

THE CURRENT TAX SYSTEM IN MONTENEGRO

TPA offers an overview of the most important tax innovations. 2022 is bringing changes in the areas of taxes, duties and social contributions in all CEE and SEE countries. This summary covers the essential changes effective as of 2022.

Corporate Income Tax (CIT)

- Profit-making companies and branches are obliged to pay CIT in Montenegro. The CIT rate is set at a progressive corporate tax rate:
 - up to EUR 100.000,00 - tax rate 9%
 - from EUR 100.000,01 to EUR 1,500,000.00
(EUR 9.000,00 +12% on the amount above EUR 100.000,01)
 - above EUR 1,500,000,01 (EUR 177,000.00 +15% on the amount above EUR 1,500,000.01)
- The submission of the transfer pricing documentation is mandatory in Montenegro.
- Tax losses may be carried forward for a limited period of 5 years.
- The Statutory Withholding Tax Rate is 15 %. Dividends, interests, royalties, rental income, capital gain, consulting services, market research services and audit services are subject to WHT.

Personal Income Tax (PIT) and Social Security Contributions (SSC)

- Montenegrin residents are obliged to pay tax on worldwide income, while non-residents are only obliged to pay tax on Montenegrin sourced income.
- Income Tax Rate realized as personal income
 - 9% on the taxable income of EUR 700 to EUR 1,000
 - 15% on taxable income above EUR 1,000.01
- Additional income (other than employment income) should be reported in the annual tax return and is subject to a 9 % tax rate.
- The employment income is subject to a surtax whereas the tax base is tax calculated on employment income, while the tax rate is determined by the local self-government.
- Statutory Withholding Tax Rate is 15%.
- Mandatory SSC are pension and disability insurance (20.5%) and unemployment insurance (1%).

The Property Tax and Transfer Tax

- Ownership rights over immovable property (buildings and land) of companies and individuals and the right of use to immovable property owned by the State are subject to Property Tax. The tax rate ranges from 0,25% to 1%.
- The acquisition of property rights on immovable property in Montenegro which includes purchase, exchange, inheritance, gift, entry and withdrawal of real estate from a commercial company etc. is subject to 3% property transfer tax.

Value Added Tax (VAT)

- Standard VAT rate is set at 21%, while the reduced rate is set at 7%.
- Place of supply of goods is principally the place where the item is located at the time disposal is transferred.
- Place of supply of services is the place where the recipient has its head office or a permanent establishment if the service recipient is registered for VAT (B2B rule). If, however, service is provided to a non-VAT payer, the place of supply of such services is the place to which the service provider belongs. There are special rules for place of supply for certain services such as services related to real estate, transport services, telecommunication services, etc.