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**Subject: State Aid SA. 55577 (2019/NN) – Croatia  
Extension to the Tonnage Tax Scheme**

Excellency,

## 1. PROCEDURE

- (1) On 31 October 2018, in the context of case SA.52336 (2019/PN), the Croatian authorities pre-notified the Commission of their intention to extend the existing tonnage tax scheme ('the existing scheme'), approved by Commission Decision of 1 April 2015 ('the 2015 Decision')<sup>1</sup>, in particular in order to consider commercial yachts involved in international navigation as eligible vessels for tonnage taxation.
- (2) Following pre-notification contacts, Croatia notified a number of amendments to the Commission on 25 October 2019. The notification was registered under case number SA.55577.
- (3) According to the information provided by the Croatian authorities, the notified measures were put into effect on 28 February 2019, before the adoption of the present decision.<sup>2</sup> On this basis, the case was registered as non-notified.

<sup>1</sup> *Commission Decision C(2015) 2153 final of 1 April 2015, State aid – SA.37912 (2013/N) – Croatia, Introduction of a tonnage tax scheme in favour of international maritime transport, OJ C 142, 22.4.2016, p.8.*

<sup>2</sup> *The notified measures were implemented in the Croatian Maritime Code by means of the Law on Amendments to the Maritime Code of 2019: Narodne Novine (NN), Official Gazette of the Republic of Croatia, No. 17/2019.*

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- (4) The Commission requested additional information by letters of 21 and 26 November 2019, to which Croatia replied on 19 December 2019 and 10 January 2020.

## **2. THE EXISTING SCHEME**

- (5) With the 2015 Decision, the Commission approved the existing scheme for a 10-year duration.<sup>3</sup> On this basis, the maritime transport industry in Croatia can benefit from tonnage taxation on the basis of Articles 429-429i of the Croatian Maritime Code.<sup>4</sup> As indicated in the 2015 Decision<sup>5</sup>, the benefits of the tonnage tax scheme in Croatia are limited to providers of maritime transport services and to ship managers, which assume from the owner the full responsibility for the vessel's operation.
- (6) The objectives of the tonnage tax scheme in Croatia are to preserve and strengthen competition in the maritime transport sector as well as to maintain jobs and maritime expertise.
- (7) Article 429 of the Croatian Maritime Code defines an eligible ship as a ship authorised to navigate outside internal waters and the territorial sea of the Republic of Croatia for the purpose of engaging in maritime shipping operations, exploration or the provision of other services related to activities at sea. At the time of adoption of the 2015 Decision, Article 429 of the Croatian Maritime Code indicated that several types of vessels, including yachts, were not eligible for tonnage taxation under the existing scheme.
- (8) The 2015 Decision excludes ancillary activities from the existing scheme.<sup>6</sup>

## **3. DESCRIPTION OF THE EXTENSION TO THE EXISTING SCHEME**

- (9) With their notification of 25 October 2019, the Croatian authorities informed the Commission of the extension of the scope of the existing scheme.
- (10) The legal basis for the amendments to the existing scheme are Articles 429-429h of the Croatian Maritime Code<sup>7</sup> and the Rules on the procedure and manner of exercising the right to participate in the tonnage tax scheme.<sup>8</sup>
- (11) First, the Croatian authorities notified the extension of the scope of the tonnage tax scheme to include 'yachts in international navigation used for commercial purposes' as eligible vessels, with specific tonnage tax rates. The Croatian authorities indicated that the application of tonnage taxation to yachts will apply to tax periods that begin on or after 1 January 2021 and will expire on 31 December 2024, as per the 2015 Decision. The Croatian authorities committed to re-notify any prolongations to the tonnage tax scheme after that date.
- (12) Second, the Croatian authorities have introduced a number of amendments in Article 429, paragraph 2(2), of the Croatian Maritime Code<sup>9</sup> in order to consider

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<sup>3</sup> See recital 19 of the 2015 Decision.

<sup>4</sup> Official Gazette of the Republic of Croatia, No. 90/2013.

<sup>5</sup> Recitals (28)-(31) and (93)-(97) of the 2015 Decision.

<sup>6</sup> Recitals (20) and (85) of the 2015 Decision.

<sup>7</sup> Narodne Novine (NN), Official Gazette of the Republic of Croatia, Nos. 181/2004, 76/2007, 146/2008, 61/2011, 56/2013, 26/2015 and 17/2019.

<sup>8</sup> NN Nos. 90/2013 and 87/2015.

the following ancillary activities as eligible to participate in the tonnage tax scheme:

- (a) the carriage of passengers and the provision of passenger services for the duration of their carriage by a ship participating in the tonnage tax scheme, except gambling services, the sale of luxury goods or the organisation of excursions for passengers;
  - (b) temporary storage and customs clearance of cargo;
  - (c) activities involving the carriage of cargo and passengers from the port area onto and off the ship, where such carriage is included in the cost of the carriage;
  - (d) the leasing of containers, the loading of cargo onto and the unloading of cargo off the ship, including the handling of containers within the port area before and after carriage, by a ship participating in the tonnage tax scheme;
  - (e) the use of office facilities for the operation of a ship participating in the tonnage tax scheme;
  - (f) the use of facilities for ticket sales, passengers and port terminals and the issuing and selling of tickets for carriage by a ship participating in the tonnage tax scheme;
  - (g) administrative services and insurance activities relating to a ship participating in the tonnage tax scheme.
- (13) The Croatian authorities have clarified that road haulage as part of the journey is also included in the tonnage tax scheme. Moreover, as regards the loading/unloading activities referred to in recital (12) above, the Croatian authorities have further clarified that these do not include the provision of such services to third parties.
- (14) Third, the Croatian authorities notified the deletion from the Croatian Maritime Code of the requirement for ships to not have been detained more than twice in a three-year period in order to be eligible for the tonnage tax scheme.
- (15) As regards the financial impact of the notified measures, the Croatian authorities estimate that the budget will be EUR 1 110 000 (approx. HRK 8 259 510) overall or EUR 255 000 (approx. HRK 1 897 455) per year. According to the Croatian authorities' projections, the aid amount will gradually decrease by HRK 45 000 (approx. EUR 6 047.17) each year based on estimates of annual growth in the number of yachts registering in the tonnage tax scheme and the corresponding increase in State revenue due to expected new yacht registrations.

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<sup>9</sup> *Ancillary activities were introduced in Croatia by the Law on amendments to the Maritime Code of 2015 (Official Gazette of the Republic of Croatia, Nos. 90/2013, 87/2015).*

### 3.1. Extension of the scope of the existing scheme to yachts

- (16) The Croatian authorities have extended the scope of eligible vessels covered by the tonnage tax scheme to include ‘*yachts in international navigation used for commercial purposes*’.<sup>10</sup>
- (17) More specifically, amendments to Article 5, paragraphs 13 and 60, Article 126 and Article 429, paragraphs 2, 4 and 5, of the Croatian Maritime Code introduced new definitions for ‘*yachts in international navigation*’, comprising ‘*yachts*’ and ‘*large passenger yachts*’.
- (18) Article 5, paragraph 13, of the Croatian Maritime Code defines a ‘*yacht*’ as a sports or leisure vessel, regardless of whether it is used for personal purposes or for an economic activity, with a full hull length greater than 15 meters, intended for a lengthy stay at sea and authorised to carry no more than 12 passengers in addition to the crew. Paragraph 60 of the same Article defines a ‘*large passenger yacht*’ as a yacht with a hull length greater than or equal to 24 meters, which is authorised to carry between 12 and 36 passengers other than the crew.
- (19) Article 126 of the Croatian Maritime Code defines ‘*yacht in international navigation*’ as a yacht of any nationality which has a permanent crew on board, and which, in the space of 365 consecutive days, makes at least 50% of its sailings from Croatia to a foreign port and back or between foreign ports, on the open sea or in the territorial waters of foreign countries.
- (20) The Croatian authorities have explained that, pursuant to the amendment introduced in Article 429, paragraph 5, of the Croatian Maritime Code, all provisions of the tonnage tax scheme, as approved by the 2015 Decision, also apply to yachts in international navigation used for commercial purposes, with the exception of the applicable tonnage tax rates. In this regard, the Croatian authorities have introduced differentiated tonnage tax rates applicable to eligible yachts (see section 3.1.2 below).

#### 3.1.1. Rationale of the extension

- (21) The Croatian authorities have indicated that the rationale for the extension of the scope of the existing scheme to yachts and large passenger yachts used for commercial purposes is that these vessels engage in maritime transport activities such as transport of goods and persons by sea. According to the Croatian authorities, these activities correspond to maritime transport activities as defined in the Guidelines on State aid to maritime transport (the “Maritime Guidelines”).<sup>11</sup>
- (22) The Croatian authorities have further asserted that yachts registered in the EU/EEA are facing increased competition from operators of yachts established outside the EEA as non-EU/EEA countries provide tax incentives for yacht registrations. The proposed extension of the scope of eligible vessels covered by the existing scheme to yachts has the potential to incentivise shipping operators to register yachts under the Croatian or any other EU/EEA Member State flag.

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<sup>10</sup> Article 429, paragraph 2(3), Croatian Maritime Code.

<sup>11</sup> Commission Communication C(2004) 43 – Community Guidelines on State aid to maritime transport, OJ C13, 17.01.2004, p. 3.

- (23) Moreover, the technical standards regulating safety, construction and operation of yachts are equivalent to those of merchant ships included in the International Convention for the Safety of Life at Sea (SOLAS)<sup>12</sup> and the International Convention for the Prevention of Pollution from Ships (MARPOL)<sup>13</sup>. The Croatian authorities therefore emphasised that, as similar international standards are applicable to both types of vessels, eligible yachts should be considered equivalent to small passenger ships used in the international transport of passengers.
- (24) Lastly, the Croatian authorities refer to the application of tonnage tax to ‘commercial yachts’, as approved for the Maltese tonnage tax scheme in Commission Decision C(2017) 8734 final of 19 December 2017.<sup>14</sup>

### 3.1.2. Specific tonnage tax rates applicable to yachts

- (25) According to Article 429e, paragraph 3, of the Croatian Maritime Code, the tonnage tax for eligible yachts to be paid on an annual basis under the tonnage tax scheme is a lump sum determined on the basis of either the hull length or a combination of the hull length and the net tonnes operated:
- (a) for yachts with length up to 24 meters: lump sum of HRK 3 500 (approx. EUR 470.59);
  - (b) for yachts with length equal to or greater than 24 meters:
    - (i) up to 3 000 net tonnes: lump sum of HRK 7 500 (approx. EUR 1 008.40);
    - (ii) between 3 001 and 10 000 net tonnes: a tax of HRK 1 500 (approx. EUR 201.68) for every additional 100 units of net tonnage;
    - (iii) between 10 001 and 25 000 net tonnes: a tax of HRK 1 000 (approx. EUR 134.45) for every additional 100 units of net tonnage.
- (26) Furthermore, Article 429e, paragraph 4, of the Croatian Maritime Code, stipulates that for yachts up to 5 years old, the above annual amounts of tonnage tax shall be reduced by 20%.
- (27) The Croatian authorities have explained that the higher profitability of the activities of eligible yachts compared to the profitability of other eligible vessels, and the markedly lower net tonnage of yachts as opposed to the net tonnage of other eligible vessels justify setting up differentiated tonnage tax rates for yachts performing maritime transport activities. According to the Croatian authorities, applying to yachts the tonnage tax rates authorised in the 2015 Decision would lead to a disproportionately low tonnage tax for yachts despite their higher profitability per unit of net tonnage. In this regard, the Croatian authorities

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<sup>12</sup> International Maritime Organization (IMO), *International Convention for the Safety of Life at Sea, 1 November 1974, 1184 UNTS 3.*

<sup>13</sup> International Maritime Organization. (IMO). *International Convention for the Prevention of Pollution from Ships, 1973, as modified by the 1978 and 1997 protocols.*

<sup>14</sup> Recitals 242-244 of Commission Decision of 19.12.2017 in *State aid – SA.33829 (2012/C) – Maltese tonnage tax scheme and other State measures in favour of shipping companies and their shareholders, OJ L 176, 1.7.2019, p. 7.*

provided data displaying higher profits for eligible yachts as opposed to other eligible vessels.<sup>15</sup>

### **3.2. Deletion of the no-detention requirement for ships**

- (28) The Croatian authorities have deleted from the Croatian Maritime Code the requirement for ships to not have been detained more than twice in a three-year period before applying for participation in the tonnage tax scheme.
- (29) According to the Croatian authorities, the reason for this deletion is that the safety standards for vessels applying to enter the tonnage tax scheme, included in Chapter V, part III of the Croatian Maritime Code, remain applicable as obligatory requirements, also for eligible yachts. In addition, they provided that the detention of ships has not been confirmed in practice as a relevant criterion for participation in the tonnage tax scheme.

## **4. ASSESSMENT**

### **4.1. Existence of aid**

- (30) Since the measures under assessment in essence extend the scope of the existing scheme, the Commission maintains its State aid assessment set out in the 2015 Decision on the existing scheme, which concluded that the measures constitute State aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union ('TFEU').<sup>16</sup>
- (31) In order for a measure to be qualified as State aid within the meaning of Article 107(1) TFEU, the following four cumulative conditions have to be met:
  - (a) It has to be imputable to the Member State and granted out of State resources.
  - (b) It has to confer an economic advantage on undertakings.
  - (c) The advantage has to be selective.
  - (d) The measure has to distort or threaten to distort competition and affect trade between Member States.
- (32) In line with the 2015 Decision, the Commission notes that the tonnage tax scheme enables companies commercially active in the field of maritime transport to reduce the corporate income tax they would otherwise have to pay in case the company is profitable. Therefore, the Commission considers that Croatia foregoes tax revenue and that, therefore, the tonnage tax scheme involves State resources. Moreover, since the measures are implemented through national legislation, they are imputable to Croatia.
- (33) Also, the measures exonerate the commercially active companies concerned from a fiscal levy which they normally would have to pay and, thus, involves an

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<sup>15</sup> According to the Croatian authorities, the average rate of profitability of charter fares on a yacht up to 24 meters in hull length (approx. 45-70 net tonnes) is between EUR 333 and EUR 428 per net tonne whereas the equivalent profitability rate for merchant ships is up to 10 times less.

<sup>16</sup> Recital (65) of the 2015 Decision.

advantage. This advantage is moreover selective since the tonnage tax scheme is specifically applicable to companies / activities in the maritime transport sector.

- (34) Finally, the Commission notes that shipping activities are essentially carried out on a worldwide market.<sup>17</sup> Also, since the markets for maritime cabotage and for the provision of services to maritime transport are fully liberalised,<sup>18</sup> the services provided by shipping companies benefiting from the existing scheme are open to competition within Member States, between Member States and between Member States and third countries. As a result, the existing scheme is liable to distort competition and could affect trade between Member States.
- (35) It follows that the measures involve State aid in the sense of Article 107(1) TFEU.

## 4.2. Compatibility

- (36) The extension of the existing scheme does not alter the prior conclusion of the Commission, as laid down in the 2015 Decision, that the applicable framework for an assessment of its compatibility with the internal market is Article 107(3)(c) TFEU, as implemented by the Maritime Guidelines.<sup>19</sup>
- (37) Pursuant to Article 107(3)(c) TFEU, aid to facilitate the development of certain economic activities may be considered compatible with the internal market, where such aid does not adversely affect trading conditions to an extent contrary to the common interest, and thus provides a possible basis for an exemption from the general prohibition of State aid.

### 4.2.1. Extension of the existing scheme to yachts

- (38) As regards the extension of the scope of the existing scheme to yachts, it must first be noted that only genuine maritime transport activities are eligible for State aid under the Maritime Guidelines. Maritime transport is defined as the transport of goods and persons by sea.<sup>20</sup> Vessels engaged in activities which are not maritime transport are not eligible for aid.
- (39) With regard to the eligibility of yachts in international navigation used for commercial purposes, the Commission refers to its decision in the Maltese tonnage tax scheme<sup>21</sup>, where it accepted that “*transport services provided by commercial yachts fall under the definition of maritime transport, provided that they involve the transport of goods and/or persons by sea between ports, as well as between a port and an offshore installation/structure.*”

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<sup>17</sup> Recital (64) of the 2015 Decision.

<sup>18</sup> Council Regulation (EEC) No 3577/92 of 7 December 1992 applying the principle of freedom to provide services to maritime transport within Member States (maritime cabotage), OJ L 364 of 12.12.1992, p. 7; Council Regulation (EEC) No 4055/86 of 22 December 1986 applying the principle of freedom to provide services to maritime transport between Member States and between Member States and third countries, OJ L 378, 31.12.1986, p. 1.

<sup>19</sup> Recital (66) of the 2015 Decision.

<sup>20</sup> Section 2 of the Maritime Guidelines – Scope and general objectives of the revised State aid guidelines.

<sup>21</sup> Recitals 242-244 of Commission Decision of 19.12.2017 in State aid – SA.33829 (2012/C) – Maltese tonnage tax scheme and other State measures in favour of shipping companies and their shareholders, OJ L 176, 1.7.2019, p. 7–58.

- (40) The Commission further refers to its decision regarding the prolongation of the Cypriot tonnage tax and seafarer scheme<sup>22</sup>, where it noted that commercial yachts operating maritime transport activities are eligible for tonnage taxation.
- (41) In view of the above, the Commission considers the extension of the tonnage tax scheme to yachts in international navigation used for commercial purposes engaged in maritime transport activities is in line with the Maritime Guidelines and the Commission's case practice in this respect.
- (42) The Commission notes that the method of calculation of the Croatian tonnage tax rates applicable to eligible yachts differs from the ones applied by other Member States.<sup>23</sup> According to the amended Croatian tonnage tax scheme, the rates for eligible yachts are based on a combination of the hull length of the yacht and/or the amount of net tonnes operated. For all other eligible vessels the tonnage tax rates are based on the amount of net tonnes operated.<sup>24</sup>
- (43) As regards the application of differentiated tonnage tax rates, the Commission notes that, based on the information provided by the Croatian authorities,<sup>25</sup> eligible yachts have higher profitability rates compared to other eligible vessels. The Commission does not object to the fact that the application of the tonnage tax rates authorised in the 2015 Decision would lead to a disproportionately low tonnage tax applied to eligible yachts with higher profitability per unit of net tonnage than other eligible vessels. Insofar as the effective tonnage tax applied to eligible yachts is higher than the tonnage tax applied to other eligible vessels, the difference of profitability of the different types of vessel is taken into account for the purposes of proportionate application of tonnage taxation.
- (44) As regards the reduction by 20% of the annual amounts of tonnage tax for yachts up to 5 years old, as described in recital (26) above, Croatia explained that the rationale of the reduction is to incentivise the registration and usage of more efficient and environmentally friendly yachts in accordance with the aims of the Maritime Guidelines. In this respect, the Commission refers to its decision in the Maltese tonnage tax scheme<sup>26</sup>, where it accepted that a reduction of the tonnage tax rate for ships younger than 10 years old and an increase of the rate for ships over 15 years old was in conformity with the Maritime Guidelines.<sup>27</sup>
- (45) Finally, in order to keep an equitable balance of tonnage tax rates, the Commission will only approve schemes giving rise to a tax-load for the same tonnage fairly in line with the schemes already approved. In view of the

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<sup>22</sup> *Recital 109 of Commission Decision of 16.12.2019 in State Aid SA. 51809 (2019/N) – Cyprus - Prolongation of the Cyprus Tonnage Tax and Seafarer Scheme.*

<sup>23</sup> *Recitals 106-114, 275-281 of Commission Decision of 19.12.2017 in State aid – SA.33829 (2012/C) – Maltese tonnage tax scheme and other State measures in favour of shipping companies and their shareholders, OJ L 176, 1.7.2019, p. 7–58. and Recitals 31, 52,134-139 of Commission Decision of 16.12.2019 in State Aid SA. 51809 (2019/N) – Cyprus - Prolongation of the Cyprus Tonnage Tax and Seafarer Scheme.*

<sup>24</sup> *See recital (25) above.*

<sup>25</sup> *See recital (27) above.*

<sup>26</sup> *Recitals 278, 279 and 281 of Commission Decision of 19.12.2017 in State aid – SA.33829 (2012/C) – Maltese tonnage tax scheme and other State measures in favour of shipping companies and their shareholders, OJ L 176, 1.7.2019, p. 7.*

<sup>27</sup> *The Commission also takes positive note of the high technical standards regulating safety, construction and operation for all types of eligible vessels in Croatia, including yachts, as these are specified in the SOLAS and MARPOL International Conventions.*



considerations above and the budget of the amendments to the existing scheme (see recital (15) above), the Commission concludes that this requirement is complied with.

- (46) In conclusion, the Commission finds that the tonnage tax rates applicable to eligible yachts are in line with the provisions of section 3.1 of the Maritime Guidelines and the Commission's case practice in this respect.

#### 4.2.2. *Amendments related to ancillary activities*

- (47) As regards the amendments related to ancillary activities (see recitals (12) and (13) above), the Commission's decisional practice on the basis of the Maritime Guidelines distinguishes between:

- (a) Core revenues from maritime transport activities: core revenues are revenues from ticket sales or fees for cargo transportation and, in case of passenger transportation, the letting of cabins in the context of maritime voyage and the sale of food and drinks for immediate consumption on board. These revenues are directly eligible for tonnage taxation.
- (b) Non-core (ancillary) revenues (e.g. advertisements in vessels) from maritime activities: ancillary revenues are revenues of other types of activities which are frequently provided on board (especially on passenger transport) and which do not threaten to excessively distort competition with land-based providers, who are taxed on the basis of the general rules of income taxation. These revenues are eligible only insofar as they do not exceed 50% of the total gross revenues from the operation of a given vessel. In addition, land-based services, such as local excursion or road part transportation included in the overall service package must be bought-in either from unrelated companies or at arm's length price from the same group's entities, which are subject to the general rules of income taxation.
- (c) Contracts non-customary and unrelated to maritime transport: such as acquisition of cars, livestock, property, are ineligible revenues (neither as core nor as ancillary revenues).

- (48) The amendments introduced by Croatia following the 2015 Decision, as described in recitals (5), (12) and (13) above, ensure that only revenues generated by maritime transport activities (core revenues) and revenues generated from activities ancillary to maritime transport (non-core revenues) benefit from the tonnage tax scheme.

- (49) In this respect, Croatia has made the necessary changes in the legislation in order to clarify that the ancillary activities referred to in Article 429, paragraph 2(2), of the Croatian Maritime Code are eligible for tonnage tax provided that the revenues from such activities do not exceed 50% of the total income generated by maritime transport activities of each eligible vessel. Indeed, the Croatian authorities confirmed that a mechanism to ensure the application of the 50% criterion has entered into force in Croatian law on 22 January 2020.<sup>28</sup>

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<sup>28</sup> *Article 8.a of the Amendments of the Rules on the procedure and manner of exercising the right to participate in the tonnage tax scheme, published on 21.1.2020 and entered into force on 22.1.2020 (Official Gazette of the Republic of Croatia, No. 8/2020).*

- (50) As of the implementation of the 50% criterion, the amendments regarding ancillary activities are therefore in line with the Maritime Guidelines and the Commission's case practice in this respect.

#### 4.2.3. *Deletion of the no-detention requirement for ships*

- (51) As regards the deletion of the no-detention requirement for ships, the Commission highlights that according to Section 2.2 of the Maritime Guidelines, tonnage tax schemes may be introduced in order to support the Community maritime interest, with the aim of improving a safe, efficient, secure and environment friendly maritime transport.
- (52) In this respect, the Commission takes note of the high technical standards regulating safety, construction and operation for all types of eligible vessels in Croatia, including yachts, as these are specified in the SOLAS and MARPOL International Conventions. Moreover, when sailing Croatian waters or calling into Croatian ports, ships under a foreign flag are subject to Croatian port state control in accordance with the Paris Memorandum of Understanding on Port State Control and Directive 2009/16/EC of 23 April 2009.<sup>29</sup>
- (53) On the basis of this legal framework, Croatia is required to maintain a high standard of safety for all vessels eligible to participate in the tonnage tax scheme, *inter alia*, through the implementation of the relevant provisions on vessel detentions. These provisions aim at dissuading ships that pose manifest risks to maritime safety and the marine environment from entering Croatian ports.
- (54) In this regard, the Commission considers that, irrespective of the deletion of the requirement for ships to not have been detained more than twice in a three-year period before applying for participation in the tonnage tax scheme, Croatia ensures that only vessels meeting EU/international standards relating to security, safety and environmental performance are admitted to the scheme.
- (55) For the above reasons, the Commission concludes that this amendment is in line with the Maritime Guidelines and its case practice in this respect.

#### **4.3. Conclusion on compatibility**

- (56) Having regard to the analysis set out above, the Commission concludes that the amendments to the existing scheme are in conformity with the Maritime Guidelines and its decisional practice.

### **5. CONCLUSION**

- (57) The Commission regrets that Croatia put the measures under assessment into effect before they had been notified and approved by the Commission in breach of Article 108(3) TFEU. However, the Commission has decided, on the basis of the 2015 Decision and the foregoing assessment, not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(c) TFEU.

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<sup>29</sup> Directive 2009/16/EC of the European Parliament and of the Council of 23 April 2009 on port State control, OJ L 131, 28.5.2009, p. 57.

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Yours faithfully,

For the Commission

Margrethe VESTAGER  
Executive Vice-President