KPMG

Montenegro Country Profile

EU Tax Centre

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Key tax factors for efficient cross-border business and investment involving Montenegro

EU Member State

No (EU candidate).

Double Tax Treaties

With the following countries, territories and jurisdictions:

Albania	Croatia	Ireland	Netherlands	Sweden
Austria	Cyprus	Italy	Norway	Switzerland
Azerbaijan	Czech Rep.	Rep. of Korea	Poland	Turkey
Belarus	Denmark	Kuwait	Romania	UAE
Belgium	Egypt	Latvia	Russia	UK
Bosnia &	Finland	North Macedonia	Serbia	Ukraine
Herzegovina	France	Malaysia	Slovakia	Portugal
Bulgaria	Germany	Malta	Slovenia	Iran
China	Hungary	Moldova	Sri Lanka	

Most important forms of doing business

Civil association, Limited partnership, Limited liability company, Joint-stock company, Part of a foreign company (branch office).

Legal entity capital requirements

EUR 1 for a Limited liability company, EUR 25,000 for a Joint-stock company.

Residence and tax system

A resident is a legal entity that is incorporated or has its place of effective management and control in Montenegro. Resident taxpayers are taxed on their worldwide income. Non-residents are taxed only on their Montenegrin source income.

Compliance requirements for CIT purposes

The taxpayer is obliged to file a CIT return no later than 3 months after the end of the financial (calendar) year for which the tax is calculated (i.e. no later than the end of March for the previous year). Payment of CIT as per the tax return is also due by the same deadline. An income statement and balance sheet are submitted to the tax authorities along with the CIT return.

Corporate income tax rate

The standard corporate income tax rate is 9 percent.

Withholding tax rates

On dividends paid to non-resident companies

9 percent.

On interest paid to non-resident companies

9 percent.

On patent royalties and certain copyright royalties paid to non-resident companies

9 percent.

On fees for technical services

Yes, consulting, market research and audit service fees are subject to WHT.

On other payments

Withholding tax of 9 percent on the following payments to non-resident entities: lease fees for movable and immovable property, entertainment, musical, artistic and sports fees. In addition, 9 percent withholding tax on fees paid by Montenegrin resident companies to individuals for purchase of used products, semi-products and agricultural products.

Branch withholding taxes

Yes, for payments subject to WHT, except for dividend payments.

Holding rules

Dividend received from resident/non-resident subsidiaries

Dividends received from Montenegrin tax residents (domestic dividends) are subject to a final WHT, but excluded from the tax base of the parent company.

Dividends received from non-Montenegrin companies (inbound dividends) are taxable; a credit for WHT paid abroad is available, subject to the parent company holding directly or indirectly 10 percent or more of the shares of the non-resident company for at least one year preceding the submission of the tax balance. Non-utilized tax credits can be carried forward for a maximum of five years.

Capital gains obtained from resident/non-resident subsidiaries

Capital gains realized in Montenegro by non-resident companies are subject to a 9 percent capital gains tax.

Capital gains realized by a resident company (arising from disposal of a resident/non-resident subsidiary) are subject to 9 percent corporate income tax.

Tax losses

Losses (excluding capital losses) generated from business, financial, and non-business transactions may be carried forward over the five subsequent tax periods and offset against future taxable income. Losses that were carried forward are not forfeited due to mergers, acquisitions, spin-offs, and other reorganization changes.

	Capital losses may be carried forward for five years and utilized only against capital gains. Carry-backs are not allowed.
Tax consolidation rules/Group relief rules	Yes, Montenegrin resident companies may opt for group consolidation. The parent company and its affiliates can constitute a group of associated companies, if at least 75 percent of the shares of the affiliates are held, either directly or indirectly, by the parent company. Once approved, tax consolidation must be applied for at least five years.
Registration duties	No.
Transfer duties	On the transfer of shares No. On the transfer of land and buildings Real estate transfer tax at the rate of 3 percent is payable on the transfer of land, as well as on the second and subsequent transfer of new buildings. The first transfer of a new building is subject to VAT at the rate of 21 percent. Stamp duties No. Real estate taxes In general, the tax rate ranges from 0.25 percent to 1 percent applied to the market value of real-estate. The general rate is subject to change, depending on the specific type of real estate and its intended use.
Controlled Foreign Company rules	No.
Transfer pricing rules	General transfer pricing rules Taxpayers are required to separately disclose transactions between related parties in their tax balances and the value of such transactions at arm's length prices. The difference between the arm's length price and the transfer price used by the taxpayers is included in the tax base. The Montenegrin legislator approved the following three methods for determining the arm's length price: comparable uncontrolled price method, cost plus method and resale price method. Documentation requirement Guidelines regarding the determination of the transfer price and documentation required in the case of a transfer pricing audit by tax authorities, currently do not exist in Montenegro.
Thin Capitalization/Interest Limitation rules	No.

General Anti-Avoidance rules (GAAR)	No.
Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions/Anti-Hybrid rules	Apart from transfer pricing rules, there are no other specific anti-avoidance rules applicable in a cross-border context.
Advance Ruling system	No.
IP / R&D incentives	No.
Other incentives	1) A tax holiday is provided for newly established entities and newly established organizational units performing business activities in underdeveloped regions of Montenegro during the first 8 years of operation. The tax holiday cannot exceed EUR 200,000 for the entire 8-year period. 2) 6 percent CIT discount if the CIT liability is promptly settled.
VAT	The standard rate is 21 percent, and the reduced rates are 7 and 0 percent.
Other relevant points of attention	No.
Mandatory Disclosure Rules Updates	For country specific information and updates on the EU Mandatory Disclosure Rules please visit KPMG's EU Tax Centre's MDR Updates page.
COVID-19 Resources	An overview of tax developments being reported globally by KPMG member firms in response to the Novel Coronavirus (COVID-19) is available here. For further insight into the potential tax, legal and mobility implications of COVID-19, please refer to the dedicated KPMG page.

Source: Montenegrin tax law and local tax administration guidelines, updated 2020.

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