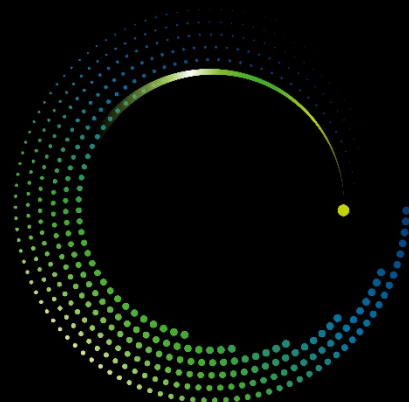


International Tax Montenegro Highlights 2024

Updated February 2024



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

Corporate income tax rate	9%/12%/15%
Branch tax rate	9%/12%/15%
Capital gains tax rate	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 Montenegrin-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

General

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

- 9% on taxable income up to EUR 100,000;
- 12% on taxable income above EUR 100,000 and up to EUR 1.5 million; and

- 15% on taxable income over EUR 1.5 million.

Surtax

There is no surtax.

Alternative minimum tax

There is no alternative minimum tax.

Global minimum tax (Pillar Two)

Montenegro has not announced it will implement rules that generally are in line with the global anti-base erosion (GloBE) or “Pillar Two” model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups with annual consolidated revenue of at least EUR 750 million.

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 rates. 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 the 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	
Individual income tax rate (for salary)	9%/15%
Capital gains tax rate	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 Montenegrin-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) 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 a rate of 9% on gross income (annual income) above EUR 8,400 and up to 12,000. A tax rate of 15% applies to income 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 startup 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 met.

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 the 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 tax 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 Montenegrin-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%/30%	15%
Interest	0%	0%/15%	15%/30%	0%/15%
Royalties	0%	0%	15%/30%	0%

Dividends: A 15% withholding tax is imposed on dividends paid to residents and nonresidents, unless, in the case of nonresidents, the rate is reduced under an applicable tax treaty.

Interest: There is no withholding tax on interest paid to resident legal entities. A 15% withholding tax is imposed on interest paid to individuals and nonresident legal entities, unless, in the case of nonresidents, the rate is reduced under an applicable tax treaty.

For loans (including interest-free loans) made on or after 30 December 2022 (or in existence prior to but extended past this date) made by an individual to a company of up to EUR 5,000 per year, no withholding tax applies if such loan is entered into with an unrelated individual.

Royalties: Royalties paid to residents and nonresident individuals are not subject to withholding tax. Royalties paid to nonresident legal entities are subject to a 15% withholding tax, unless the rate is reduced under an applicable tax treaty.

Fees for technical services: Service fees paid to individuals and resident legal entities are not subject to withholding tax. Service fees paid to nonresident legal entities for market research, advisory, and audit services are subject to a 15% withholding tax, unless the rate is reduced under an applicable tax treaty.

Branch remittance tax: There is no branch remittance tax.

Other: Capital gains generated by nonresidents 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 a 15% withholding tax. Fees paid to nonresident legal entities for the performance of musical, entertainment, artistic, sports, or other similar programs are subject to a 15% withholding tax.

A 30% withholding tax is paid on the gross amount of income generated by nonresident legal entities from jurisdictions with a 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 prices are calculated using the 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 an arm's length price for 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 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 a general anti-avoidance rule or anti-avoidance rules relating to controlled foreign companies, hybrid entities, economic substance, required disclosures, or exit taxes.

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 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: There is no net wealth tax or 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. Montenegro has concluded over 40 tax treaties.

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

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