

Tax system in Montenegro

MERGERS & ACQUISITIONS

Financing

Financial assistance by the subsidiary

N/A

Subordinate debt (mezzanine capital)

The use of subordinate debt is allowed.

Interest expenses for acquisition financing

N/A

Interest expense on subordinate debt

Non deductible

EU interest barrier

N/A

Squeeze-out options

Buy-out of minority shareholders (squeeze-out)

N/A

Capital gains - corporations and partnerships

Sale of shares in a joint stock corporation

N/A

Sale of shares in a limited liability company

The gain of legal entities on the sale of ownership interest in a limited liability company in general is taxable income.
For international holdings different regulations apply.

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Sale of interest in a partnership

The gain on the sale of an ownership interest in either a limited or general partnership (OG or KG) is normally taxable income for both limited and general partners.

International participation exemption

N/A

Sale of business**Definition**

Sale of the business by individual sale of assets and liabilities ("asset deal") is possible.
Special labor law, leasing law etc. regulations have to be observed if employment contracts, leasing contracts etc. are to be transferred.

Valuation

For the sale of individual assets, the acquisition cost principle is applicable. The total purchase price is allocated to individual assets and liabilities at fair value, the difference constitutes goodwill. Badwill is not allowed for tax purposes.

Goodwill

no goodwill amortisation but impairment

Mergers and demergers**Types of mergers described by commercial law**

Upstream merger (possibly down-stream), side- stream merger, takeover of the business by the main shareholder (not in case of a corporation), demerger.

Valuation

For financial accounting purposes, as a rule valuation of assets and liabilities is optional.

Valuation in financial accounting

Method 1 – carrying values Assets and liabilities recognized at carrying values, with difference possibly recognized as surplus on reorganization (under certain circumstances, as goodwill).

Method 2 – revaluation Assets and liabilities are valued at fair value, the difference is recorded as goodwill.

Provision requirements have to be considered (e.g. deferred taxes).

Goodwill amortization

no goodwill amortisation

Tax treatment of revaluation

N/A

Contributions (transfer of assets into the capital of a company)**Contributions in kind**

In general, the contribution of assets is allowed (services cannot be contributed).

Tax treatment

The exchange of individual assets against an interest in the company is treated like a purchase and sale transaction (at market value).

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Specifically, transaction expenses (e.g. property transfer tax and registration fees) and possible VAT ramifications should be taken into account.

A tax-neutral contribution in kind is generally possible in the case of the contribution of businesses and qualified capital shares.

Goodwill amortisation

N/A

TAX CONCESSIONS

Direct

Indirect

Income tax concessions, e.g.

N/A

Tax credits

Family Bonus Plus:

N/A

Children surplus:

N/A

Sole earner deduction pa.:

N/A

Single parent deduction pa.:

N/A

Child deduction:

N/A

Alimony deduction:

N/A

if in employment / pension income p.a.:

N/A

Allowances and exemptions

Profit allowance:

The newly established legal entity performing an activity in economically underdeveloped municipalities is enabled to reduce corporate income tax and Tax on Income of Natural Persons in the first eight years in the amount of 100 %. The total amount of tax exemption for a period of eight years may not exceed EUR 200.000.

Investment allowance:

N/A

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Government subsidies

N/A

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DOUBLE TAXATION AGREEMENTS

Double taxation agreements

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Albania	17.11.2005.	Yes	15/5	10	10
Austria	26/03/2015	Yes	5/10	10	5/10
Azerbaijan	01.12.2010.	Yes	10	10	10
Belarus	24.11.1998.	No	15/5	8	10
Belgium	26.05.1983.	No	15/10	15	10
Bosnia and Herzegovina	02.06.2005.	Yes	10/5	10	10
Bulgaria	10.01.2000.	Yes	15/5	10	10
China	01.01.1998.	Yes	5	10	10
Croatia	22.04.2004.	Yes	10/5	10	10
Cyprus	30.01.1986.	No	10	10	10
Czech Republic	20/02/2024	Yes	10	10	10
Denmark	24.12.2009.	Yes	15/5	0	10
Egypt	05.04.2006.	Yes	15/5	15	15
Finland	18.12.1987.	Yes	15/5	0	10
France	01.08.1975.	Yes	15/5	0	0
Macedonia	22.07.1997.	No	15/5	10	10
Germany	03.12.1988.	No	15	0	10
Hungary	13.12.2002.	No	15/5	10	10
Ireland	16.06.2010.	Yes	10/5	10	10/5**
Italy	03.07.1985.	No	10	10	10
Kuwait	08.05.2013.	No	10/5	10	10
Lithuania	12.06.2009.	Yes	10/5	10	10
Malaysia			9	10	10
Malta	16.06.2010.	Yes	10/5	10	10/5**
Moldova	23.05.2006.	No	15/5	10	10
Netherlands	06.02.1983.	No	15/5	0	10
North Korea	17.11.2016.	No	10	10	10
Norway	18.12.2015.	Yes	15	0	10
Portugal	25/03/2019	Yes	5/10	10	5/10
Poland	17.06.1998.	Yes	15/5	10	10
Romania	01.01.1998.	No	10	10	10
Russia	09.07.1997.	Yes	15/5	10	10
Slovakia	15.10.2001.	Yes	15/5	10	10

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TYPES OF ORGANISATIONS

Types of organisation

	<i>Name in local language</i>	<i>Registrable in commercial register / legal entity</i>	<i>Minimum capital</i>	<i>Sole shareholder company</i>
Limited liability company	društvo sa ograničenom odgovornošću	yes / yes	EUR 1	yes
Stock company	akcionarsko društvo (a.d.)	yes / yes	EUR 25 thousand	yes
Cooperative	zadruga (no abbreviation)	yes / yes	no	no
General partnership	ortačko društvo (o.d.)	yes / yes	no	no
Limited partnership	komanditno društvo (k.d.)	yes / yes	no	no
Part of the foreign company (usually interpreted as a branch)	dio stranog društva (no abbreviation)	yes / no	no	-

	<i>Capital tax / Registration fees</i>	<i>Written form</i>	<i>Tax transparency</i>	<i>Registration with tax authorities</i>	<i>Statutory audit</i>
Limited liability company	no / Registration fee is due	yes	no	yes	If it is classified as a large or mid-size entity.
Stock company	no / Registration fee is due	yes	no	yes	If it is classified as a large or mid-size entity, or it issues shares via public offering.
Cooperative	no / Registration fee is due	yes	no	yes	If it is classified as a large or mid-size entity.
General partnership	no / Registration fee is due	yes	no	yes	If it is classified as a large or mid-size entity.
Limited partnership	no / Registration fee is due	yes	no	yes	If it is classified as a large or mid-size entity.
Part of the foreign company (usually interpreted as a branch)	no / Registration fee is due	yes	no	yes	

VAT

Tax rates

Standard VAT rate: 21 %.

Reduced rate: 7 % Zero rate: 0%

Supply of goods

Supplies of goods with consideration, withdrawal for private use (self-supply) as well as any other supply without consideration on the territory of Montenegro are taxable.

Import of goods in Montenegro is taxable.

Taxable are trade in natural gas, electricity and heating or cooling energy and use of the products of the taxpayer or persons employed by the taxpayer for non-business purposes, when the input VAT on these products can be deducted.

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Place of supply of goods

Principally the place where the item is located at the time disposal is transferred.

In case of dispatch/transportation by the supplier or purchaser: the place where dispatch/transportation begins. If the dispatch, or the transport of products commences outside of Montenegro, it is considered that the importer has performed supply of these goods in Montenegro

Importation from third country: Import country.

The place where natural gas, electricity and heating or cooling is traded is considered to be:

- the place of delivery of natural gas through a natural gas system located in the territory of Montenegro or a network connected to that system, the supply of electricity and the supply of energy for heating or cooling through the heating or cooling networks of a person who performs wholesale of energy products,
- the registered office of the person who performs wholesale of energy products, i.e. the residence or residence of the person for whom these products are supplied,
- the place of delivery where the person to whom the products are supplied uses those products, if they are not included in the supply within the meaning of paragraphs 1 and 2 of this paragraph.

If the person referred to in paragraph 1, indent 3 of this Article does not use up the delivered products in full, the place of delivery of these products shall be considered to be the place referred to in paragraph 1, indent 2 of this Article.

Supply of services

Supply of services with consideration, private use as well as supply of services without consideration for non-business purposes are taxable.

Place of supply of services

If supply is made to taxable person, place of supply is place of recipient (place where the recipient has established its business or has permanent place of business) - B2B rule

If supply is made to non-taxable person, place of supply is place of supplier - B2C rule

Certain special cases are prescribed for particular type of services.

For purposes of determining the place of the supply of services,

- taxable persons and
- non-taxable legal entities holding a VAT registration number will be considered as “taxable persons”

Basic rule

B2B	B2C
Place of recipient (the place where the recipient of services has established its business)	Place of supplier (the place where the supplier of services has established its business)

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Special cases

	B2B	B2C
Supplies of services by intermediaries	Place of recipient (basic rule)	Place of the underlying transaction
Property services	Place of property	Place of property
Cultural, artistic, scientific, educational, sports, entertainment or similar services, like services in connection with fairs and exhibitions including services of the respective organizer; not applicable for admission and services relating thereto	Place of recipient (basic rule)	Where the services are physically carried out
Admission and other relating services for events like fairs and exhibitions	Place of the event (no Reverse Charge System for admission etc.)	Where the services are physically carried out
Passenger transport	Distances covered	Distances covered
Transportation of goods (without intra-community goods transportation)	Place of recipient (basic rule)	Distances covered
Intra-community goods transportation	Place of recipient (basic rule)	Place of departure
Ancillary transport services	Place of recipient (basic rule)	Where the services are physically carried out
Appraisal and processing of movable tangible objects	Place of recipient (basic rule)	Where the services are physically carried out
Restaurant and catering services	Where the services are physically carried out	Where the services are physically carried out
Restaurant and catering services in connection with intra-Community passenger transport	Place of beginning of passenger transportation	Place of beginning of passenger transportation
Renting of means of transport for up to 30 days	Where the means of transport is actually put at the disposal of the customer	Where the means of transport is actually put at the disposal of the customer
Renting of means of transport for over 30 days	Place of recipient (basic rule)	Place of recipient Special regulations for renting pleasure boats
"Listed services" to third country customers 1)		Place of recipient
"Listed services" to customers in the EU		N/A
Electronically supplied services, such as telecom, radio and TV services 2)	Place of recipient (basic rule)	Place of recipient (basic rule)

Mini-One-Stop-Shop (MOSS) / One-Stop-Shop (OSS)

n/a

Reverse charge (reversal of tax liability)

For all supplies made by non-residents taxable in Montenegro (certain exceptions to this general rule apply).

Requirements

The supplier has no domicile or habitual abode in Montenegro, nor a permanent establishment in Montenegro involved in supply.

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Consequences

The recipient owes the VAT. If general conditions for VAT deduction are met, VAT charged by recipient could be claimed back (no cash flow implications for the recipient).

Application also

N/A

Tax reliefs

Exemption (Input VAT deductible even though no VAT chargeable on supply of goods and services)

The following supplies are VAT exempt with credit:

- export of goods and transport and other services in direct relation to the export or import of goods;
- services performed on temporary imported goods;
- supply of fuel and other goods necessary for supply of vessels intended for sailing in the open sea, rescue boats and warships;
- supply of goods and services used in connection with international air and maritime transport;
- supply of goods and services to diplomatic and consular missions, international organizations, etc;
- supply of listed drugs and medical devices;
- supply of goods and services used to explore oil wells on the open sea;
- supply of goods and services for the construction and furnishing of hospitality facility in the category of five and more stars;
- supply of goods and services for the construction of the energy facility for the production of electricity with an installed capacity of more than 10 MW and capacity for the production of food products classified within Sector C;
- supply of goods in the customs warehouses;
- entering of goods into the free zones and supply of goods in the free zones;
- supplies of goods and services in relation to donation agreements concluded with the Montenegro which stipulate that tax is not to be paid from donation funds;
- supplies of goods and services carried out in the line with credit and/or loan agreements concluded between Montenegro and an international financial organization or another state or agreements between a third party and international financial organization or other states, where Montenegro is the guarantor or if agreements state that tax will not be covered from the obtained funds.

Zero rates (non-genuine tax exemption) (Input VAT is not deductible)

The following supplies are VAT exempt without credit:

- financial, banking and insurance services;
- supplies of immovables, except for the first transfer of ownership right;
- the lease of immovable property for residential purposes;
- the lease of agricultural land or forest;
- supply of valid postage stamps, administrative and court fees and tax stamps;
- supply of gold and other precious metals purchased by the Central Bank of Montenegro;
- services of games of chance.

Deductible input VAT

A taxpayer may, when calculating his tax liability, deduct the VAT that he is obliged to pay or has paid when purchasing products or services from another taxpayer, when importing products and as a recipient (user) of a service (hereinafter: input VAT), if he has used (utilized) those products, that is, services or will use them for the purposes of generating income while performing a taxable activity for which VAT is paid. A taxpayer may, when calculating his tax liability, deduct the VAT that he is obliged to pay or has paid when purchasing products or services from another taxpayer, when importing products and as a recipient (user) of a service (hereinafter: input VAT), if he has used (utilized) those products, that is, services or will use them for the purposes of generating income while performing a taxable activity for which VAT is paid.

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- The taxpayer may deduct input VAT from products and services that he used to perform activities outside Montenegro, provided that the right to deduct input VAT would be recognized if the activity was performed in Montenegro

Input VAT correction

In case of fixed assets (resp. major repairs): If during a period of five years from the calendar year in which the equipment began to be used, the conditions that were decisive for the deduction of input VAT in that year are changed, the correction of input VAT is made for the period from the change of circumstances. For real estate, instead of a five-year period, a 10-year period is taken into account.

The deduction of input VAT made by the taxpayer must be corrected, in case if:

- 1) it is subsequently determined that the deduction of input VAT was calculated in a higher or lower amount than the amount that the taxpayer was obliged to pay;
- 2) according to the tax calculation, it is shown that there has been a change in factors important for the calculation of the deductible amount of input VAT (price change, ie cancellation of contracted purchases, etc.).

Real estate

Rentals

Renting of immovable property is subject to 21% VAT.

Exception:

Renting for residential purposes is tax exempt.

In case construction work had started before September 1, 2012 (also in case of new tenancies) opting for VAT is still unrestrictedly possible (so-called "constructor's privilege")

Exception

amongst others, rental for residential purposes (10%), accommodation (10%) resp. short-term rental of property (rental for a continuous period of a maximum of 14 days), or of plant, equipment and garages (20%)

Sales

First transfer of buildings and economically separable units is subject to 21 % VAT.

Second and every subsequent transfer of real estate is subject to 3 % transfer tax.

Refund of input VAT for Austrian taxable persons within the EU

N/A

Foreign taxable persons

Taxable persons without domicile or permanent establishment in Montenegro

Registration

Available for foreign entities via VAT representative in Montenegro and also for Montenegrin companies under certain conditions.

Refund of input VAT for taxable persons domiciled in the EU

N/A

Refund of input VAT for taxable persons not domiciled in the EU

N/A

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GENERAL MANAGERS

Civil law

General managers enter into employment agreement

Social insurance

Yes.

Income tax

Subject to tax on employment income.

VAT

No VAT

Work permit

Work permit is required for general managers who are locally employed.

Residence permit / Settlement permit

Residence permit is needed for the obtaining work permit

Liability

in case of negligence, e.g. with respect to employer's taxes, delay in declaring insolvency, in case of insolvency generally with respect to VAT and payroll-related taxes

Minimum remuneration

None

SOCIAL INSURANCE AND NON-WAGE LABOR COST

Social insurance

Mandatory social security contributions are: pension and disability insurance, health insurance and unemployment insurance

Contribution rates and maximum contributions

Mandatory SSC are pension and disability insurances (10%) and unemployment insurances (1%).

Revenues from business made online and gaming are subject to the allowance of 15% and 20% respectively for expenses incurred. The remainder is taxed at the rate the of 15%.

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Self-employed persons

Additional income (other than employment income) should be reported in the annual tax return and is subject to rates: 9% tax rate on revenue from EUR 8,400 to EUR 12,000 and for revenue above EUR 12,000 tax rate is 15%.

Health insurance

N/A

Pension insurance

10 %

Obligatory pension fund

Accident insurance

EUR 2 per month

Maximum contribution

The highest base for payment of contributions amounts to EUR 68.765 for the year 2024

Employed persons

Realised as personal income

9% on the taxable income of EUR 700 to EUR 1,000

15% on taxable income above EUR 1,000.01

Employment income is subject to surtax whereas tax base is tax calculated on employment income, while tax rate is determined by the local self-government.

Health and accident insurance

2 EUR

Pension insurance

Employer: 0 %

Employee: 10 %

Maximum contribution

The highest base for payment of contributions amounts to EUR 68.765 for the year 2024

Others

Unemployment insurance: Employer: 0.5 %

Employee: 0.5 % - Labor fund 0.2%

- Union of Trade Unions 0.2%

- Chamber of Commerce 0.27%

- Tax surcharge depending on the municipality: In Podgorica and Cetinje it is 15.00%, in Budva 10.00%, while in other municipalities in Montenegro it is 13.00%.

Severance fund

Non-wage labor cost

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IMMOVABLE PROPERTY

Tax depreciation

Immovables are included in I group of fixed assets for tax depreciation purposes. Straight-line method is applied.

Straight-line

Immovables are included in I group of fixed assets for tax depreciation purposes. Straight-line method is applied.

Additional

N/A

Depreciation categories

land - no depreciation

buildings - 2.5% , tax base acquisition amount

Land

No depreciation

Buildings

2.5 % as of activation moment

Tax base for buildings

Acquisition costs

Special depreciation

Write-ups

Not allowed for tax purposes

Real estate income tax

Object of taxation

Capital gains from the sale of operative and private real estate (irrespective of the holding period) by individuals 15% on gross amount of 70%

Tax rate

15%

Tax collection

generally in the course of the calculation by attorney or notary public

Exemptions

N/A

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Property transfer tax

Object of taxation

Acquisition of property rights on immovable property in Montenegro which includes purchase, exchange, inheritance, gift, entry and withdrawal of real estate from a commercial company, acquisition of immovable property in liquidation or bankruptcy procedure, acquisition of immovable property on the basis of a court decision or decision of and other ways of acquiring immovable property.

Transfer of newly built facility which is subject to VAT is not subject to transfer tax.

Basis of assessment

The basis of assessment is market value of immovable in the moment of its acquisition.

Tax rate

3%

Property-related taxes

Property tax

Objects of taxation

- Ownership right over immovable property (buildings and land) of companies and individuals;
- Right of use of immovable property owned by the State. Basis of assessment: Market value of the immovable as at 1 January in the year for which tax is determined. Tax rate: In the range from 0,25 % to 1 %

Real estate funds

Owner of the fund assets

No specific rules.

Annual valuation

No specific rules.

Borrowing

N/A

Diversification of risk

No specific rules.

Tax liability

No specific rules.

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OTHER TAXES

Business tax

No

Wealth tax

No

Inheritance and gift tax

No

Property transfer tax

Ownership rights over immovable property (buildings and land) of companies and individuals and rights of use of immovable property owned by the State are subject to property tax. The tax rate ranges from 0.25% to 1% of the property fair value.

The acquisition of property rights on immovable property in Montenegro, which includes purchase, exchange, inheritance, gift, entry, and withdrawal of real estate from a commercial company etc, are progressive and amounts:

up to EUR 150,000 - property transfer tax rate 3%;

from EUR 150,000,01 – EUR 4.500 plus 5% on the amount above EUR 150,000.01;

from EUR 500,000,01 – EUR 22.000 plus 6% on the amount above EUR 500,000.01.

Capital duties and fees

N/A

Contract duties

N/A

Registration fees

N/A

Capital duty

No

FILING DATES AND DEADLINES

Annual tax returns

Corporate tax: Deadline for filing: 3 months after the end of the tax year.

Income tax: Deadline for filing annual tax return: 30 April of the following year.

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E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

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VAT interim returns

Submission date is 15th in a current month for previous month No annual VAT return is prescribed.

European Sales Listing

N/A

INCOME TAXES

Tax rate

Income tax rate

1. realized as personal income - 9% on the taxable income of EUR 700 to EUR 1,000. - 15% on taxable income above EUR 1,000.01.
2. Additional income (other than employment income) should be reported in the annual tax return and is subject to rates: 9% tax rate on revenue from EUR 8,400 to EUR 12,000 and for revenue above EUR 12,000 tax rate is 15%.

Employment income is subject to surtax whereas tax base is tax calculated on employment income, while tax rate is determined by the local self-government.

Statutory withholding tax rate is 15%.

Mandatory SSC are pension and disability insurances (10%) and unemployment insurances (1%).

Revenues from business made online and gaming are subject to the allowance of 15% and 20% respectively for expenses incurred. The remainder is taxed at the rate the of 15%.

Special tax rates

N/A

Tax liability

The subject of taxation of a resident is the income earned by a resident in Montenegro and outside Montenegro.

The subject of taxation of a non-resident natural person is the income earned by a non-resident in Montenegro.

Unlimited

Residents are due to pay tax on worldwide income (except where DTA restricts the right to assess tax).

Limited

Non-residents are due to pay tax only on Montenegrin sourced income.

Tax assessment period

Calendar year

Income categories

Income from

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1. Employment
2. Self-employment
3. Royalty
4. Real estate income
5. Capital
6. Capital gain
7. Internet and video games
8. games of chance
9. other income (rather than employment income)

Accounting

Only needed for self-employed individuals.

Loss set-offs

Only capital gains could be offset with capital losses.

Loss carryback

Not possible.

Loss carryforward

Applicable only to losses generated by self-employment income; 5 years carry forward period.

No loss carry-back possible.

Operating expenses

Expenses of the business.

Tax allowable expenses

None

Lump sum option

N/A

Motor vehicles

Same as for corporate income tax.

Social insurance

N/A

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Withholding tax

5 % if interest is paid to non-resident, 5 % tax rate should apply (a lower rate may be provided in the applicable DTA).

Interest

15 % if interest is paid to non-resident, 5 % tax rate should apply (a lower rate may be provided in the applicable DTA).

Royalties

15 % or applicable DTA.

Dividends

15 % or applicable DTA.

CORPORATE INCOME TAXES

Object of taxation

Income

Tax rate

Progressive corporate tax rate:

1. up to EUR 100.000,00 - tax rate 9%;
2. from EUR 100.000,01 to EUR 1,500,000.00 (EUR 9.000,00 +12% on the amount above EUR 100.000,01)
3. above EUR 1,500,000,01 (EUR 177,000.00 +15% on the amount above EUR 1,500,000.01).

Tax liability

N/A

Unlimited

Limited

Financial year

Calendar year, except in case of liquidation or commencement of the business activity during the year.

Accounting

Double-entry bookkeeping (mandatory application of IFRS and IAS for certain entities).

Loss carryback

N/A

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Loss carryforward

Loss carry forward for limited period of 5 years. No loss carry back.

Shell company purchase

N/A

Operating expenses

Expenses of the business

Transfer prices

Arm's-length basis. Companies are not obliged to prepare and submit to the Tax Authorities transfer pricing documentation in case they have related party transactions but they are obliged to test transfer prices and make adjustment of the CIT base if necessary.

Interest on debt financing of acquisition of shares

Deductible under the same conditions as interest payable on other type of borrowings made in the course of doing business.

Interest paid to the associated party is deductible in the amount which does not exceed the cost of interest on the open market.

Interests paid to the non-residents if interest is paid at a rate higher than the usual commercial rate.

Debt / equity

N/A

Tax depreciation

For tax purposes fixed assets are divided into five groups: I group (immovable) = straight line method

II - V group (all other assets) = declining balance method (annual depreciation).

Accounting depreciation depends on accounting policy of the company and is not deductible for tax purposes.

Provisions

Tax deductible provisions:

- long-term provisions for renewal of natural wealth and for expected losses arising from litigation;
- warranty period costs;
- mandatory provisions in line with special laws for banks, insurance etc. are tax deductible to the extent legally required.

Motor vehicle expenses

15 % tax depreciation rate; declining balance method is applied.

Non-deductible expenses

- non-business driven expenses;
- non-documented costs;
- interest costs for late payment of taxes;
- interests paid to the non-residents if interest is paid at the rate higher than the usual commercial rate;
- administrative expenses paid by non-resident permanent establishment to its head office;
- earnings of employees or other persons based on profit distribution;

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- fines and penalties
- penalties imposed by the authorities, contractual parties and other penalties;
- adjustments of individual claims from persons that are also creditors;
- costs of material and the purchase value of sold merchandise goods which are not calculated using the average cost method or FIFO method, in accordance with the accounting legislation;
- severance payments and jubilee awards exceeding the amount determined by labour legislation;
- contributions to political organizations;
- expenses for investments in education, science, culture, humanitarian activities exceeding 3,5 % of total revenues;
- representation expenses above 1 % of total revenues;
- membership fees exceeding 0.1 % of total revenues;
- impairment of assets (recognized when disposed);
- penalty interest between related parties
- adjustment of the value of individual receivables from the person to whom it is simultaneously owed, up to the amount of the liability to that person;".
- The costs of salaries, royalties, remuneration based on contracts for work and other income paid to natural persons on the basis of occasional self-employment, costs of severance pay upon retirement, costs due to technological redundancy and other payments of compensation upon termination of employment, are recognized as expenses for tax purposes in the period when their payment was made.

Rental income: 15 % (a lower rate may be provided in the applicable DTA). Capital gain: 15 % (a lower rate may be provided in the applicable DTA). 15 % (a lower rate may be provided in the applicable DTA).

Services: 15 % (a lower rate may be provided in the applicable DTA). Services subject to withholding tax are consulting services, market research services and audit services.

Interest barrier

N/A

Interest and royalties to intra-group companies

N/A

Withholding taxes

Statutory withholding tax rate is 15 %. A lower rate can apply, provided that it is envisaged by a double taxation agreement (DTA).

Interest

15 % (a lower rate may be provided in the applicable DTA).

Royalties

15% (a lower rate may be provided in the applicable DTA).

Dividends

15 % (a lower rate may be provided in the applicable DTA).

Controlled foreign corporation (CFC) rules

N/A

Hybrid mismatches

N/A

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National parent- subsidiary exemption

N/A

International investments

N/A

International parent- subsidiary exemption and portfolio investments

N/A

Goodwill amortisation

N/A

Group taxation / pooling

Tax groups

Tax consolidation allowed on request if all associated parties in a group are Montenegrin residents and if parent company indirectly or directly holds more than 75 % of shares in the associated companies.

Pooling

N/A

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