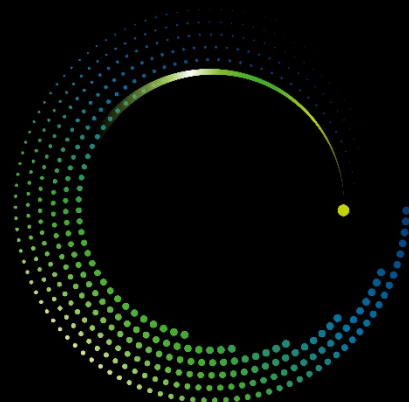


## International Tax Montenegro Highlights 2023

Updated February 2023



### Investment basics

**Currency:** Euro (EUR)

**Foreign exchange control:** There are no foreign exchange controls.

**Accounting principles/financial statements:** International Accounting Standards apply. Financial statements must be filed annually.

**Principal business entities:** These are the joint stock company, limited liability company, partnership, and branch of a foreign corporation.

### Corporate taxation

#### Rates

<b>Corporate income tax rate</b>	9%/12%/15%
<b>Branch tax rate</b>	9%/12%/15%
<b>Capital gains tax rate</b>	15%

**Residence:** A company that is registered or has its management and control in Montenegro is deemed to be resident for tax purposes.

**Basis:** Resident companies are taxed on worldwide income; nonresidents are taxed only on Montenegro-source income. Branches are taxed in the same way as subsidiaries.

**Taxable income:** Taxable income is based on accounting profit, adjusted for tax purposes by nondeductible expenses, nontaxable income, tax depreciation, etc.

**Rate:** The corporate income tax rate is applied at progressive rates, as follows:

- 9% for taxable income of up to EUR 100,000, inclusive;
- 12% on the amount of taxable income above EUR 100,000 and not exceeding EUR 1.5 million, plus a fixed amount of EUR 9,000; and
- 15% on the amount of taxable income over EUR 1.5 million, plus a fixed amount of EUR 177,000.

**Surtax:** There is no surtax.

**Alternative minimum tax:** There is no alternative minimum tax.

**Taxation of dividends:** Dividends paid between residents are subject to withholding tax but are not included in taxable income. Dividends received from abroad are included in taxable income, but a resident taxpayer can claim a tax credit for foreign tax paid.

**Capital gains:** Capital gains are included in taxable income and are subject to the normal corporate tax rate. Capital gains are calculated in accordance with the tax rules and may be offset only against capital losses.

**Losses:** Tax losses (including capital losses) may be carried forward for five years. The carryback of losses is not permitted.

**Foreign tax relief:** An ordinary tax credit is available for foreign income tax paid. The credit is limited to the amount of Montenegro tax attributable to the foreign-source profits.

**Participation exemption:** See "Taxation of dividends," above.

**Holding company regime:** There is no holding company regime.

**Incentives:** An eight-year tax holiday is granted to companies engaged in production activities in an underdeveloped area, but the exemption is limited to EUR 200,000 over the eight-year period. This incentive does not apply to the agriculture, transport, shipbuilding, steel, and fishery sectors.

## Compliance for corporations

**Tax year:** The tax year is a calendar year.

**Consolidated returns:** If a parent company has direct or indirect control over at least 75% of the shares of each subsidiary company, a consolidated group tax return may be submitted by the parent company. Each member of the group of related companies must submit a tax return and pay its share of tax; however, gains or losses arising may be offset within the group. Once elected, tax consolidation treatment must be applied for at least five years.

**Filing and payment:** The tax return must be filed within three months after the year-end.

**Penalties:** A penalty of 0.03% per day is imposed for late payment.

**Rulings:** The tax authorities do not provide tax rulings to taxpayers.

## Individual taxation

### Rates

<b>Individual income tax rate (for salary)</b>	9%/15%
<b>Capital gains tax rate</b>	15%

**Residence:** Individuals are resident if they are in Montenegro for 183 days or more in a calendar year or if their center of vital interests is in Montenegro.

**Basis:** Residents are taxed on worldwide income; nonresidents are taxed only on Montenegro-source income.

**Taxable income:** Taxable income comprises income from employment or an independent activity, including income from property, interest, capital gains, sporting activities, and intellectual property rights.

**Rates:** Salary income is subject to tax at a rate of 9% or 15%. The 9% rate applies to gross income (monthly salary) of between EUR 700 and EUR 1,000 per month, while the 15% rate applies to income over EUR 1,000 per month.

Income from an independent activity is subject to tax at rate 9% on gross income (annual income) above EUR 8,400 and not exceeding 12,000. A tax rate of 15% applies to income of over EUR 12,000. The 15% rate also applies to income derived from property, interest, capital gains, sporting activities, intellectual property rights and other income regardless of the amount of gross income received.

Salary paid to an employee of a start-up company (except for businesses in the agriculture, transport, shipbuilding, steel, and fishery sectors) in an underdeveloped area is tax-exempt for four years provided certain conditions are fulfilled.

**Capital gains:** Capital gains are taxable at a rate of 15%.

**Deductions and allowances:** There are no deductions or allowances.

**Foreign tax relief:** An ordinary tax credit is available for foreign income tax paid up to the amount of Montenegro tax attributable to the foreign-source income.

## Compliance for individuals

**Tax year:** The tax year is a calendar year.

**Filing status:** Joint returns are not permitted.

**Filing and payment:** Employment income is taxed via withholding by the employer. Individuals who receive only employment income from one employer are not required to file an annual return. Individuals who receive income from several sources must file an annual tax return, with tax paid during the year deducted from the final tax due. The return is due by 30 April following the tax year-end.

A nonresident with Montenegro-source income that is not subject to withholding tax must file a tax return to report such income.

**Penalties:** A penalty of 0.03% per day is imposed for late payment.

**Rulings:** The tax authorities do not provide tax rulings to taxpayers.

## Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	15%	15%	15%	15%
Interest	0%	15%	15%	15%
Royalties	0%	0%	15%	0%
Fees for technical services	0%	0%	15%	0%

**Dividends:** A 15% withholding tax is imposed on dividends paid to a nonresident (unless the rate is reduced under a tax treaty) and on dividends paid to a resident.

**Interest:** A 15% withholding tax is imposed on interest paid to a nonresident legal entity unless the rate is reduced under a tax treaty. The 15% rate also applies to loan payments (with or without interest) made to individuals, as well as for any extension of the loan repayment term, other than for loans up to EUR 5,000 per annum, given that the individual is not a related entity.

**Royalties:** Royalties paid to a nonresident legal entity are subject to withholding tax of 15% unless the rate is reduced under a tax treaty. Royalties paid to residents and nonresident individuals are not subject to withholding tax.

**Fees for technical services:** Service fees paid to a nonresident legal entity for market research, advisory, and audit services are subject to a 15% withholding tax. Service fees paid to resident and nonresident individuals and resident legal entities are not subject to withholding tax.

**Branch remittance tax:** There is no branch remittance tax.

**Other:** Capital gains generated by a nonresident are subject to a 15% withholding tax when the associated income is paid by a resident legal entity to the nonresident; otherwise, the gains are taxed based on the applicable tax assessment. The purchase of used, semi-finished, or agricultural products from a VAT-registered manufacturer is subject to 15% withholding tax. Fees paid to a nonresident legal entity for the performance of musical, entertainment, artistic, sports, or other similar programs are subject to 15% withholding tax.

Additionally, with effect as from 18 March 2023, a 30% withholding tax is paid on the gross amount of income generated by a nonresident legal entity from a jurisdiction with preferential tax system.

## Anti-avoidance rules

**Transfer pricing:** Transactions between related parties (as defined) must be at arm’s length and are subject to specific documentation requirements. Arm’s length price is calculated using comparable uncontrolled price method, cost plus method, resale price method, transactional net margin method, profit split method, or any other method by which it is possible to determine arm’s length price of the transaction. Large taxpayers must submit a transfer pricing report by the deadline for filing the corporate income tax return; however, until 2027, the deadline for submission is the 30 June for the previous financial year’s report. Taxpayers that are not classified as large are required to have transfer pricing documentation when submitting their corporate income tax return, and to submit it if requested by the tax authorities within 45 days from the date of receipt of the request.

**Interest deduction limitations:** There are no specific thin capitalization rules, but interest paid to a nonresident (whether or not related) must be on arm’s length terms.

Montenegro does not have rules regarding controlled foreign companies, hybrid entities, economic substance, required disclosures, exit taxes, or general anti-avoidance.

## Value added tax

Rates	
Standard rate	21%
Reduced rate	0%/7%

**Taxable transactions:** VAT is imposed on the supply of goods, the provision of services, and on imports.

**Rates:** The standard rate is 21%. A reduced rate of 7% is imposed on the supply of certain goods and services. Exports are zero-rated and exemptions exist for financial services, the sale of land, etc.

**Registration:** Taxpayers with revenue in excess of EUR 30,000 must register for VAT purposes.

**Filing and payment:** A VAT return must be filed monthly and the VAT due for the month paid by the 15th day of the following month.

## Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

**Social security contributions:** The employer is required to make social security contributions at a rate of 6% of an employee's salary. The contribution comprises pensions (5.5%) and unemployment (0.5%). The maximum base for contributions is determined annually based on the movement in the average gross monthly salary in Montenegro in the previous year.

In addition to the basic salary, benefits provided to employees, such as severance pay, solidarity pay, and allowance for living apart from family, together with personal income in the form of goods and gifts, are exempt from social security contributions.

Social security contributions due by an employee are imposed at a rate of 15.5%. These include contributions for pensions (15%) and unemployment (0.5%).

**Payroll tax:** The municipal authorities impose a surtax of up to 15% on an employee's salary. In addition, labor fund contributions are imposed on the gross salary at a rate of 0.2%.

**Capital duty:** There is no capital duty.

**Real property tax:** Property tax is imposed on the ownership/use of property at rates ranging from 0.25% to 1%. Deductions are available. Limited tax exemptions exist for construction companies.

**Transfer tax:** A transfer tax of 3% is imposed on the transfer of immovable property.

**Stamp duty:** There is no stamp duty.

**Net wealth/worth tax:** Montenegro does not have a net wealth tax or a net worth tax.

**Inheritance/estate tax:** A 3% tax is imposed on inherited real estate. An exemption is available for the transfer of property as a gift or inheritance to children, parents, or a spouse.

**Tax treaties:** Montenegro continues to apply the tax treaties signed by the former Yugoslavia and Union of Serbia and Montenegro until Montenegro signs new treaties. Some new treaties have been signed and others are being negotiated.

**Tax authorities:** The tax authorities are organized within the Ministry of Finance and at the municipal level.

Contact us:

**Radomir Raicevic**

Email: [rRaicevic@deloittece.com](mailto:rRaicevic@deloittece.com)

**Nikola Simic**

Email: [nsimic@deloittece.com](mailto:nsimic@deloittece.com)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our people deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society, and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte's approximately 415,000 people worldwide make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2023. For information, contact Deloitte Global.