



Montenegrin Tax Card 2019

KPMG d.o.o. Podgorica

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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%.

Carry forward of tax losses is available for 5 years. Carry back of tax 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.

During the year the taxpayer should pay monthly advance payments that are based on the tax liability assessed for the previous year. Newly established companies pay monthly advance payments on the basis of profit estimation for the current year. Monthly advance payments are due by the last day of the current month for the then previous month.

Corporate income tax incentives

The corporate income tax legislation provides an 8-year tax relief for newly established legal entities performing business in an underdeveloped municipalities, except agricultural production, transport, construction of vessels, fishing, steel production and hospitality.

WITHHOLDING TAX (WHT)

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.

In addition, withholding tax is payable on income of non-resident legal entities from staging entertainment, artistic, sport or similar programs in Montenegro.

As of December 2017, dividend, share in profits payments and payments based on supply of used products, semi-finished products and agricultural products performed not only to nonresident legal entities, but to all persons (legal entities and individuals), irrespective of residence of such persons (i.e. resident and nonresident persons) are subject to 9% WHT.

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

Capital gains realized by a non-resident entity on the territory of Montenegro from a non-resident legal entity, a non-resident or resident private individual are subject to capital gains tax at the rate of 9%.

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, importer, tax proxy, or any other person that calculates VAT in its invoice.

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	
Standard rate	21%
Reduced rate	7% applies to supplies of basic foodstuffs (milk; bread; fat; cooking oil, meat, sugar); medicines including veterinary medicine, except listed medicines; textbooks, monographic publications, newspapers; accommodation services; planting material and breeding stock; services of public transportation of passengers and their personal baggage; etc.
Zero rate	Export, transportation and other services in direct relation to the export / import of goods; supply of goods and services that are used in international air and maritime traffic; supply of goods to the free zone, free and customs warehouses; certain vessels, certain equipment for construction of luxury hotels and energy related infrastructure.

Tax exemption without input VAT 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

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.

General personal income tax rate is 9% and is levied on income which is not higher than national gross average income in the then previous year (EUR 766 for 2018). For personal income in 2019 higher than EUR 766 monthly tax rate of 11% is levied. Tax rate on revenues from interest paid to non-residents is 5%.

There is also city surtax in the range from 13% to 15% depending on the municipality which is applied on the amount of personal income tax.

Personal income tax incentives

Newly established legal entities in an underdeveloped municipalities are exempted from personal income tax payment for all employees who are employed for indefinite period or period longer than 5 years. This exemption is available for the first 4 years of employment.



MANDATORY SOCIAL SECURITY CONTRIBUTIONS (SSC)

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 determined by the Ministry of Finance for the previous year. (EUR 53,302 for 2018). For the overpaid contributions employer can submit a refund request in the following year.

Mandatory social security contributions	On behalf of an employee	On behalf of an employer
Pension insurance	15.00%	5.50%
Health insurance	8.50%	4.30%
Unemployment insurance	0.50%	0.50%

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.

CUSTOMS DUTIES

Montenegro has free trade regime with the European Union, EFTA (Switzerland, Norway, Iceland, and Liechtenstein), CEFTA (Serbia, Albania, Bosnia and Herzegovina, Macedonia, Moldova and the territory of Kosovo and Metohija*), Russia, Turkey, Ukraine.

The United States restored Normal Trade Relations (Most-Favored Nation status) to Montenegro in December 2003. This status provides improved access to the U.S. market for goods exported from Montenegro.

Montenegro has also been designated as a beneficiary developing country under the U.S. GSP program, which provides duty-free access to the U.S. market in various eligible categories

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.

The Customs Law provides different customs procedures: release for free circulation, transit, customs warehousing, free zone placement, inward processing, processing, temporary import and exportation.

The customs tariff is based on the internationally harmonized system of names and codes of goods, as well as the tariff codes of the EU. Customs rates range between 0 percent and 30 percent.

EXCISE DUTIES

Excise duties are levied on the production and import of: oil derivatives, coal and their substitutes, tobacco products including non-burning tobacco, refill liquid for e-cigarettes, alcoholic drinks and carbonated water.

The excise duty taxpayer is the producer and importer of excisable products.

Deferral of excise duty liability is possible by exercising the right to hold an excise warehouse.

Excise duties assessment should be filed with the authorities within 15 days after the end of month. Excise duties have to be paid within 15 days after the end of the tax period (month).

Law on Excise Duties prescribes specific requirements for exemption of excise duties.

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%.

Taxpayer is obliged to calculate tax, submit tax return and pay tax within 15 days from the day when tax liability arose.

PROPERTY TAX

Tax on property is paid by the title holder of property rights (ownership, right of use, etc.). Property tax rates vary from 0.25% to 1%. Additionally, property tax rates vary for unused agricultural land (3%-5%), illegal objects or accommodation objects (2%-5.5%). Tax is determined in the tax assessment, issued by the tax authorities up to 30 April of the current year. It is paid in two instalments, first on 30 June and second on 30 October.

DOUBLE TAX TREATY NETWORK

Treaties with the following countries are in force as of 20 March 2019:

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

FOR MORE INFORMATION PLEASE CONTACT:

Igor Lončarević

Partner, Tax & Legal

T: +381 11 20 50 570

M: +381 60 20 55 570

iloncarevic@kpmg.com

Nenad Nešovanović

Director, Tax & Legal

T: +381 11 20 50 543

M: +381 60 20 55 543

nnesovanovic@kpmg.com

Nikola Strugar

Director

T: +382 20 201 480

M: +382 69 132 885

nstrugar@kpmg.com

Biljana Bujic

Partner, Tax & Legal

T: +381 11 20 50 511

M: +381 60 20 55 511

bbujic@kpmg.com

Jelena Miljković

Departmental Senior Manager,
Tax & Legal

T: +381 11 20 50 516

M: +381 60 20 55 516

jmiljkovic@kpmg.com

KPMG d.o.o. Podgorica

Svetlane Kane Radević 3

81000 Podgorica

Montenegro

T/F: +382 20 201 480

www.kpmg.com/me

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