
Individual Taxation

MONTENEGRO

INDIVIDUAL TAXATION IN MONTENEGRO

1. Tax Rates

Residents are subject to tax on their worldwide income from any source. Non-residents are taxed on their Montenegrin-source income only. Income tax is assessed in the tax year on a current year basis.

Income tax is calculated annually. The fiscal year starts on 1st of January and ends on 31st of December. The deadline to submit the annual personal income declaration is no later than 30th of April of the following year.

The sources of income consist of income generated on the basis of:

1. personal income.
2. independent activities.
3. property.
4. capital.
5. capital gains.
6. income from sports activities.
7. income from copyright and related rights, patents, trademarks and income of independent experts in culture.

Income represents the sum of taxable income realized in the tax period.

A taxpayer who rents rooms, apartments, houses and apartments for vacation to travelers and tourists, and owns the work permit issued by the competent authority submits a tax return regardless of whether it is in the tax period generated income.

A non-resident submits a tax return for income earned in Montenegro for which no withholding tax payment is foreseen. Non-Residents should apply for temporary tax id. The tax declaration is submitted in one copy directly, by post or electronically

Applicable Laws:

- Law on personal income tax
- Income tax is paid on income from all sources, except for those exempted by law.

2. Exempted Income

Income Type	Taxable Amount
<p>Income from salaries and other compensations derived from employment</p>	<p>Taxable income from income based on personal income is the amount of gross income</p>
<p>Income from independent activities</p>	<p>The taxable profit is determined by adjusting the taxpayer's profit shown in the income statement of the entrepreneur, as a difference between total revenues and expenses</p>
<p>Investment income is considered to be:</p> <ul style="list-style-type: none"> • income from interest. • shares in profits distributed to employees or board members • use of a company's property and services by the owner of the company, and • acquisition of a company's shares by the employees or board members under beneficial terms. 	<p>When determining taxable income from capital, expenses are not recognized. Base for taxation is 100% of Investment income.</p>
<p>Property Income</p> <ul style="list-style-type: none"> • Income from rental or other profits arising from real estate property • Income from time limited disposal of intellectual property (IP) and other property rights. 	<p>Taxable income from property is the difference between income and expenses under condition that expenses are documented. If expenses are not documented, then taxable amount is 70% of the gross income</p>
<p>Capital gains</p> <p>Capital gain is considered the income realized from the sale of property, i.e. real estate, share in a legal entity and securities (hereinafter: assets).</p> <p>Capital gain from the sale, i.e. the transfer of property, is not taxed if:</p> <ul style="list-style-type: none"> • the immovable property served the taxpayer as the sole and main place of residence (residence); • property transfer made between spouses, i.e. life partners and is directly related to marriage, life partnership, divorce, termination of life partnership or property inheritance; • transfer of property made as a gift to 	<p>Taxable income based on capital gains represents the difference between the sale and purchase price of the property.</p>

<p>Income from sports activities: Income from sports activities is considered to be</p> <ul style="list-style-type: none"> • the income of a professional athlete, amateur athlete, coach of a sport, expert qualified to work in sports, • income based on transfers and compensation to coaches and athletes amateur, and which do not have the character of earnings in accordance with labor regulations and the law governing sports. 	<p>Taxable income from property is the difference between income and expenses under condition that expenses are documented. If expenses are not documented than taxable amount is 70% of the gross income</p>
<p>Income from copyright and related rights, patents, trademarks and income of an independent expert in culture</p>	<p>Taxable income from copyright and related rights, income from patents and trademarks and income from self-employment of experts in culture represents the difference between income and expenses incurred in same tax period under conditions that expenses are documented.</p> <p>If the expenses from paragraph 1 of this article are not documented, standard expenses are recognized in the amount of:</p> <ul style="list-style-type: none"> • 60% of the realized income on the basis of compensation for the rights that the obligee obtains on the basis of the author's work art activities; • 50% of the realized income on the basis of compensation for the rights that the obligee obtains on the basis of the author's work areas of architecture, urban planning and landscape architecture; • 30% of the realized income based on the fee for interpreter's rights. • 30% of realized income on other fees realized on the basis of copyright and related rights, patent and trademark rights • and the income of independent experts in culture.

3. Taxable Income

Income is not considered income earned on the basis of:

1) regulations on the rights of persons with disabilities;
2) child allowance and special assistance for the equipment of newborn children;
3) basic rights in the field of social protection;
4) help due to the destruction or damage of property due to natural disasters or other extraordinary events;
5) benefits from health insurance, except salary benefits;
6) inheritance and gifts;
7) organized social and humanitarian aid;
8) state awards established by law;
9) pension, except for pensions realized in accordance with the law regulating the salaries of state and public officials and disability allowance;
10) prize games and games of chance;
11) insurance of things, life and property.

4. Other Important Considerations

Foreign Tax Relief	Resident taxpayers are entitled to a tax relief up to the amount of tax paid in another country on income realized in that country. This relief cannot exceed the amount of the tax that would have been paid in Montenegro
Tax Incentives for Individuals	A self-employed individual who starts one's business in a non-developed region is tax exempted for eight years from establishment, limited to the PIT amount of 200.000 euro;
Non-Residents Interest Income	Tax rate on revenues from interest paid to non-residents is 5%
Property Transfer Tax	Property transfer tax of 3% is payable on the acquisition of ownership rights over immovable property
Other Employee's exemptions	Specific employee remunerations are not taxable up to a specified cap (e.g. certain redundancy payments, solidarity help)

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