



# Arm's length interest rate for 2023

## Tax Alert

December 2022

Ministry of Finance ("MF") has adopted the Rulebook on the interest rate calculated on financial instruments between related parties for the year 2023 ("the Rulebook"). The Rulebook was published in the Official Gazette of Montenegro No.142 dated 21 December 2022 and enters into force on the eighth day from the day of publication in the Official Gazette, and will be effective as of 1 January 2023.

### Impact of the Rulebook to transfer pricing documentation

According to the provisions of Art. 38b of the Corporate Income Tax Law (the "Law"), there is a possibility of applying "arm's length" interest rates prescribed by the Ministry of Finance or OECD general rules on determining the price of a transaction based on the "arm's length" principle (using one of the prescribed methods).

*Arm's length interest rate for 2023 as prescribed by the MF amounts to 3.98%*

### What impact may this have on your business?

It is necessary to review if new interest rate for 2023 is aligned with interest rates applied/ planned to be applied in your related party 2023 financial instruments.

In addition, companies exposed to significant / long-term related party financing should consider applying general OECD based methods for assessment of arm's length interest as prescribed by the CIT Law, as such approach may be more beneficial and provide increased level of certainty in relation to future tax treatment.

Please note that the above-mentioned "arm's length" interest rate can only be applied when analyzing transfer prices for 2023. Accordingly, if the MF does not prescribe the FY 2022 the "arm's length rate" in the upcoming period, the taxpayers would be left in a position to apply the OECD general transfer pricing analysis.

If you have any questions or you need assistance of our professionals, please contact us at [tax@kpmg.rs](mailto:tax@kpmg.rs).

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