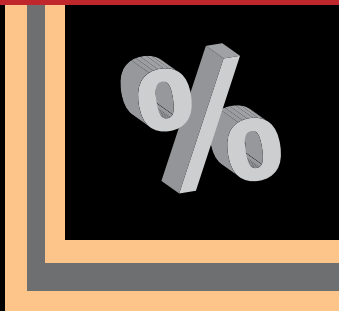




REPUBLIC OF MONTENEGRO
THE MINISTRY OF FINANCE



GUIDEBOOK THROUGH TAX LAW OF MONTENEGRO

GUIDEBOOK

THROUGH TAX LAW OF MONTENEGRO

Podgorica, january 2007



Dear readers,

This is the first edition of the tax guidebook prepared by the Ministry of Finance of Montenegro. The intention of publishing such material was to present Montenegrin tax system to potential foreign investors and also to broader audience, which includes interested citizens, media, as well as representatives of international community in Montenegro.

Overall tax reforms in Montenegro commenced in 2001 through the amendments of tax legislation with the intention to adjust local fiscal system with European standards. The introduction of modern excise system and creation of legal conditions for implementation of value added tax created the conditions for commencement of overall reforms of

the budget system and the reform of fiscal policy, which in Montenegrin environment of euro use is of special growing importance.

Of course, tax legislation is a live subject matter; therefore it is necessary to continuously work on improvement of systemic regulations in respect of tax policy as well as identified flaws. Nowadays, we can proudly say that Montenegrin tax system has been significantly improved with respect to quality of its legislation, the administrative capacities for its implementation have been strengthened and application procedures improved, although there is space for further improvement of all elements of the system. Such situation provides very positive environment for further process of European integrations with respect to future process of sta-



bilization and association, after the negotiation process has been completed and corresponding agreement signed.

At the same time, tax policy is one of our trump cards for creation of stimulating tax framework for dynamic growth of our economy. In addition to ownership rights, strengthening of rule of law system and structural reforms in the areas of privatization and labor market, tax policy is one of the key pieces of the mosaic that reflects economic development. The goal of the current tax policy is to gradually move the framework of tax revenues from direct to indirect taxation, to stimulate investing, and reduce labor costs, distinguishing Montenegro as one of the most competitive European systems. Currently, Montenegro has one of the lowest profit tax rates in Europe (9%), and with the introduction of flat income

tax rate and by its gradual reduction to 9% we'll have one of the lowest income tax rates, while the level of general VAT rate of 17% and reduced rate of 7%, is stimulating for investors, which classifies us among the champions of tax competitiveness. Such approach already arouses great interest in investments in Montenegro.

The Tax Guidebook provides the review of overall tax legislation according to types of tax and other public charges, which enables easy and prompt insight in the features of Montenegrin tax system. I believe that, as such, it will intrigue the interest of the readers.

Yours truly,
PhD Igor Lukšić



I - STRUCTURE OF TAX SYSTEM IN MONTENEGRO

Tax system in Montenegro comprises the following tax forms:

1. Excise,
2. Customs,
3. Value Added Tax,
4. Corporate Profit Tax,
5. Personal Income Tax,
6. Tax on Immovable property,
7. Tax on Turnover of Immovable Property,
8. Tax on Insurance Premiums,
9. Tax on Usage of Passenger Motor Vehicles, Vessels, Aircrafts and Flying Objects,
10. Tax on Turnover of Used Motor Vehicles, Vessels, Aircrafts and Flying Objects,
11. Contributions for Mandatory Social Insurance (pension-disability insurance, health insurance and insurance

from unemployment),

12. Republic Fees (administrative, court, registration),
13. Charges for Use of Natural and Other Goods of General Interest (for forests, waters, mineral resources, maritime resources), and
14. Local Taxes (surtaxes, charges and fees).

The tax forms referred to in items 1-13 have been introduced with special laws and the tax forms referred to in item 14 have been introduced with the municipality regulations in accordance with special laws that define basic elements for their payment (taxpayer, tax base, range of rates and etc.)



A - REPUBLIC TAXES

1. EXCISE

- Excise system is regulated by the **Law on Excise** ("Official Gazette of RoM", no. 65/01 and 76/05), as well as secondary legislation acts adopted for implementation of this Law.

- The secondary legislation acts for implementation of this Law are as follows:

1) Decree on marking tobacco products and alcohol beverages with control excise stamps ("Official Gazette of RoM", no. 82/05);

2) Decree on the change of manner of calculation and payment of excise for turnover of tobacco products with Republic of Serbia ("Official Gazette of RoM", no. 82/05);

3) Rules on application of the Law on Excise ("Official Gazette of RoM", 18/02, 9/06 i 78/06);

4) Rules on the procedure of colouring and numeration of mineral oils, which are used as heating oil ("Official Gazette of RoM", 23/02);

What products excise is paid for?

- Excise is paid for the following products:
 - alcohol and alcohol beverages,
 - tobacco products, and
 - mineral oils, their derivatives and substitutes.
- When excise is paid for the mentioned products, there is no difference in respect of the origin of the product (local and imported).

Amount of excise paid on alcohol and alcohol beverages:

- Excise on alcohol and alcohol beverages is paid in



the following amounts:

- 1,90 Euro per volume content of alcohol in the hectoliter of beer;
- »0« (zero) Euro per hectoliter of table wine;
- 35 Euro per hectoliter of sparkling wine;
- 40 Euro per hectoliter of other fermented beverages;
- 70 Euro per hectoliter of medium alcohol beverages;
- 550 Euro per hectoliter of pure alcohol.
- The type of alcohol, i.e. alcohol beverages, subject to payment of excise tax is determined based on classification of such products and their tariff numbers, i.e. codes from nomenclature from National Customs Tariff, and based on the content of alcohol in such products.

Amount of excise tax on mineral oils, their derivatives and substitutes:

- Excise tax on mineral oils, their derivatives and substitutes is paid in the following amounts, for:

Petrol and other light oils:

- 0.120 Euros per kilogram of airplane petrol (tariff code CN 2710.00 11 10);
- 0.364 Euros per liter of unleaded motor petrol (tariff code CN 2710.00 11 20);
- 0.120 Euros per kilogram of jet fuel of petrol type (tariff code CN 2710.00 11 30);
- 0.364 Euros per liter of other motor petrol (tariff code CN 2710.00 11 90);

Kerosene:

- 0,120 Euros per kilogram of kerosene for engines (tariff code CN 2710.00 21 10);
- 0,120 Euros per kilogram of fuel for jet engines of kerosene type (tariff code CN 2710.00 21 20);
- 0,120 Euros per kilogram of other kerosene (tariff code CN 2710.00 21 90);
- 0.069 Euros per kilogram of fuel for jet engines of petroleum type (tariff code CN 2710.00 21 20) used as fuel for heating;

Gas oils:

- 0,270 Euros per liter of diesel fuel (tariff code CN 2710.00 31 00);



- 0,120 Euros per liter of diesel fuel (tariff code CN 2710.00 31 00) used as heating oil;
- 0,270 Euros per liter of ship and other fuel (tariff code CN 2710.00 32 00),
- 0,120 Euros per liter of other oils (tariff code CN 2710.00 39 00);

Heating oils:

- 0,023 Euros per kilogram of low-sulfur oil for metallurgy (tariff code CN 2710.00 41 00);
- 0,023 Euros per kilogram of other heating oils (tariff code CN 2710.00 49 00);

Petroleum gases and other gaseous carbohydrates:

- 0,069 Euros per kilogram of mixture of propane and butane (tariff code CN 2711. 19 00 00)
- 0,069 Euros per kilogram of other petroleum gases (tariff code CN 2711. 19 00 90).

- The type of mineral oils subject to payment of excise tax is determined based on the classification of such products from the nomenclature of National Customs Tariff, i.e. based on the features of specific products.

How is the amount of excise tax on cigarettes and other tobacco products determined?

- Excise tax on cigarettes comprises specific and ad valorem excise tax.
- Specific excise tax for any type of cigarettes amounts to 1,00 €/kg (0,02 €/per pack).
- Ad valorem excise tax amounts to 26% of retail price of cigarettes that includes excise tax and VAT.
- The retail price of cigarettes is determined by the producer or importer and such prices are published in "Official Gazette of RoM".
- Sale of cigarettes at prices exceeding those published in the "Official Gazette of the RoM" is subject to misdemeanor and criminal measures.
- The excise tax on other tobacco goods is paid per kilogram of those goods, and amounts as follows:
 - Cigars and cigarillos – 10,00 Euro,
 - Fine-cut tobacco (for hand-rolling tobacco) – 20,00 Euro ,
 - Other tobacco for smoking – 15,00 Euro.

Who is excise taxpayer?

- Excise taxpayer is the producer, or importer of excise



products.

- Excise tax liability may be transferred from the producer, or importer to excise license holder, or exempted excise user.

Excise license, exempted excise user, excise warehouse

- *Excise license* is a document issued by the tax authority to a legal or natural person allowing such person to produce, store, receive or dispatch excise goods under the deferred excise tax payment regime, within the business activities performed in excise warehouse.

- *Exempt excise goods user* is a natural or legal person that under the prescribed conditions is issued by the tax authority the excise license allowing such person to procure excise goods without having to pay excise tax, while performing their activities (for the purposes specified in the Law).

- *Excise warehouse* is one or several mutually connected, fenced off areas or premises that constitute a technological whole, where an excise license-holder produces, stores,

receives or dispatches goods under the deferred excise tax payment regime, and which must be visibly marked and physically separated from other areas or premises.

When does the liability of calculation and payment of excise occur?

- Excise taxpayers for domestic products calculate the excise liability on their own.

- Excise tax is calculated on monthly basis and such calculation is submitted on the corresponding tax return to the tax authority by 15th day of the current month for the previous, while the excise liability is paid within the same timeframe.

- Excise tax on cigarettes is paid on 60th day from the day of takeover of control excise stamps (this refers to domestic and imported cigarettes).

- The excise payment liability in case of import of excise goods (except for cigarettes) occurs at the moment of payment of customs, except for the cases when excise deferred payment is enabled (accommodation in the customs warehouse or in the plant of exempted excise goods user).



Which are the most significant exemptions from excise tax payment?

- The most significant exemptions from excise tax payment are related to the products:

- used for the official needs of diplomatic and consular missions and international organizations accredited in Montenegro, as well as for the personal needs of foreign staff members including their family members,

- that are sold on ships and aircrafts on international traffic routes,

- that a passenger may bring in from abroad as a part of his/her personal luggage, and they are exempted from payment of import duty,

- which are from bonded warehouses dispatched to duty free shops opened at international border crossings with customs and passport control provided, for sale to passengers in accordance with customs regulations.

Excise goods marking

- Producer or importer is obliged to mark tobacco products and alcohol beverages, with the exception of beer,

with control excise stamps, prior to releasing them for use, or into free circulation.

- Exported tobacco products and alcohol beverages are marked with special export stamps, if foreign supplier does not provide excise tax stamps for them.

- Tobacco products and bottled alcohol beverages sold in duty free shops must be marked with special stamps.

- Tax Administration, at request of importer or producer of tobacco goods and alcohol beverages, issues excise stamps.

- The request submitter bears the costs for printing excise stamps.



2. CUSTOMS DUTIES

• Customs system is regulated by the **Customs Law, Law on Customs Tariff and Law on Customs Service**, as well as secondary legislation acts for implementation of the mentioned laws.

• **2.1 Customs Law** ("Official Gazette of RoM", no. 07/02, 38/02, 72/02, 21/03, 31/03, 29/05 i 66/06) regulates customs procedure, rights and obligations of persons participating in such procedure, as well as the rights, obligations and authorizations of the customs authority (Customs Administration).

• Secondary legislation acts for implementation of this Law are as follows:

1) **Decree for implementation of the Customs Law** ("Official Gazette of RoM", no. 15/03 i 81/06),

2) **Decree on the procedure for realization of rights to exemption from payment of customs duties** ("Official Gazette of RoM", no. 22/03),

3) **Decree on the conditions and manner for sale of customs goods and other procedures with customs goods**

("Official Gazette of RoM", no. 22/03 and 62/04),

4) **Decree on the procedure for goods and passengers on the border between Montenegro and Serbia** ("Official Gazette of RoM", no. 26/03 and 54/05),

5) **Decree on the types, amount and manner for collection of customs service fees** ("Official Gazette of RoM", no.4/07),

6) **Decree on conduct of activities of customs authority with the goods for which there is a reasonable doubt that they violate intellectual ownership rights** ("Official Gazette of RoM", no.25/05),

7) **Decree on issuance of certificates escorting the goods when exported, imported or in transit** ("Official Gazette of RoM", no.41/05),

8) **Decree on detailed procedure and conditions for opening duty free shops** ("Official Gazette of RoM", no.43/05),

9) **Decree on the conditions for performance of activities related to presentation before the customs service** ("Official Gazette of RoM", no.20/03 and 62/04),

10) **Rules on the form, content, manner of submission and populating customs declarations and collective returns** ("Official Gazette of RoM", no.16/03, 43/04, 2/05 and 14/05),



11) Rules on the types and manner of use of customs marks ("Official Gazette of RoM", no.49/05),

12) Rules on the special measures of customs supervision and customs procedure for goods, used for supplying transport vehicles in international traffic ("Official Gazette of RoM", no.78/06),

13) Instruction on the conditions and manner under which the amount of customs debt may be paid by the third party instead by the debtor ("Official Gazette of RoM", no. 19/04).

• **2.2 The Law on Customs Tariff** ("Official Gazette of RoM", no. 75/05) has been implemented since 1st January 2006.

• The mentioned law was adjusted to the Harmonized System (HS) 2002, as well as with the EU Combined Tariff.

• Customs tariff comprises 97 parts and 10.229 tariff items.

• Customs is calculated and collected according to ad valorem rate, and 14 types of rate are applied, which range from 0% to 30%.

• For specific agricultural products, the customs duty is calculated in the specific amount per measure unit for mass of the goods (specific customs is applied).

• The Law does not envisage the obligations for calculation of export customs duties.

Note: *The Amendments to the Law on Custom Tariffs are under procedure, i.e. harmonization with Combined Nomenclature HS 2007, (ratification of these amendments is expected by the end of March 2007).*

• **2.3 Law on Customs Service** ("Official Gazette of RoM", no.7/02 and 29/05) regulates the scope of work of the customs authority as well as the rights and obligations of customs officers.

• Secondary legislation acts for implementation of this Law are as follows:

1) Decree on establishment of customs offices and organizational units in the Customs Administration of Montenegro ("Official Gazette of RoM", no.42/02 and 31/04);

2) Rules on the form and the procedure for issuance of official identification card and manner for marking of official transport vehicles with customs service mark ("Official Gazette of RoM", no.70/02),

3) Rules on official clothes of customs officers ("Official Gazette of RoM", no.72/02),

4) Rules on conditions and the manner for carrying



weapons and ammunition by authorized customs officers
("Official Gazette of RoM", no.48/04).

Which are the most significant exemptions from payment of customs duties?

- The most significant exemptions from payment of customs duties are related to:
 - Goods imported as foreign person's investment,
 - Goods envisaged by international agreement binding for the Republic,
 - Goods directed to customs warehouse, free zones and free duty shops,
 - Equipment imported by state authorities for performance of their business activities, which is not produced in Montenegro,
 - Goods which is as humanitarian help and donation directed to the Red Cross of Montenegro and other humanitarian organizations for performance of humanitarian activities,
 - Goods of non-commercial nature that passengers bring with them from abroad (to the total value amounting to 150,00€).

What are the conditions for exemptions from customs duty payment in case of foreign investments?

- The goods imported as foreign person's investment are exempted from payment of customs duties provided that a statement from the register of the competent court is enclosed, which confirms that the company was founded from foreign investment; contract or decision on foundation of the company from the foreign investment and certified specification of the goods which represent the foreign investment. The mentioned specification, at request of the beneficiary of rights on exemption from payment of customs duties is certified by the Ministry for Foreign Economic Relations.
 - The subject of exemption from payment of customs duties may not be the goods procured from financial assets which represent the foreign investment.
 - More detailed procedures for realization of the mentioned exemption are regulated in the Decree on the procedure for realization of rights to exemption from payment of customs duties (Article 43).



3. VALUE ADDED TAX (VAT)

• VAT system is regulated by the **Law on Value Added Tax** (“Official Gazette of RoM”, no. 65/01, 12/02, 38/02, 72/02, 21/03, 76/05 and 4/06) and secondary legislation acts for implementation of that Law.

• Secondary legislation acts for implementation of this Law are as follows:

1) Rules on application of the Law on Value Added Tax (“Official Gazette of RoM”, no. 65/02, 13/03, 59/04, 79/05 and 16/06);

2) Rules on determination of goods and services taxed at reduced VAT rate (“Official Gazette of RoM”, no. 81/05, 2/06 and 10/06);

3) Rules on the form and content of the VAT return (“Official Gazette of RoM”, no. 79/05 and 28/06);

4) Rules on the form and content of the return for registration of VAT taxpayers (“Official Gazette of RoM”, no. 6/06);

5) Rules on the amount of expenditures not subject to VAT (“Official Gazette of RoM”, no. 74/06);

6) Rules on the usage of cashier's register and the manner of recording the turnover of goods or services

through such cashier's register (“Official Gazette of RoM”, no. 25/03 i 62/04);

7) Rules on the manner of realization of rights to exemption from payment of excise and value added tax for diplomatic and consular missions and international organizations (“Official Gazette of RoM”, no.74/04);

8) Instruction on the manner of conduct of the procedure related to realization of the right to exemption from payment of value added tax in the cases envisaged by international agreements, or contracts (“Official Gazette of RoM”, no. 34/03).

What are the basic features of the Law on VAT?

- The Law is based on the EU Directive VI Guidelines.
- Taxation of products and services is done according to the place of consumption, using the principle of consignment point or destination.
 - Export of goods is exempt from VAT payment (zero rate is applied), while import of goods is taxed, being subject to the same treatment as domestic products at the local market.
 - Tax liability is determined according to the invoice method, or method of deduction of “tax on tax”.
 - The taxpayer determines the tax liability on his own,



by reducing his tax liability on the account of turnover of goods and services by the amount of calculated or paid VAT on procurement of goods and services or import of goods.

What is subject to taxation?

- Value added tax is calculated and paid on:
 - delivery of goods and services rendered by a taxpayer for a consideration in the framework of his business activities;
 - and on import of goods.
- Import of motor vehicles (new and used) is subject to payment of VAT at the rate of 17%.
- The turnover of used passenger cars, motorbikes and vessels, for which the taxpayer, during the supply, was not entitled to deduct the input VAT, is not subject to VAT payment. In such cases, the special tax at the rate of 5% is paid by the buyer.
 - Turnover of land (agricultural, construction, developed and undeveloped) is not subject to taxation.

Which are the tax rates?

- There are two relevant tax rates being implemented:

- standard tax rate of 17%, and
- reduced tax rate of 7%

- Zero rate is applied on export transactions and on delivery of medicines and medical supplies which are funded by the Republic Health Insurance Fund.

What products and services are taxed at reduced rate?

- The following is taxed at reduced rate of 7%:
 - Staple-foods (milk, bread, fat, oil and sugar);
 - Medicines, including medicines for veterinary use, except for prescription drugs covered by the Republic Health Insurance Fund;
 - Orthotic and prosthetic devices, and medical devices surgically implanted in human body, except for medical devices covered by the Republic Health Insurance Fund;
 - Textbooks and teaching aids;
 - Books, monographies and serial publications;
 - Accommodation services in hotels, motels, appartels, tourist settlements, boarding houses, camps and villas;
 - Drinking water, except for bottled water;
 - Daily newspapers and periodicals, except for press,



which fully or mostly includes advertising contents;

- Public transportation of passengers and their personal luggage;
- Public hygienic services;
- Funeral services and products related to such services;
- Copyrights and services in the field of education, literature and art;
- Copyrights in the field of science and artifacts, collections and antiquities;
- Services charged through tickets for cinema and theatre shows, concerts, museums, fairs, amusement parks, exhibitions, zoos and similar cultural and sports manifestations, except for those legally exempt from payment of VAT;
- Use of sport facilities for non-profit purposes;
- Fodder, fertilizers, pesticides, reproduction seeds, seedlings and breeding stock.

Note: In 2006, books, monographies and serial publications were taxed at the privileged rate of 3,5%.

Which are tax exemptions?

- The Law provides for several types of exemptions

from VAT and they are related to the services of public interest, import of products, as well as some specific exemptions.

- Services of public interest exempted from payment of VAT comprise the following: public postal services, health services, social security services, education services, services from the area of culture, sports, public radio diffuse service, religion services and services of nongovernmental organizations.

- Import of goods exempted from payment of VAT comprises the following: imported products exempted from payment of customs duties, which are intended for official needs of diplomatic, consular missions and international organizations and members of such organizations, under the conditions prescribed by international conventions; products brought in Montenegro within the transit customs procedure; services related to import of products, if their value is included in the tax base (indirect costs such as commissions, packaging costs, transport and insurance costs which arise from import of goods to the first destination in Montenegro); products intended for: presentation to the customs authority and when their temporary storage is allowed, in accordance with the customs regulations; being brought into duty free zone, or free customs warehouse; initiation of the procedure for customs warehousing or import procedure for the



purpose of import under differed payment regime.

- Other exemptions from VAT are related to: insurance and reinsurance services; turnover of immovable property (with the exception of newly constructed); financial services; services of renting dwelling premises for the period exceeding 60 days; gold and other precious metals, banknotes and coins imported by the Central Bank of Montenegro; games related to games of chance and entertainment games.

What is the tax period?

- The period for which VAT is calculated and paid is a calendar month.
 - Taxpayer is obliged to present the tax liability on the monthly return for VAT calculation. This return is submitted by 15th day of the current month for the previous, and the tax liability is concurrently paid.
 - Import VAT is paid concurrently when customs duty is paid (VAT is a part of customs debt).

When is VAT refunded?

- Taxpayer whose output VAT is less than input VAT is

refunded the VAT surplus within 60 days from the day of submission of VAT calculation return.

- Taxpayers – who are mostly exporters, whose revenues from abroad make more than 51% of total revenues and taxpayers who in more than three tax periods in a row present VAT "surplus", VAT difference is refunded within the period of 30 days from the day of submission of VAT calculation return.

- If the deadline for payment of other taxpayer's tax liabilities expired, VAT "surplus" is reduced by the amount of tax debt.

Which special procedures (schemes) may be used for VAT calculation?

- The Law envisages special schemes for determination of VAT liabilities, for:
 - small entrepreneurs,
 - agricultural producers,
 - travel agencies, and
 - intermediaries in sale of used products, artistic items, collections and antiquities.



- *Small entrepreneurs*, who realize turnover of goods or services in the value not exceeding or which is not likely to exceed 18.000,00 € for the last 12 months, are not obliged to register for VAT payment. If they register for VAT by themselves, they are obliged to stay within the system for three years.

- *Agricultural producers* (who are not VAT payers) are entitled to lump sum remuneration to the amount of 5% of the sale price of their products (with respect to this amount, the taxpayer who purchased agricultural products is granted a tax credit).

- *Travel agencies and travel organizers* working on their behalf, using products and services of other taxpayers may decide to calculate VAT according to a special scheme. When calculating tax liability, travel agency has no right to VAT deduction that other taxpayers include when delivering products or services directly to the traveler.

- *Intermediaries* who sell or buy used products, artistic items and antiquities may calculate VAT according to a special scheme. VAT calculation period may not be less than 24 months, and reselling person mustn't include VAT in the issuing invoices.

4. CORPORATE PROFIT TAX

- Corporate profit tax liability was introduced by the **Law on Corporate Profit Tax** ("Official Gazette of RoM", no. 65/01 and 80/04).

- For implementation of the mentioned Law, the following secondary legislation acts were adopted:

- 1) **Rules on classification of fixed assets according to groups and methods for determination of depreciation** ("Official Gazette of RoM", no. 28/02);

- 2) **Rules on the form and contents of the tax return for determination of corporate profit tax** ("Official Gazette of RoM", no. 6/06);

- 3) **Rules on use of tax relief in respect of corporate profit tax in underdeveloped municipalities** ("Official Gazette of RoM", no. 3/03).

Who is corporate tax taxpayer?

- The taxpayer of the tax on profit is a resident or non-resident legal person, which carries out a business activity for profit. Limited partnership is also a taxpayer of the tax on profit.



- A resident legal person is a person established in the Republic of Montenegro, or with its main office of management and control in the territory of Montenegro.

- Non-resident legal person is a legal person that is not established in Montenegro, and with no main office of management and control in Montenegro.

What is object of taxation?

- Object of taxation of a resident is the profit that the resident realizes in and outside of the Republic of Montenegro.

- Object of taxation of a non-resident is the profit that the non-resident realizes in the Republic of Montenegro.

- The object of taxation of a non-resident's permanent establishment is the profit attributable to such business unit in the Republic of Montenegro.

- Permanent establishment means a permanent place of business activities through which a legal person in whole or in part carries its business activities and it is organized in one of the following forms: a place of management, a branch, an office, a factory, a workshop, a mine, an oil or gas deposit, a quarry or any other place of exploitation of natural resources.

- A construction site or a prefabricated building constitutes a permanent establishment only if it continues to exist for the period exceeding six months.

What are sources of profit?

- The sources of profit of legal entities are the revenues realized from:

- sale of goods produced in Montenegro;
- provision of services in Montenegro;
- interest generated by resident taxpayers and permanent establishments of non-residents;
- dividends paid by residents;
- use of property rights in Montenegro;
- exploitation of natural resources;
- immovable and movable property located in Montenegro;
- sale of immovable property located in Montenegro;
- sale of movable property, if the seller is located in Montenegro;
- insurance and reinsurance from risks realized in Montenegro.

- Sources of profit also imply other not mentioned



revenues if realized in respect of activities carried out in Montenegro.

Who is exempted from payment of corporate profit tax?

- Tax on profit is not be paid by:
 - the Central Bank of Montenegro;
 - public funds and public institutions established by the Republic of Montenegro or local self-government units, except for profit they generate from sale of goods and services in the market.

What makes the tax base?

- Tax base of the tax on profit represents the taxable profit of a taxpayer.
- Taxable profit is determined by adjustment of the profit of the taxpayer shown in the income statement according to accounting regulations, and adjusted in the manner envisaged by the tax law.
- Revenues from dividends and shares in other legal persons' profit are not included in the tax base (these revenues are subject to the withholding tax at source).

What are the tax rates?

- The rate of profit tax is flat and amounts to 9% of tax base (of taxable profits).
- A taxpayer of profit tax is obliged to calculate and pay withholding tax on:
 - dividends and shares in legal persons' profits,
 - royalties, interest, capital gain and immovable property rental fees paid to non-resident legal person.
- The tax rate for the mentioned revenues amounts to 15%, except for the interests that are taxed at the rate of 5%.

What are tax exemptions and concessions?

- The following are exempted from payment of tax on profits:
 - *Legal persons newly established in an underdeveloped municipality* conducting a production activity, for the period of the first three years as of the day of commencement of the activity;
 - *newly established business units conducting the production activity in the underdeveloped municipality* for the duration of first three years, proportionally to the profit's share in the total amount of taxpayer's profit.



Tax concessions may be used in respect of:

- employment of new staff;
 - investment in securities;
 - program activities of nongovernmental organizations.
- For the taxpayers who employ new employees in a business year for unspecified time period but not less than two years, *the tax base is reduced by the gross amount of salaries paid to such employees increased by contributions for mandatory social security paid by employer.* This relief is applied for the period of one year from the day of employment of the new employee.
 - Capital gains realized from the sale of securities and reinvested within 12 months from the day of their generation in the purchase of new securities are not taxed.
 - The revenues realized by the sale of securities that the taxpayer held in his portfolio for the period longer than two years are exempted from taxation.
 - Legal entities established as nongovernmental organizations are exempted from tax on profits to the amount of 4.000 Euro, provided that they use such gains for realization of goals they are established for.

How are capital gains of legal persons taxed ?

- Capital gains are considered to be the revenues that a taxpayer realizes through sale or other transfer with compensation of land, building constructions, property rights, shares in capital and securities.
 - Capital gains are not taxed separately at the moment of sale of the mentioned property, but are included in the taxable gains when annual tax balance is calculated.
 - Capital gains realized from the sale of securities reinvested within 12 months from the purchase of new securities is not included in the tax base in the year when the gain is realized.
 - If the capital gain is not reinvested within 12 months, that amount is included in the tax base in the year following the year when capital gain is realized.
 - Capital gains realized by the sale of securities that the taxpayer held in his portfolio for the period longer than two years is not subject to tax.

What is the tax treatment of operating losses?

- Losses resulting from business relations, excluding those resulting in capital gains and losses, may be transferred



forward to offset profit generated in future calculation periods, but not exceeding five years. These tax concessions are also applied in the case of status changes.

- In case of status changes, the mentioned tax concessions are proportionally divided based on the value of the assets, and the competent tax authority is informed thereof.

How is the avoidance of double taxation on profit provided for?

- A resident taxpayer that makes profit outside of Montenegro and pays tax on that profit in another country is allowed a tax credit in the amount equaling the amount of tax on profit paid in that country.

- The tax credit may not exceed the amount that would be calculated by application of the current tax rate applicable in the Republic of Montenegro.

- Agreements on elimination of international double taxation supersede the national tax legislation.

Group taxation and transfer prices

- Parent and subsidiary companies in respect of this law constitute a group of related companies if the parent has

direct or indirect control over no less than 75% of shares or participation in the subsidiary company.

- Related companies have the right to tax consolidation provided that such companies are residents of the Republic of Montenegro.

- Each member of the related companies group is obliged to submit its tax return to the competent tax authority, while the parent company submits the consolidated tax return for the group of related companies.

- The price originated from assets transactions or creation of obligations between related persons is considered to be a transfer price.

How is tax on profits calculated and when is it paid?

- Tax period for which tax on profit is calculated is a financial year, i.e. a calendar year, except for the case of liquidation or commencement of performance of activity during a year.

- Tax on profit is calculated after the expiration of the financial year or other period for tax determination according to the tax base realized in that period.

- Taxpayer is obligated to submit a tax return for the period for which the tax is calculated to the competent tax



authority (according to their main place of business).

- The tax return is submitted within three months after the expiration of the period for which the tax is being calculated (by 31st March). The tax indicated in the return is paid within the same time limit.

- *Taxpayers pay, during a year, tax on profit as monthly estimated installments*, determined on the basis of the tax return for tax on profit for the previous year.

- The estimated installments are paid by the end of the current month for the previous month, in the amount of 1/12 of the tax liability for previous year.

5. PERSONAL INCOME TAX

- The obligation of payment of personal income tax is regulated by the **Law on Personal Income Tax** ("Official Gazette of RoM no. 65/01, 37/04 and 78/06) and secondary legislation acts for implementation of the mentioned Law.

- Secondary legislation acts for implementation of this Law are as follows:

- 1) **Decree on the manner for conversion of current net salaries into gross salaries** ("Official Gazette of RoM", no. 34/02);

- 2) **Rules on the form and content of annual return for calculation and payment of personal income tax** ("Official Gazette of RoM", no. 6/06);

- 3) **Rules on classification of fixed assets according to groups and methods for determination of depreciation for taxpayers generating income from private sector activities** ("Official Gazette of RoM", no. 58/02),

- 4) **Rules on lump sum taxation of income from private sector activities** ("Official Gazette of RoM", no. 3/05)

- 5) **Instruction on the manner of calculation and payment of taxes and contributions from and on personal**



income in respect of employment (“Official Gazette of RoM”, no. 81/06);

Who is obliged to pay personal income tax?

- A taxpayer of the personal income tax is a resident or non-resident physical person generating taxable income on the territory of the Republic of Montenegro.
- A resident physical person is any physical person with residence or center of business and vital interests on the territory of the Republic of Montenegro or residing on the territory of RoM for more than 183 days in a tax year. Resident is also a physical person assigned outside of RoM to conduct business for a physical or legal person who are residents of RoM, or for an international organization.
- Object of taxation of a resident physical person is the income they generate in RoM and outside of RoM.
- Object of taxation of a non-resident physical person is the income that the non-resident generates from activities performed through the permanent establishment (business unit) in RoM.

- Object of taxation of a non-resident physical person without a permanent establishment (business unit) in RoM is also the income generated from royalties, interest, capital gain and rental of immovable property located in RoM.
- Where two or more physical persons jointly generate income, each of these persons is a taxpayer proportionally to the share in income they generate.

Which physical persons are exempted from payment of personal income tax?

- Personal income tax is not paid by the following:
 - members of foreign diplomatic missions in Montenegro, as well as the members of their households, if they are not citizens of Montenegro;
 - members of consular offices, as well as the members of their households, if they are not citizens of Montenegro;
 - officials and experts working on the programs of the United Nations and its specialized agencies;
 - honorary consuls of foreign countries, but only for income received from the country which has appointed them to perform honorary consul functions;
 - officials, experts and administrative staff of interna-



tional organizations if they are not citizens of Montenegro or if they have no residence in Montenegro.

Which income is subject to personal income tax?

• The revenues generated in respect of the following are subject to personal income tax:

- personal earnings,
- private sector activities ,
- property and property rights,
- capital.

• The Law on Amendments to the Law on Personal Income Tax ("Official Gazette of RoM", no. 78/06), entering into force on January 1, 2007, prescribes that revenues from capital gains are exempted from payment of personal income tax.

What makes the tax base for determination of annual personal income tax?

• Tax base for payment of the annual personal income tax is taxable income, reduced by the amount of loss carried over and personal allowance (840€ per year).

• Taxable income represents the difference between income and recognized expenses (costs) incurred by the taxpayer with respect to such income earning and maintaining.

• When determining taxable income (gain) for the taxpayer who generates income from private sector activities, he is recognized expenses in the amounts determined in the income statement (in accordance with accounting regulations), except for expenses which manner of determination is envisaged to be different.

What is the tax rate?

• The flat (proportional) tax rate is applied.
• The personal income tax rate is 15% in 2007, and 2008, 12% in 2009, and 9% in 2010, and further.

How is personal income taxed?

• The following is deemed to be personal earnings: salaries or compensations of salaries realized in accordance with regulations governing employment: income in respect of compensations and other benefits paid to employees by the employer in addition to salaries, exceeding the amount prescribed by this Law; earnings of members of representative



and executive bodies of state or local government; earnings of members of assemblies, management boards, supervisory boards and other similar bodies in legal persons, members of trustees and committees within such bodies, bankruptcy administrators and lay judges without the capacity of court officials.

- The monthly advanced payment on personal earnings is calculated with the application of the tax rate on the tax base, which is the gross personal earnings amount, which includes net earnings amount, tax payable from that earning and contributions for mandatory social insurance paid by the insured (in accordance with the laws on specific forms of mandatory social insurance) reduced by the amount of the monthly personal allowances (70€).

- Tax on personal earnings is calculated, withheld and paid by employer, i.e. payer of such earnings when paying out each earning, with the application of the prescribed tax rate on the tax base.

How is income from private sector activities taxed?

- Income from private sector activities are the revenues generated from business activities, freelance activities, professional and intellectual services, as well as income from

other private sector activities which are not the basic business activity of a taxpayer, and are periodically performed for the purpose of generating revenues.

- Taxable income (tax base) from private sector activities is the taxable gain of a taxpayer. Taxable gain is determined by adjustment of profits of the taxpayer shown in the income statement, in accordance with accounting regulations adjusted in the manner envisaged in the tax law.

- Income tax on revenues from private sector activities *is paid in monthly advanced installments during a year*, by the end of the current month for the previous month in the amount of 1/12 of tax liability according to annual tax return for the previous year. The advanced installment of the paid tax in this respect is considered as credit with regard to the liability based on tax return for the current year.

- The taxpayer *generating income from temporary private sector activities*, is allowed standard expenses in the amount of 40% of generated revenues, if he fails to document actual costs. The base for payment of this tax is net income, which represents the difference between realized income and actual, i.e. standard expenses of the taxpayer. The



tax rate on such income amounts to 15% of tax base.

- The persons generating income from temporary private sector activities are not obliged to include such income in the annual tax return, and paid advanced installments of tax are considered as finally determined tax liability.

What tax concessions can natural persons who perform self-employment activities (entrepreneurs) use?

- Entrepreneurs, who invest into fixed assets for their own activities, are entitled to reduce the calculated tax by 50% of such investments, but not exceeding 70% of total tax liability for a specific tax period.

- Entrepreneurs who employ new employees for unspecified period of time (but no less than two years), are entitled to reduce the tax base by the amount of gross salaries of such employees and respective contributions paid for such salaries. This relief is applied for the period of one year from the day of employment of the new employee.

- Entrepreneurs with the operating loss (except for capital losses), may forward such losses on account of gains from the future period, but not for the period exceeding five years.

Lump sum taxation of income from private sector activities

- The taxpayer whose total sales (revenues) in the year prior to the year for which the tax is determined, or whose planned sales at the time of commencing of the business activity is less than 18,000 Euros may, at his request, be allowed by Tax Administration to pay the tax liability as annual lump sum.

- *Rules on lump sum taxation of revenues from private sector activities* envisage that taxpayers are classified into 4 groups depending on the type of business activities, and each group is classified into one of 4 subgroups depending on the amount of realized, i.e. planned sales.

- Lump sum taxation of revenues from private sector activities is performed in accordance with the following tax scale:



in eur

I GROUP		II GROUP		III GROUP		IV GROUP	
Amount of taxable income	Annual amount of lump sum tax	Amount of taxable income	Annual amount of lump sum tax	Amount of taxable income	Annual amount of lump sum tax	Amount of taxable income	Annual amount of lump sum tax
to 1250	70	to 1750	150	to 2250	220	to 3250	390
to 2500	260	to 3500	400	to 4500	630	to 6500	1090
to 3750	490	to 5250	800	to 6750	1150	to 9750	1840
to 4500	630	to 6300	1050	to 8100	1460	to 11700	2290

How is income from property and property rights taxed ?

- The following are deemed to be the revenues from property and property rights: revenues generated by rental of immovable and movable property and revenues from time limited assignment of copyrights, industrial property rights and other property rights.

- Tax base (taxable income) for payment of personal in-

come tax on income from property and property rights is the difference between total revenues generated from rentals of the mentioned property and total expenses incurred with regard to realization of such revenues, in the same tax period.

- Expenses in respect of property and property rights are considered to be actual expenses incurred with regard to realization of such revenues (if documented) or standard expenses in the amount of 40% of realized income from property and property rights. For income from rental of rooms,



apartments and houses for vacation to travelers and tourists, standard expenses amount to 50% of realized income.

- Advanced installments of personal income tax from property and property rights during the year are calculated, withheld and paid by the payer of income (legal person or entrepreneur), at the occasion of each collection of revenues with the application of the rate of 15% on the prescribed tax base (taxable income).

- In the case of immediate revenue generation from property and property rights (when natural person leases property to another natural person) personal income tax is paid at the occasion of submission of annual tax returns.

How is income from capital taxed?

- Income from capital is considered to be the following: income from interest; share in the profit realized by the members of management and employees in money or in shares and income from personal use of property and services by owners and co-owners of the capital.

- Income tax on revenues from capital is paid by with-

holding, which means that the payer of revenues is obliged to calculate, withhold and pay tax on income concurrently with payment of revenues at the rate of 9% (which is to be applied from 2010), for 2007, and 2008, the rate is 15%, and for 2009, the rate is 12% .

- *Tax rate on income from interest generated by nonresident physical persons amounts to 5%.*

- When determining taxable income from capital, expenses are not allowed for (revenues in whole are taxed).

When is annual tax return filed?

- The personal income taxpayer is obliged to, upon the expiry of the fiscal year, submit annual tax return for calculation and payment of personal income tax to the competent tax authority (according to the place of residence).

- Annual return is submitted on the form »GPP-FL«, by the end of April of the current year for the previous year.

- The taxpayer calculates income tax on annual tax return on his own, by applying progressive tax rates (Article 10 of the Law) on the tax base (Article 8 of the Law), while the amount of advances paid during the year are deducted from totally calculated tax.



- If, by paying the tax advances, a taxpayer overpaid the tax under the tax return, the amount of overpaid tax is refunded to him at his personal request or is included in a tax advance for the next tax period.

Persons exempted from filing annual tax returns?

- Annual tax return is not filed by a taxpayer for income earned on the basis of:

- personal income (stemming from employees wages), if such income is earned with the same employer in the same accounting period;

- income from other private sector activities other than the main business activity of the taxpayer;

- income from capital;

- income from private sector activities subject to lump sum taxation.

How is double taxation eliminated?

- The resident taxpayer that realizes income outside of Montenegro and who pays tax on that income to another country is allowed a tax credit in the amount equal to the

income tax paid to that country.

- The tax credit may not exceed the amount that would be determined by application of the provisions, i.e. tax rates prescribed by this Law, on the income made in a foreign country.

- International agreements on elimination of double taxation supersede national tax legislation.



6. CONTRIBUTIONS FOR MANDATORY SOCIAL INSURANCE

• The liability for payment of mandatory social insurance is regulated with special laws as follows:

- **Law on Pension and Disability Insurance** ("Official Gazette of RoM" no. 54/03, 39/04, 79/04 and 81/04),

- **Law on Health Insurance** ("Official Gazette of RoM" no. 39/04),

- **Law on Contributions for Social Insurance** ("Official Gazette of RoM" no. 23/93.....45/98), contributions for insurance against unemployment .

• Mandatory forms of social insurance are as follows: pension and disability insurance, health insurance and insurance from unemployment.

• The Laws on specific forms of mandatory social in-

surance regulate the basic elements of such insurance (the insured, payment obligor, base, rate, manner of calculation and payment and other).

• Gross personal income is a base for calculation of the contributions for mandatory social insurance based on salaries, which implies net personal income (wage), personal income tax and contributions for mandatory social insurance paid by the employee (the insured).

• The employee from gross earning pays: personal income tax, contributions for the Pension Fund, contributions for health insurance and contributions for insurance against unemployment.

• Employer for the employee calculates and pays for the employee the following: contributions for the Pension Fund, contributions for health insurance, contributions for insurance against unemployment and surtax to the personal income tax.

• Surtax to personal income tax is paid at the rate to 13%, except for the Capital and Historical Royal Capital, for which the rate may amount to 15%. The amount of the rate



of surtax is determined by the municipality with its regulation, and the base for payment of surtax is the calculated personal income tax in all respects (sources).

- Review of current rates for contributions for mandatory social insurance from and on salaries of the employee is shown in the following table:

Type of Contribution	Payer		Total
	The insured	Employer	
Pension and Disability Insurance	12 %	9.6 %	21.6 %
Health Insurance	7.5 %	6 %	13.5 %
Unemployment Insurance	0.5 %	0.5 %	1.0 %
Total:	20.0 %	16.1 %	36.1 %



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Review of fiscal liabilities for a specific range of selected salaries is shown in the following table:

Gross salary	Tax amount	Amount of contribution from salary	Net salary	Amount of contribution paid by employer	Amount of surtax	Amount of fiscal liabilities from salary	Amount of total fiscal liability	Ratio of total fiscal liabilities and net salaries
1	2	3(1*20%)	4 1-(2+3)	5 (1*16.1%)	6 (2*15%)	7 (2+3)	8 (2+3+5+6)	9 (8/4)
63	0	12.6	50.4	10.14	0.00	12.60	22.74	0.451
141	11.3	28.2	101.5	22.70	1.70	39.50	63.90	0.630
306	39.6	61.2	205.2	49.27	5.94	100.80	156.01	0.760
370*	51.8	74.0	244.2	59.57	7.77	125.80	193.14	0.791
550	92.7	110.0	347.3	88.55	13.91	202.70	305.16	0.879
750	138.7	150.0	461.3	120.75	20.81	288.70	430.26	0.933
900	173.2	180.0	546.8	144.90	25.98	353.20	524.08	0.958
1000	196.2	200.0	603.8	161.00	29.43	396.20	586.63	0.972
1500	311.2	300.0	888.8	241.50	46.68	611.20	899.38	1.012
2000	426.2	400.0	1173.8	322.00	63.93	826.20	1212.13	1.033

Note: Average net salary in November 2006. in the Republic of Montenegro equaled to 251,00€ (gross 370€).



What contributions for mandatory social insurance are paid by entrepreneurs?

- Entrepreneurs, i.e. natural persons generating revenues from private sector activities pay contributions for mandatory social insurance as follows:

- for pension and disability insurance at the rate of 21.6%
- for health insurance at the rate of 13.5%
- for insurance against unemployment at the rate of 1%

- The base for payment of the mentioned contributions for mandatory social insurance is taxable income (profit) from self-employment activity.

- The base for payment of contributions for pension and disability insurance and health insurance may not be less than average salary in RoM for the month for which the mentioned contributions are paid.

- The highest annual base for payment of contributions for the Pension Fund for 2006 amounts to 18.070 €. This base is determined by the Pension Fund by the means of its

regulation every year.

What contributions for mandatory social insurance are paid by agricultural producers?

- Agricultural producers, i.e. natural persons carrying out agriculture activities as the only and main business activity, pay contributions for mandatory social insurance as follows:

- for pension and disability insurance at the rate of 21.6%
- for health insurance at the rate of 13.5%.

- The base for payment of the mentioned contributions is 50% of average monthly salary in Montenegro in the month for which the contributions are paid.

- Exceptionally, the *Decree on concessions for payment of contributions for insurance of agricultural producers* ("Off. Gazette of RoM" no. 2/06) for insured agricultural producers registered with the Registry of Agricultural Producers (maintained in the Ministry of Agriculture) mandatory base for calculation of contributions amounts to 12% of average salary in RoM generated in the previous year.



- Agricultural producers pay contributions for mandatory social insurance on quarterly basis.

7. Tax on turnover of immovable property

- Tax on turnover of immovable property liability (only used, not a new immovable property) was introduced by the **Law on Tax on Turnover of Immovable Property** ("Official Gazette of RM", No. 69/03).

- The tax on turnover of immovable property rate amounts to 2% of the market value of an immovable property (on a newly constructed immovable property, the VAT is paid at the rate of 17%).

- The tax on turnover of immovable property is not paid by physical persons who are resolving their issue of residence location, but not exceeding 20 per m² per member of the household.

- Government authorities, local self-government units and international organizations acquiring the immovable property for carrying out their business activities are exempt from the tax on turnover of immovable property.

- Tax on turnover of immovable property is paid within 15 days from the day of submission of the decision on determination of tax liability.

8. Tax on turnover of used motor vehicles, vessels, aircrafts and flying objects

- Tax on turnover of used motor vehicles, vessels, aircrafts and flying objects is regulated by the **Law on Tax on Used Motor Vehicles, Vessels, Aircrafts and Flying Objects Sales Tax** ("Official Gazette of RM", No. 55/03).

- The taxpayer is a purchaser or acquirer of the used motor vehicle, vessel, aircraft or flying object, provided that the VAT is not paid on sale of the same.

- Tax rate amounts to 5% of the market value of the above products.

- Tax exemptions are highly limited and are related to inheritance and gifts in the first order of succession.

- Tax liability is paid within 15 days from the day when tax liability arises.

9. Tax on use of passenger motor vehicles, vessels, aircrafts and flying objects

- Tax on use of passenger motor vehicles, vessels, aircrafts and flying objects liability was introduced by the **Law on Tax on Use of Passenger Motor Vehicles, Vessels, Aircrafts and Flying Objects** ("Official Gazette of RM", No. 28/04



and 37/04).

- This tax is paid by legal and physical persons who are owners of registered passenger cars, vessels, aircrafts and flying objects.

- Tariff for payment of this tax amounts from: 15 to 150 € (while for each aging year the tax liability decreases by 5%, but not exceeding 70%), for motorbikes from 10 to 200 €, for boats and yachts from 5 to 400 € and for aircrafts and flying objects from 1.000 to 5.000€.

10. Insurance premium tax

- Insurance premium tax liability was introduced by the **Law on Insurance Premium Tax** ("Official Gazette of RM", No. 27/04 and 37/04).

- The tax rate is 6% on auto liability insurance premiums, and 3% on Casco insurance of motor vehicles.

- This tax is paid by insurance companies irrespective of whether they are performing the insurance activities personally or through their agents.

- The tax liability is payable by 10th day in a month for the previous month.

11. Republic fees

Administrative fees

- The administrative fee payment liability is prescribed under the Law on Administrative Fees ("Official Gazette of RoM", no. 55/03 and 80/05).

- The amount of the republic administrative fees is determined under the fee tariff, depending on nature of action or document subject to payment of the fee.

Court fees

- The court fee liability is prescribed under the Law on Court Fees ("Official Gazette of RoM", no. 76/05).

- The fee is payable for actions and documents, undertaken in the court procedure.

- The amount of the court fee is determined under the fee tariff and depends on complexity of an action under the court proceedings.

Registration fees

- The registration fee liability is prescribed under the



Law on Business Organizations (“Official Gazette of RoM”, no. 6/02).

- These fees are paid at the moment of registration of business companies with the Commercial Court. The amount of the registration fee is from 1 – 50 € depending on nature of the activity or type of the company which is subject to registration.

12. Concession charges

- Concession charges are paid for use of natural resources of common interest (forests, mineral resources; public roads, and other), as well as transfer of public authorizations (organization of games of chance and other).

- Special material regulations (Law on Forests, Law on Coastal Zone and other) and regulations for implementation of such laws, as well as concession agreements regulate the manner for calculation and payment of specific types of concession charges.



B - LOCAL TAXES

Which local taxes may be introduced by municipalities?

- Municipalities, in accordance with legal authorizations, may introduce the following local taxes:
 - immovable property tax,
 - surtax on personal income tax,
 - consumption tax,
 - tax on company's name,
 - tax on undeveloped construction land,
 - tax on games of chance and entertainment games.

Immovable property tax

- Immovable property taxation is regulated under the **Law on Immovable property Tax** ("Official Gazette of RoM", no. 65/01), **the Decree on more detailed criteria and methodology for determination of immovable property market value** ("Off. Gazette of RoM", no. 23/03, 26/04 and 31/05) and **the Rules on the contents of the report on the payment of**

immovable property tax ("Off. Gazette of RoM", no. 33/05).

- Immovable property taxpayer is a legal and physical person that is the immovable property owner (land, building, dwelling and business units or other construction facility), on 1st January of the year for which the tax is determined, and the base for payment of such tax is market value of the immovable property as of that day.
 - Immovable property tax rate may amount from 0,08% to 0,80% of immovable property market value, and its amount is determined by municipality with its decision, depending on the type, location, quality, age of immovable property.
 - Tax liability is determined by the decision of the competent municipality tax authority.
 - The Law prescribes a small number of exemptions from payment of immovable property tax and they are mostly related to use of state owned property and facilities of public interest.
 - Tax concession is envisaged for dwelling facilities that serve as main place of residence, 20% for the taxpayer and 10% for each member of the household, (this concession



may not exceed the amount of 50 % of the determined tax liability).

Surtax to the personal income tax

- The possibility for introduction of surtax on the personal income tax is regulated under the ***Law on financing local self-government*** ("Official Gazette of RoM", no. 42/03 and 44/03).

- The Law envisages that the rate of the surtax on personal income tax may amount to 13%, except for the Capital and Historical Royal Capital for which the rate may amount to 15%.

- The tax base for surtax on personal income tax is the personal income tax, from any of the sources (personal income, private sector activities, property and property rights and capital).

- The amount of surtax on personal income tax is determined by the municipality through adoption of its decision.

Consumption tax

- The possibility for introduction of consumption

tax is regulated under the *Law on financing local self-government*.

- Consumption tax is paid on the turnover of alcoholic and nonalcoholic beverages in hospitality industry facilities, with the exemption of turnover of coffee and tea.

- Consumption taxpayer is a legal or physical person providing hospitality industry services.

- The base for payment of consumption tax is the sale price of alcoholic and nonalcoholic beverages in hospitality industry facilities, which does not include VAT and consumption tax.

- Consumption tax rate may amount to 3%, except for the Capital and Historical Royal Capital for which the rate may amount to 5%.

- The municipality with its decision determines the amount of the consumption tax rate.

Tax on firm or trade name

- The possibility of introduction of tax on firm or trade name is regulated by the *Law on financing local self-government*.

- The payers of the tax on firm and trade name are legal and physical persons who are personal income taxpayers.



ers and corporate profit taxpayers and who are registered for performance of business activities.

- The tax on firm or trade name is paid in an annual amount which may not exceed the amount of 300 € per a firm or trade name.
- The amount of the tax on firm is determined by the municipality with its decision, depending on the size of the area of the business premises, location and other specific features.

Tax on undeveloped construction land

- The possibility for introduction of tax on undeveloped construction land is regulated under the *Law on financing local self-government*.
- The tax on undeveloped construction land is paid by legal and physical persons, owners of undeveloped construction land.
- The base of the tax on undeveloped construction land is the surface of undeveloped construction land in m².
- Tax on undeveloped construction land is paid annually in the amount from 0,03 to 0,30 € per m² of such land.
- The amount of tax on undeveloped construction land is prescribed by municipality with its decision, depend-

ing on the location, size and other circumstances of significance for use of undeveloped construction land.

Tax on games of chance and entertainment games

- Taxation of services related to organization of games of chance and entertainment games is regulated under the ***Law on tax on games of chance and entertainment games*** ("Official gazette of RoM", number 27/06).
- The Law regulated the basic elements (taxpayers, base and other), and municipality with its decision prescribes the amount, the manner of calculation and payment of tax.
- Taxpayers of the tax on *games of chance* are business organizations registered with competent court and licensed by the Ministry of Finance to organize such games.
- The taxpayers of the *tax on entertainment games* are legal persons and entrepreneurs who put slot machines for entertainment games in function.
- The rate of tax for organization of games on chance (except for slot machines), may amount to 10% of the concession fee which is paid for organization of such games.
- The tax for organization of games on chance on slot machines may amount to 20€ per slot machine.



- The tax for organization of entertainment games may amount to 15 € per slot machine.

Which local fees may be introduced by the municipality?

- Municipalities, in accordance with legal authorization, may introduce three types of fees:

- residence fees,
- local administrative fees,
- local communal fees.

Residence fees

- The system of payment of residence fees is regulated under the **Law on Residence Fees** ("Official Gazette of RoM", no.11/04 and 13/04).

- The payer of residence fee is the person who outside their residence uses the accommodation services in the accommodation facility where tourist or hospitality industry activities are carried out. Residence fees are paid for each day of residence in the tourist facility to 30 days.

- The Law envisages that residence fee may amount

from 0,10 € to 0,80 €.

- The amount of residence fee is determined by the municipality with its decision, depending on the type of accommodation facility, scope of conveniences and services they offer.

- Residence fees are charged by legal and physical persons providing accommodation services, at the same time when charging accommodation services.

- Residence fee, if corresponding evidence is submitted, is not paid by children to 12 years, persons with serious perceptible and physical deficiencies, persons directed by medical commission to rehabilitation, pupils and students who are organized to stay within regular programs and sports and cultural festivals, foreign citizens organized to come and provide humanitarian help and other.

Local administrative fees

- The system of local administrative fees is regulated under the *Law on administrative fees* ("Official Gazette of RoM", no. 55/03 and 81/05).

- Payer of local administrative fees is the person at whose request the procedure is initiated, i.e. the action envisaged by fee tariff for local administrative fees is conducted.



- The amount of local administrative fees is determined by the municipality with its decision.
- Local administrative fee may not exceed the fee paid for similar documents and actions maintained before republic administration authorities.

Local communal fees

- The system of local communal fees is regulated by the Law on Local Communal Fees ("Official Gazette of RoM", number 27/06), which provisions shall enter into force on January 1, 2007.

- The Law on Local Communal Fees regulates the basic elements for payment of local communal fees (fee base, payer, occurrence of calculation liability and other), and the local self-government with its regulation prescribes the amount of the fee, fee concessions and the manner for calculation and payment of fee liability.

- The payer of local communal fees is the user of rights, objects and services which use is subject to payment of local communal fees.

- The municipality, according to its legal authorizations, may determine communal fees according to usable area and time of use, or determine them as fixed amounts.

- The amount of local communal fees is determined based on the type of business activity, area, location, i.e. zone where facilities, objects are located, or where the services which are subject to payment of fees are delivered.

- The Law on Communal Fees provides the possibility for municipalities to collect fees for use of infrastructure facilities by the end of 2007 (facilities used for transmission of electricity, facilities from telecommunication area, radio-diffusion and other), but only to the amount envisaged by the Law.

Which local charges may be introduced by the municipality?

- Municipalities, according to legal authorizations may introduce following types of charges:

- charge for development of construction land,
- charge for use of construction land,
- charge for use of municipal roads.

- The possibility for introduction of charges for development and use of construction land is regulated under the ***Law on Construction Land*** ("Official Gazette of RoM", num-



ber 55/00).

- *The charge for development of construction land* is paid by investor of construction of the facility and its amount depends on the level of development of the construction land and the program for development of the land.

- The payment of the charge for development of construction land is defined by a special agreement concluded between the investor of construction of the facility and the municipality.

- *Charge for use of construction land* is paid for use of city construction land (developed and undeveloped).

- The payer of the fee for use of developed city construction land is the owner, i.e. beneficiary of the right to use the dwelling or business facility, or ready-to-use business premises.

- The payer of the fee for use of undeveloped city land is the owner of undeveloped land or the person who acquired the right to temporarily use such land.

- The amount of the fee for use of construction land is determined by the decision of municipality, depending on the level of communal equipment of the land and conveniences that the users acquire or have from their use.

- The possibility for introduction of the charge for use

of municipal roads is regulated under the **Law on Roads** ("Official Gazette of RoM", number 42/04).

- The Law prescribes the types of charges for use of municipal roads that may be introduced by the municipality.

- The amount of the charges for use of municipal roads is determined by the municipality in its decision.



II - TAX PROCEDURES

- Procedures related to audit of calculation and payment of tax are regulated under the **Law on Tax Administration** ("Official Gazette of RoM", no. 65/01 and 80/04), as well as secondary legislation acts adopted for implementation of this Law.

- Secondary legislation acts for implementation of this law are as follows:

1) Rules on the form and contents of the report on payment of withholding tax ("Official Gazette of RoM", no. 31/02, 33/02 and 67/02);

2) Rules on criteria for determination of large taxpayers ("Official Gazette of RoM", no. 16/05);

3) Decree on the amount of costs of enforced collection of tax liabilities ("Official Gazette of RoM", no. 24/05);

4) Rules on the form and content of the registration application form of taxpayers ("Official Gazette of RoM", no. 24/05);

5) Rules on the manner for determination of the tax

base by means of assessment ("Official Gazette of RoM", no. 36/05);

6) Rules on the manner of sale of taxpayer's property in the enforced collection procedure ("Official Gazette of RoM", no. 36/05, 73/05 and 33/06).

7) Rules on the tax bookkeeping ("Official Gazette of RoM", no. 81/06).

- In tax procedure envisaged is subsidiary application of the following: **Law on General Administrative Procedure** ("Official Gazette of RoM", no. 60/03), **Law on Inspection Audit** ("Official Gazette of RoM", no. 39/03), **Law on Enforced Collection Procedure** ("Official Gazette of RoM", no. 23/04), **Mortgage Law** ("Official Gazette of RoM", no. 52/04) and **Law on Collateral** ("Official Gazette of RoM", no. 38/02).

What are the basic features of the Law on Tax Administration?

- Law on Tax Administration is the codex of legal norms (procedures) that regulate the procedure of assessment, audit and collection of taxes, contributions and other public charges.

- Self-assessment taxation is the basic principle in the



procedure of assessment and collection of taxes and other charges.

- Assessment principle of determination of tax liability is established as authorization and obligation of tax authority in the situations when calculation of tax is not done or is incorrectly done according to self-assessment principle, as well as in some cases when it is stipulated by law (when assessing tax on immovable property, tax on turnover of immovable property).

- The activities of assessment, collection and audit of taxes introduced by the Republic are performed by the competent Republic administration authority – Tax Administration of the RoM.

- The activities of assessment, collection and audit of taxes introduced by local self-government unit are performed by the competent local government authority.

What are the most significant authorizations and obligations of the tax authority?

Tax authority has the following authorizations and obligations:

- perform inspection audit, undertake collection mea-

asures, other actions and activities within its competence under this or other laws;

- decide on the rights of taxpayers;
- register taxpayers and maintain a tax registry;
- assess tax in the manner and in accordance with the procedure determined by law;
- require that taxpayers and other legal entities submit documentation and provide other information necessary for assessment of tax liability;
- impose penalties for tax violations prescribed by this or other tax regulations;
- initiate and conduct a first-instance administrative and misdemeanor procedure;
- maintain tax bookkeeping;
- inform taxpayers of the course of inspection audit and their rights and obligations in that procedure;
- provide expert help to taxpayers in application of tax regulations;
- provide the taxpayers with a copy of tax return free of charge;
- keep tax secrets;
- bring criminal charges, economic offence charges or request for initiation of misdemeanor procedure;
- forward the information, including the tax secrets



revealed in the course of criminal investigation or gathering other information in cases when there is a reasonable doubt of a misdemeanor or criminal action, to the authorities in charge of law enforcement;

- apply international contracts and agreements on avoiding double taxation and other conveniences in the payment of taxes;

- cooperate with other bodies and organizations in the country and abroad regarding the issues of tax crimes, in accordance with international contracts or agreements;

- undertake measures necessary for safety of tax officials;

- treat the taxpayers and other persons with due respect.

What are the most significant rights of the taxpayer?

- The taxpayer is entitled to:

- be accurately and timely informed about all issues that enable him/her to declare and pay tax liability;

- request re-examination and re-assessment of his/her tax liability in the manner prescribed by this Law;

- receive, free of charge, information from the tax authority about the tax regulations, rights and obligations arising from them;

- receive a copy of tax return and other tax forms;

- be treated with due respect by the tax authority;

- represent his/her personal interests before the tax authorities, in person or through his/her proxy;

- have access to data on assessment and collection of tax liability kept by the tax authority and request changes of the false and amendments to incomplete data;

- be present during the inspection audit.

What are the basic duties of taxpayers ?

- The taxpayer is obliged to:

- submit a registration form to the competent tax authority;

- accurately calculate taxes and submit tax return to the tax authority within the deadline and in the manner determined by tax regulations;

- report to the competent tax authority every change of the principal place of business, permanent or temporary residence, and other data from the taxpayers' registry;



- keep business books and records in the prescribed manner and keep them in accordance with law;
- pay its tax liability in the manner and within the deadlines determined by law and other regulations adopted on the basis of the law;
- submit documents and other data necessary for assessment of tax liability at request of the tax authority;
- enable undisturbed work of the tax authority officials in performance of their legal authorizations;
- perform other obligations determined by tax regulations.

How does the taxpayer calculate the tax liability? (application of self-assessment principle)

- The taxpayer initiates the tax procedure by submission of tax returns, in the manner and according to the time frame prescribed by law regulating individual tax types.
- The taxpayer submits the tax return to the tax authority where he is registered in the registry of taxpayers.
- If the taxpayer fails to submit the tax return within the prescribed time frame, the tax authority submits it within three days from the day of finding out that the tax return has not been submitted.

- The tax authority is authorized to complete for a taxpayer an incomplete tax return and correct wrongly completed tax return immediately upon finding out the omissions and mistakes in the submitted return and inform the taxpayer thereof.
- The taxpayer is entitled, within 10 days from the day of expiry of the deadline for submission of the return, in case of mistake or omission in the return, to submit amended tax return.
- Tax return is submitted on the form prescribed by the Ministry of Finance in accordance with the Law regulating specific tax types.
- Taxpayer submits the tax return on his own or through proxy.
- FIN of the taxpayer or the proxy, if the return is submitted by such person, is a mandatory element in the tax return.
- The taxpayer submits the tax return to the tax authority directly or by mail or e-mail.
- The tax authority is obliged to accept the submitted tax return regardless its correctness. If the tax return is submitted directly, tax authority, based on the visual control, indicates to its submitter the mistakes or omissions that may be corrected within the stipulated deadline.



- The taxpayer calculates the tax liability based on the data from business records and documentation that he is legally obliged to keep, i.e. newly registered taxpayer based on the assessment of revenues realized during the tax period for which the return is submitted.

When does the tax authority determine the tax liability?

- The tax authority assesses the tax liability on its own when envisaged by tax law (taxes assessed by tax authority).

- Taxes assessed by tax authority are as follows:
 - Tax on immovable property (determined by municipal tax authority);
 - Tax on turnover of immovable property and tax on use of passenger cars, vessels, aircrafts and flying objects (determined by Republic tax authority).
- Tax authority also assesses the tax liability in the following cases:
 - if the taxpayer fails to submit the tax return;
 - if the submitted tax return is inaccurate and incomplete, and the mistake has not been eliminated or new return submitted within the legal time frame;

- if the tax authority in the procedure of audit inspection, based on new facts and circumstances, establishes that the taxpayer has not assessed the tax correctly;
- if the tax authority assesses the tax liability based on books and records of the taxpayer;
- if the tax authority may not assess the tax liability based on business books and records, then the tax liability is determined by assessment of the tax base.

- When assessing tax liability through assessment of the tax base, the tax authority starts from:
 - available proper business documentation, if not entered in the books;
 - available proper business documentation on business activities within a specific period not exceeding the taxation period (daily, weekly or monthly);
 - data and facts on realized turnover (daily, weekly or monthly), determined in inspection audit;
 - data obtained by comparison with other taxpayers, that perform the same or similar business activity, on the same or similar location under approximately equal conditions;
 - other relevant data and facts that tax authority has available;



- tax authority determines tax liability with a tax decision, which is subject to complaint, that does not stay its execution.

How are taxpayers registered ?

- Taxpayers are registered by being entered into the register of taxpayers maintained by the competent tax authority.
- The registration is performed based on the registration application on the form PR-1, while PR-2 is submitted by the taxpayer.
- Registration applications on the form PR-1 are submitted by taxpayers – legal persons or organizations generating income in the Republic or outside the Republic and foreign legal persons or organizations generating income in the Republic.
- The registration applications on the form PR-2 are submitted by physical persons who generate income or own property in the Republic or outside the Republic and foreign physical persons generating income or owning property in the Republic.
- The legal person and organization submit the registration application forms to the tax authority within whose

competence the main place of business of such person or organization is located, within five business days from the day of entering in the court or other register.

- Physical persons submit the registration application form to the tax authority based on the permanent or temporary place of residence, within 5 business days from the day of generating taxable income, registration with adequate registry, or acquisition of property that is subject to taxation.
- Physical persons with no permanent or temporary place of residence submit the registration application form to the tax authority headquarters within 5 business days from the day of generating taxable income, or acquisition of property that is subject to taxation.
- Legal entities categorized as large taxpayers, submit the registration application forms in the headquarters of the tax authority.
- The tax authority, for the purpose of identification of taxpayers, issues a decision on registration by which Fiscal Identification Numbers (FIN) are assigned to legal entities and physical persons.
- FIN is a unique and sole number of a legal entity or physical person for all types of taxes and is retained in the case of a change of headquarters, permanent residence and temporary residence of the taxpayer.



III - LOCAL SELF-GOVERNMENT FINANCIAL SOURCES

- Local self-government financial sources are regulated under the Law on financing local self-government and by municipality decisions (introducing specific types of local revenues)

- *Source competencies* of municipalities are financed from four sources, as follows:

- *from own revenues* (taxes, fees, charges and other);

- *from joint (shared) Republic revenues* (10% revenues from personal income tax, 50% of revenues from tax on turnover of immovable property and 30% of revenues from concession charges for use of natural resources);

- *from Equalization Fund*, which makes 10% of revenues from personal income tax and

- in respect to tied subsidies from the *Republic Budget* approved by the Government.

- Municipalities are provided with funds for financing

transferred, i.e. entrusted activities, from the Republic Budget, in accordance with the regulation on transfer, i.e. entrusting such activities.

What is the role of Equalization Fund ?

- Equalization Fund was established for the purpose of equalizing financial conditions for underdeveloped municipalities.

- The funds of Equalization Fund are provided from personal income tax in the amount of 10% of such income, which is paid to a special account of the Ministry of Finance.

- The funds of Equalization Fund are used in the form of equalization and *incentive giving subsidies*, with the proportional ratio 90% : 10%.

- The distribution in respect of *equalization subsidies* is done in accordance with three criteria: fiscal ability index, budget spending index and level of local infrastructure development of each municipality. Such criteria in distribution of funds participate in the proportion 50% : 40% : 10%.

- The municipalities that increased their source revenues in the current year in comparison to the previous are entitled to use *incentive giving subsidies*.

- Special Commission comprising seven members



(one from the Ministry of Finance, one from the Ministry of Economy and 5 from municipality representatives) make decisions on distribution of funds from Equalization Fund.

- Decision on distribution of the funds from Equalization Fund is published in Official Gazette of the Republic of Montenegro.

What is the role of incentive giving subsidies?

- Municipalities are entitled to request from the Republic Budget to use tied subsidies for financing capital investments.

- The municipalities that adopted multi-year investment plans and which source revenues are below average realized source revenues per capita of all municipalities are entitled to use tied subsidies.

- Municipalities may be granted funds in the amount from 10% to 50% of pre-calculated value of the investment project with highest priority in the name of tied subsidies, depending on the level of realized source revenues. The Government of the Republic makes the decision on allocation of tied subsidies.

IV - REVIEW OF TAX REGULATIONS OF THE REPUBLIC OF MONTENEGRO

1. – Law on Excise (“Official Gazette of RoM”, no. 65/01 and 76/05)

1.1. *Decree on marking tobacco products and alcohol beverages with control excise stamps* (“Official Gazette of RoM”, no. 82/05);

1.2. *Decree on the change of manner of calculation and payment of excise for turnover of tobacco products with Republic of Serbia* (“Official Gazette of RoM”, no. 82/05);

1.3. *Rules on application of the Law on Excise* (“Official Gazette of RoM”, 18/02, 9/06 i 78/06);

1.4. *Rules on the procedure of colouring and numeration of mineral oils used as a heating oil* (“Official Gazette of RoM”, 23/02);

2. Customs Law (“Official Gazette of RoM”, no. 07/02, 38/02, 72/02, 21/03, 31/03, 29/05 i 66/06)



2.1. Decree for implementation of the Customs Law ("Official Gazette of RoM", no. 15/03 i 81/06),

2.2. Decree on the procedure for realization of rights to exemption from payment of customs duties ("Official Gazette of RoM", no. 22/03),

2.3. Decree on the conditions and manner for sale of customs goods and other procedures with customs goods ("Official Gazette of RoM", no. 22/03 and 62/04),

2.4. Decree on the procedure for goods and passengers on the border between Montenegro and Serbia ("Official Gazette of RoM", no. 26/03 and 54/05),

2.5. Decree on the type, amount and manner for collection of customs service fees ("Official Gazette of RoM", no.4/07),

2.6. Decree on conduct of activities of customs authority with the goods for which there is a reasonable doubt that they violate intellectual ownership rights ("Official Gazette of RoM", no.25/05),

2.7. Decree on issuance of certificates escorting the goods when exported, imported or in transit ("Official Gazette of RoM", no.41/05),

2.8. Decree on detailed procedure and conditions for opening duty free shops ("Official Gazette of RoM", no.43/05),

2.9. Decree on the conditions for performance of activities related to presentation before the customs service ("Official

Gazette of RoM", no.20/03 and 62/04),

2.10. Rules on the form, content, manner of submission and populating customs declarations and collective returns ("Official Gazette of RoM", no.16/03, 43/04, 2/05 and 14/05),

2.11. Rules on the types and manner of use of customs marks ("Official Gazette of RoM", no.49/05),

2.12. Rules on the special measures of customs supervision and customs procedure for goods, used for supplying transport vehicles in international traffic ("Official Gazette of RoM", no.78/06),

2.13. Instruction on the conditions and manner under which the amount of customs debt may be paid by the third party instead by the debtor ("Official Gazette of RoM", no. 19/04).

3. The Law on Customs Tariff ("Official Gazette of RoM", no. 75/05),

4. Law on Customs Service ("Official Gazette of RoM", no.7/02 and 29/05)

4.1. Decree on establishment of customs offices and organizational units in the Customs Administration of Montenegro ("Official Gazette of RoM", no.42/02 and 31/04);

4.2. Rules on the form and the procedure for issuance of



official identification card and manner for marking official transport vehicles with customs service mark ("Official Gazette of RoM", no.70/02),

4.3. Rules on official clothes of customs officers ("Official Gazette of RoM", no.72/02),

4.4. Rules on conditions and the manner for carrying weapons and ammunition by authorized customs officers ("Official Gazette of RoM", no.48/04).

5. Law on Value Added Tax ("Official Gazette of RoM", no. 65/01, 12/02, 38/02, 72/02, 21/03, 76/05 and 4/06)

5.1. Rules on application of the Law on Value Added Tax ("Official Gazette of RoM", no. 65/02, 13/03, 59/04, 79/05 and 16/06);

5.2. Rules on determination of goods and services taxed at reduced VAT rate ("Official Gazette of RoM", no. 81/05, 2/06 and 10/06);

5.3. Rules on the form and content of the VAT return ("Official Gazette of RoM", no. 79/05 and 28/06);

5.4. Rules on the form and content of the return for registration of VAT taxpayers ("Official Gazette of RoM", no. 6/06);

5.5. Rules on the amount of expenditures not subject to VAT ("Official Gazette of RoM", no. 74/06);

5.6. Rules on the usage of cashier's register and the manner of recording the turnover of goods or services through such cashier's register ("Official Gazette of RoM", no. 25/03 i 62/04);

5.7. Rules on the manner of realization of rights to exemption from payment of excise and value added tax for diplomatic and consular missions and international organizations ("Official Gazette of RoM", no.74/04);

5.8. Instruction on the manner of conduct of the procedure related to realization of the right to exemption from payment of value added tax in the cases envisaged by international agreements, or contracts ("Official Gazette of RoM", no. 34/03).

6. Law on Corporate Profit Tax ("Official Gazette of RoM", no. 65/01 and 80/04).

6.1. Rules on classification of fixed assets according to groups and methods for determination of depreciation ("Official Gazette of RoM", no. 28/02);

6.2. Rules on the form and contents of the tax return for determination of corporate profit tax ("Official Gazette of RoM", no. 6/06);

6.3. Rules on use of tax relief in respect of corporate profit tax in underdeveloped municipalities ("Official Gazette of RoM", no. 3/03).



7. Law on Personal Income Tax ("Official Gazette of RoM no. 65/01, 37/04 and 78/06)

7.1. Decree on the manner for conversion of current net salaries into gross salaries ("Official Gazette of RoM", no. 34/02);

7.2. Rules on the form and content of annual return for calculation and payment of personal income tax ("Official Gazette of RoM", no. 6/06);

7.3. Rules on classification of fixed assets according to groups and methods for determination of depreciation for taxpayers generating income from private sector activities ("Official Gazette of RoM", no. 58/02),

7.4. Rules on lump sum taxation of income from private sector activities ("Official Gazette of RoM", no. 3/05)

7.5. Instruction on the manner of calculation and payment of taxes and contributions from and on personal income in respect of employment ("Official Gazette of RoM", no. 81/06).

8. Law on Immovable property Tax ("Official Gazette of RoM", no. 65/01),

8.1. Decree on more detailed criteria and methodology for determination of immovable property market value ("Off. Gazette of RoM", no. 23/03, 26/04 and 31/05),

8.2. Rules on the contents of the report on the payment of immovable property tax ("Off. Gazette of RoM", no. 33/05).

8.3. Decisions of the municipalities.

9. Law on Tax on Turnover of Immovable Property ("Official Gazette of RM", No. 69/03).

9.1 Rules on the form and content of the return for registration of Tax on Turnover of Immovable Property taxpayers ("Official Gazette of RoM", no. 11/04);

10. Law on Tax on Used Motor Vehicles, Vessels, Aircrafts and Flying Objects Sales Tax ("Official Gazette of RM", No. 55/03).

11. Law on Tax on Use of Passenger Motor Vehicles, Vessels, Aircrafts and Flying Objects ("Official Gazette of RM", No. 28/04 and 37/04).

12. Law on Insurance Premium Tax ("Official Gazette of RM", No. 27/04 and 37/04).

12.1. Rules on the form and content of the evidence on a payment of Insurance Premium Tax («Official Gazzete of RM» no.43/04)

13. Law on Administrative Fees ("Official Gazette of RoM", no. 55/03 and 80/05).

13.1. Decisions of the municipalities (on local adminis-



trative fees)

14. Law on financing local self-government ("Official Gazette of RoM", no. 42/03 and 44/03).

14.1. Rules on the manner of reporting about planned and implemented returns and expenditures of municipality's budgets and budget's borrowing ("Official Gazette of RoM", no. 81/06);

14.2. Decisions of the municipalities

15. Law on tax on games of chance and entertainment games ("Official gazette of RoM", number 27/06).

15.1 Decisions of the municipalities

16. Law on Residence Fees ("Official Gazette of RoM", no.11/04 and 13/04).

16.1. Decisions of the municipalities

17. Law on Local Communal Fees ("Official Gazette of RoM", number 27/06)

17.1. Decisions of the municipalities

18. Law on Tax Administration ("Official Gazette of RoM", no. 65/01 and 80/04),

18.1. Decree on the amount of costs of enforced collection of tax liabilities ("Official Gazette of RoM", no. 24/05);

18.2. Rules on the form and content of the registration application form of taxpayers ("Official Gazette of RoM", no. 24/05);

18.3. Rules on the manner for determination of the tax base by means of assessment ("Official Gazette of RoM", no. 36/05);

18.4. Rules on the manner of sale of taxpayer's property in the enforced collection procedure ("Official Gazette of RoM", no. 36/05, 73/05 and 33/06).

18.5. Rules on the tax bookkeeping ("Official Gazette of RoM", no. 81/06).

18.6. Rules on criteria for determination of large taxpayers ("Official Gazette of RoM", no. 16/05);

18.7. Rules on the form and contents of the report on payment of withholding tax ("Official Gazette of RoM", no. 31/02, 33/02 and 67/02);



- For calculation of the contributions for mandatory social insurance the following regulations are applied:

- **Law on Pension and Disability Insurance** ("Official Gazette of RoM" no. 54/03, 39/04, 79/04 and 81/04),

- **Law on Health Insurance** ("Official Gazette of RoM" no. 39/04),

- **Law on Contributions for Social Insurance** ("Official Gazette of RoM" no. 23/93.....45/98),

- **Instruction on the manner of calculation and payment of taxes and contributions from and on personal income in respect of employment** ("Official Gazette of RoM", no. 81/06);

- *The payment of public revenues (taxes, contributions, fees, charges and etc.) is made to revenue deposit accounts prescribed by the **Order on the manner of payment of public revenues** ("Official Gazette of RoM", no. 82/04...81/06).*

GUIDEBOOK THROUGH TAX LAW OF MONTENEGRO



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