3. Replacement and destruction
4. Logistic stock
5. Other
 - e.g. change in toll collection policy



Currency production plan

- ⇒ volume by denomination
- ⇒ budget
- ⇒ delivery schedule

Plan and realization monitoring



Payment Operations Area Currency Department

CROATIAN NATIONAL BANK



HNB

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Thank you for your attention!