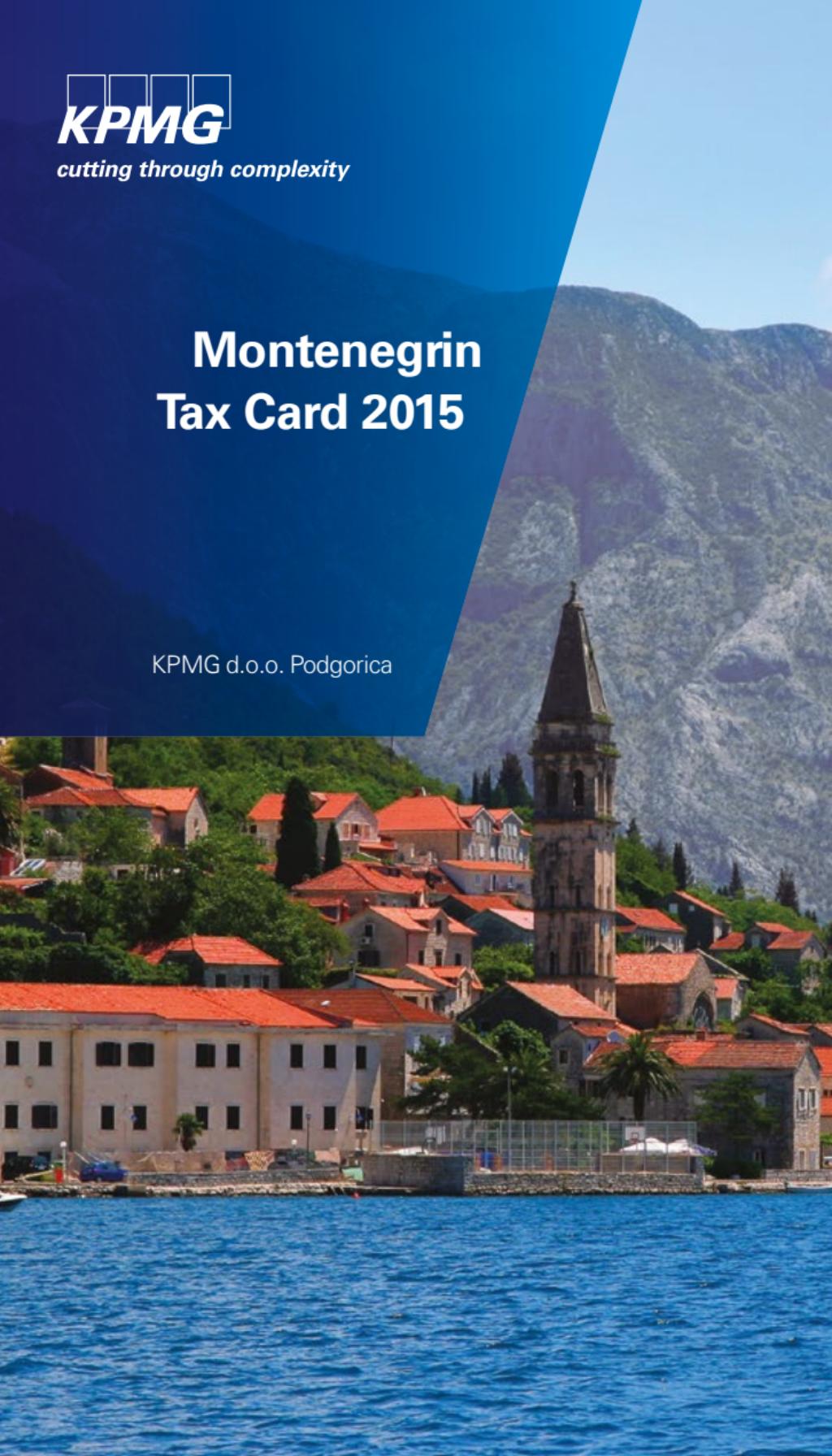




cutting through complexity

Montenegrin Tax Card 2015

KPMG d.o.o. Podgorica



Corporate Income Tax

A resident is a legal entity which is incorporated or has a place of effective management and control on the territory of Montenegro. Resident legal entities in Montenegro are liable to pay tax on their worldwide income and non-resident entities on the income derived from local sources.

The tax year is the calendar year. The tax return for the current year should be submitted to the tax authorities by 31 March of the then following year.

Taxable income is established on the basis of accounting profit disclosed in the annual profit and loss statement, further adjusted in the tax return

The tax rate is flat and amounts to 9%.

The corporate income tax legislation provides a 8-year tax relief for legal entities establishing a production activity in an underdeveloped municipality.

Carry forward of losses is available for 5 years. Carry back of losses is not allowed.

Capital gains are included in the tax base and subject to 9% tax. Capital losses could be carried forward on the account of future capital gains for 5 years.

Withholding Tax

Withholding tax at the rate of 9% is deducted from dividends, share in profits, royalties, interest, capital gains, lease payments for immovable and movable assets, consulting services, market research services and audit services derived by non-residents on the territory of Montenegro. Withholding tax may be reduced by double taxation treaties.

As at 1 January 2015 Montenegro has 40 effective double taxation conventions on income and capital.

Payment of intercompany dividends and shares in profit between Montenegrin resident companies is subject to 9% withholding tax.

Value Added Tax (VAT)

Value Added Tax (VAT) has been introduced in Montenegro as of 1 April 2003.

The taxpayer is any person who carries out supplies of goods and services independently in the course of its economic activity.

VAT registration threshold amounts to EUR 18,000. Each entity whose turnover in the previous 12 months exceeds, or is likely to exceed in the following 12 months EUR 18,000 is obliged to register for VAT.

It is not possible for group companies to register as a single VAT entity (tax grouping).

VAT rates	
The standard rate	19%
The reduced rate	7% applies to supplies of basic foodstuffs (milk; bread; fat; cooking oil, meat, sugar); medicines, including also medicines used for veterinary medicine, except medicines on Health Fund list; textbooks and teaching aids; books, monographic and serial publications; daily and periodic press, except those of completely or mostly advertising content; services of accommodation in hotels, motels, apartment hotels, tourist settlements, boarding houses, leisure, camps and villas; fodder, fertilizer, devices for plant protection, reproduction seeds, planting material and breeding stock; services of public transportation of passengers and their personal baggage; orthotic and prosthetic tools etc.

Zero rate	Export of goods; transportation and other services in direct relation to the export / import of goods; the supply of goods and services that are used in international air and maritime traffic; the supply of goods to the free zone, free and customs warehouses and deliveries of goods within a free zone, free and customs warehouses; medicines and medical devices listed on Health Insurance Fund list.
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Tax exemption without credit is provided for the following supplies: banking, financial, insurance and reinsurance services; services of public interest (health and social security services; sport, culture and religious services; services of public radio broadcasting service, except for services of commercial character); supply of immovable property, except the first transfer; services of games of chance etc.

The tax period is the calendar month. VAT returns have to be filed with the Tax Authorities and VAT liability should be paid within 15 days after expiration of the tax period.

VAT refund	
General refund period	60 days from the deadline for submitting the tax return
Refund period for exporting companies (companies whose income from abroad exceeds 51% of total revenues) and companies whose output VAT exceeds input VAT in three subsequent tax periods	30 days from the deadline for submitting the tax return

Personal Income Tax

Residents of Montenegro are subject to personal income tax on their worldwide income. Non-residents are subject to income tax on their income from Montenegrin sources under the same rules as residents.



Personal income tax is levied at the rate of 13% on gross personal income above EUR 720 per month, while personal income tax for income below EUR 720 per month is subject to a personal income tax rate of 9%. Tax rate on revenues from interest paid to non-residents is 5%.

Mandatory Social Security Contributions

Mandatory social security insurance includes: pension and disability insurance, health insurance and unemployment insurance.

The base for mandatory social security contributions is the income generated by the insured individual such as: gross salary, gross income from freelance contracts, etc.

Pension and disability insurance contribution is payable up to the yearly maximum base of EUR 50,350.

Mandatory social security contributions in case of employment contract are payable on behalf of employee and on behalf of employer. They should be calculated, paid and withheld by the employer. At the end of the year the amount exceeding the yearly maximum base may be refunded.

Mandatory social security contributions in case of employment contract	On behalf of an employee	On behalf of employer
Pension insurance	15%	5.50%
Health insurance	8.50%	3.80%
Unemployment insurance	0.50%	0.50%

Customs Duties

Montenegro has signed and ratified the Central European Free Trade Agreement (CEFTA) as well as the Stabilization and Association Agreement (including the interim agreement on trade) with the EU. The interim agreement on trade implies the gradual liberalization of the customs duties regime related to trade between Montenegro and the EU. The customs duties base is the “transaction value” of goods imported to Montenegro. Transaction value is the price paid or the price to be paid for goods imported to Montenegro, as well as other costs (which are not included in the price to be paid to the seller) incurred in respect of purchase and import of goods. Payment of customs liabilities (customs duties and import VAT) charged on imported goods is to be done within 8 days upon receiving the tax assessment from the Customs Authorities. This deadline may be postponed up to 30 days.

Property Tax

Tax on property is paid by the title holder of property rights (ownership, right of use, etc.). Companies pay property tax at rates from 0.1% to 1%. In some cases, tax may be increased up to 5.5% (tourist areas). Tax is determined in the tax assessment, issued by the tax authorities up to 31 May of the current year.

Real Estate Transfer Tax

Second and all subsequent transfers of real-estate property, as well as the first transfer of real-estate property built before 1 April 2003, are subject to transfer tax at the rate of 3%.

The taxpayer is the buyer.

Double Tax Treaty Network

Treaties with the following countries were in force as of 1 January 2015:

Albania	France	Poland
Azerbaijan	Germany	Romania
Belarus	Hungary	Russia
Belgium	Ireland	Serbia
Bosnia and Herzegovina	Italy	Slovak Republic
Bulgaria	Kuwait	Slovenia
China (People's Rep.)	Latvia	Sri Lanka
Croatia	Macedonia	Sweden
Cyprus	Malaysia	Switzerland
Czech Republic	Malta	Turkey
Denmark	Moldova	Ukraine
Egypt	Netherlands	United Arab Emirates
Finland	North Korea	United Kingdom
	Norway	



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