

Amendments to the tax and labor laws in Montenegro

Tax Alert

July 2021

On 27 May 2021 the Montenegrin Parliament enacted set of amendments to the tax and labor laws. These amendments have been published in the Official Gazette of Montenegro no. 059/2021 dated 4 June 2021.

An overview of the most significant changes is provided below.

Labor Law

Net minimum salary increased from EUR 222 to 250.

The new net minimum salary will apply from 1 October 2021.

VAT Law

Increased limit for mandatory VAT registration on the basis of turnover EUR 18,000 to EUR 30,000.

Amendment entered into force on 4 June 2021.

Personal Income tax Law

Undeclared income, determined as the difference between the value of assets at the end and at the beginning of the calendar year decreased for declared income, is subject to 80% tax.

The employer is exempt from paying part of the salary tax withheld up to the amount of average monthly salary in Montenegro in a following manner:

- 90% of tax in 2021;
- 60% of tax in 2022;
- 30% of tax in 2023.

Exemption can be exercised for employees employed in the period from 1 January 2021 up to 31 December 2021 (inclusive) only and provided the following pre-conditions are met cumulatively:

- Employee registered with the National Employment Bureau for at least three months prior to the day of concluding the employment contract,

- Employer concluded an employment contract for an indefinite period,
- Entering into employment contract resulted in an increase in the number of employees that the employer had as at 31 December 2020,
- Employee was not employed by the shareholder or a related party to the employer before concluding the contract.

Amendments entered into force on 4 June 2021.

Right to exemption from payment of salary tax withheld by the employer is exercised based on request submitted to the Tax Authorities along with proof of fulfillment of the prescribed pre-conditions. The request form is prescribed in the Rulebook on the form of requests for exemption from payment of part of the personal income tax, which was published in the "Official Gazette of Montenegro", no. 061/21 as of 9 June 2021.

Law on Mandatory Social Security Insurance Contributions

The employer is exempt from paying part of the pension and disability insurance („PDI“) contributions borne by the employee and the employer up to the amount of average monthly salary in Montenegro in a following manner:

- 90% of PDI contributions in 2021;
- 60% of PDI contributions in 2022;
- 30% of PDI contributions in 2023.

The right to exemption of payment of part of the PDI contributions can be exercised for employees employed in the period from 1 January 2021 up to 31 December 2021 (inclusive) only and provided the pre-conditions for salary tax exemption are fulfilled.

Amendment entered into force on 4 June 2021.

Right to exemption from payment of part of the PDI contributions is exercised based on request submitted to the Tax Authorities along with proof of fulfillment of the prescribed pre-conditions.

The request form is prescribed in the Rulebook on the form of requests for exemption from payment of part of the personal income tax, which was published in the "Official Gazette of Montenegro", no. 061/21 as of 9 June 2021. zaposlenog i poslodavca, koji je objavljen u "Službenom listu Crne Gore", br. 061/21 od 9 juna 2021. godine.

If you have any questions or you need assistance of our professionals, please contact us at tax@kpmg.rs.

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