



MONTENEGRO TAX CARD 2025

www.eurofast.eu

podgorica@eurofast.eu

TAX CARD 2025 – MONTENEGRO

Table of Contents

1. Individuals

- 1.1 Personal Income Tax
 - 1.1.1 Tax Rates
 - 1.1.2 Taxable Incomes
 - 1.1.3 Exempt Income
 - 1.1.4 Deductible Expenses
 - 1.1.5 Non-deductible Expenses
- 1.2 Social Security Contribution
- 1.3 Submission of Tax Returns

2. Corporate Taxation

- 2.1 Corporate Income Tax
 - 2.1.1 Residency
 - 2.1.2 Tax Rates
 - 2.1.3 Taxable Incomes
 - 2.1.4 Exempt Income
 - 2.1.5 Deductible Expenses
 - 2.1.6 Non-deductible Expenses
- 2.2 Withholding Taxes

3. Indirect Taxation

- 3.1 Value Added Tax (VAT)
 - 3.1.1 VAT Registration Threshold
 - 3.1.2 Rates
 - 3.1.3 Exempted Supply of Goods & Services
 - 3.1.4 Fiscalization
- 3.2 Custom Duties
- 3.3 Excise Duties

4. Local & Other Taxes, Fees

5. Tax Calendar

6. Administrative Penalties

I. Individuals

1.1 Personal Income Tax

Residents are subject to tax on their worldwide income. Non-residents are taxed on their Montenegrin-sourced income only. Income tax is assessed in the year during which the income is earned on a current-year basis.

1.1.1 Tax Rates

| | |
|--|-----|
| Personal income tax rate up to 700 Euro gross | 0% |
| Personal income tax rate from 701 to 1000 Euro gross - | 9% |
| Personal income tax rate over 1000 Euro gross | 15% |

Rates are calculated monthly.

1.1.2 Taxable Incomes

| Income type | Taxable amount |
|--|----------------|
| Incomes from salaries and bonuses arising from employment | 100% |
| Any income arising from immovable property | 100% |
| Incomes from dividends or other types of profit distribution | 100% |
| Interest incomes | 100% |
| Royalties | 100% |
| Capital gains | 100% |
| Other incomes not specifically mentioned above | 100% |

1.1.3 Exempt Income

| Income type | % |
|--|------------------------|
| Income received as a result of being insured in the social and health insurance scheme | 100% |
| Inheritance and gifts | 100% |
| Pensions | 100% |
| Income from games of chance | 100% |
| Organized social and humanitarian help | 100% |
| Income derived in line with legislative related to disabled persons | 100% |
| Unemployment benefits | 100% |
| Child protection welfare | 100% |
| Scholarships and loans to students | Subject to limitations |
| Goods, life and property insurance incomes | 100% |

1.1.4 Deductible Expenses

| Expense type | % |
|---|------------------------------|
| Freelancers' income – income from self-employment | 30% of the generated revenue |

1.1.5 Non Deductible Expenses

Generally, no deductions are allowable on aggregate income.

| Expense type | % |
|------------------------------------|------|
| Expenses that cannot be documented | 100% |
| Penalties | 100% |
| Mortgage interest | 100% |
| Life insurance premiums | 100% |
| Educational and medical expenses | 100% |

1.2 Social and Health Insurance Contributions

| Contribution | Employees | Employer |
|---|-----------|----------|
| Pension Fund | 10.0% | 0.0% |
| Health Fund | 0.0% | 0.0% |
| Unemployment Fund | 0.5% | 0.5% |
| Labor Fund | | 0.2% |
| Chamber of Commerce Membership contribution | | 0.27% |
| Prevention of Disability Fund | | 0.2% |
| Total | 10,5% | 1,17% |

1.3 Submission of Tax Returns

The deadline for submission of the tax return is 30th April of the following year (the tax year coincides with the calendar year). The tax should be paid by the same deadline.

Individuals who received no income other than employment one and were working only with one employer during the tax year are not obliged to submit a tax return.

II. Corporate Taxation

2.1 Corporate Income Tax

Resident companies are subject to profit tax on their worldwide income, while non-resident companies are taxed only on their incomes derived from sources in Montenegro. Capital gains, dividends, interests, and royalties are included in the income of companies and are taxed as part of corporate income tax.

2.1.1 Residency

Tax residency is established when a company has a permanent establishment, or the management and control is exercised in Montenegro.

2.1.2 Tax Rates

Montenegro applies a progressive tax system.

| | |
|--|-----|
| Corporate Income Tax rate up to 100,000 taxable profit | 9% |
| Corporate Income Tax rate from 100,001 to 1,500,000 taxable profit | 12% |
| Corporate Income Tax rate over 1,500,001 taxable profit | 15% |

2.1.3 Taxable Incomes

| Income type | Taxable amount |
|---|----------------|
| Incomes derived from the ordinary course of business activity of a company or closely connected to the ordinary course of business activity | 100% |
| Incomes from the transfer of immovable properties | 100% |
| Any income arising from immovable property | 100% |
| Incomes from dividends or other types of profit distribution | 100% |
| Interest incomes | 100% |
| Royalties | 100% |
| Other incomes not specifically defined above | 100% |

2.1.4 Exempt Income

The following are exempt from payment of corporate income tax:

- Local and central government bodies;
- Public enterprises, tourism organizations, sports clubs, sports associations, art associations, and political parties;
- Non-governmental organizations;
- Entities that conduct only religious, humanitarian, charitable, scientific, or educational activities;
- Labor organizations and commercial chambers; and
- Dividends and other profit distributions arising from holding shares in resident legal entities are tax-exempt.

2.1.5 Deductible Expenses

All expenses incurred wholly and exclusively for the generation of income are deductible for tax purposes if supported by relevant documents such as tax invoices, foreign invoices, receipts issued by state entities or other documents compiled and issued according to the Ministry of Finance Directives.

Deductible expenses include, among others:

| Expense type | Deductible amount |
|---|-------------------|
| Expenses for the repair of premises, plant, machinery, and means of transport | 100% |
| Social and health insurance contributions paid on behalf of employees | 100% |
| Interest and royalty payments | 100% |
| Bad debts only after the company has undertaken all legal steps to cash in the debt | 100% |

2.1.6 Non-deductible Expenses

Expenses that were not wholly and exclusively incurred for the generation of income, or expenses that have not been documented properly are not deductible for tax purposes.

Non-deductible expenses include:

| Expense type | Non-deductible amount |
|--|-----------------------|
| Expenses not related to business activity | 100% |
| Expenses that cannot be documented | 100% |
| Penalties, fines, and interest for late payment of taxes | 100% |
| Interests paid to non-residents in the amount above market rate | 100% |
| Expenses made for business entertainment, accommodation, and hospitality of any kind when the overall amount exceeds 3% of the total revenue | 100% |
| Business trip allowances that exceed the limits set by the Ministry of Finance | 100% |
| Donations to political organizations | 100% |
| Expenses resulting from the correction of accounting records related to previous periods | 100% |
| Administrative expenses paid to non-resident head office | 100% |
| Representation costs over 1% of total turnover | 100% |
| Expenses of salaries that are not paid in the period | 100% |



The withholding tax rate is 15%.

All residents, including companies, sole entrepreneurs, central and local governmental bodies, non-profit organizations, and any other legal entity registered in Montenegro are obliged to withhold tax from the following payments generated in Montenegro:

| Taxable payments | Tax rate |
|---|----------|
| Dividends | 15% |
| Interest Profit shares | 15% |
| Interests paid to non-residents | 15% |
| Royalties paid to non-residents | 15% |
| Capital gain paid to non-residents | 15% |
| Income derived from consulting services paid to non-residents | 15% |
| Rent of movable and immovable property paid to non-residents | 15% |
| Market research services paid to non-residents | 15% |
| Audit services paid to non-residents | 15% |

The payer is obliged to withhold the tax and pay it to the account of the Tax Authorities on behalf of the beneficiary of the payment.

The domestic withholding tax rate (15%) may be reduced when a double tax treaty exists with more favorable rates.

Double tax treaty network in force for the year 2025:

| | | |
|------------------------|-----------------|----------------------|
| Albania | France | Poland |
| Austria | Germany | Portugal |
| Azerbaijan | Hungary | Romania |
| Belarus | Ireland | Russia |
| Belgium | Iran | Serbia |
| Bosnia and Herzegovina | Italy | Slovakia |
| Bulgaria | Kuwait | Slovenia |
| China | Latvia | Sri Lanka |
| Croatia | Malta | Sweden |
| Cyprus | Malesia | Switzerland |
| Czech Rep. | Moldova | Turkey |
| Denmark | Netherlands | Ukraine |
| Egypt | North Korea | United Arab Emirates |
| Finland | North Macedonia | United Kingdom |
| | Norway | |

Foreign companies whose headquarters are in "territories with tax sovereignty withholding tax of 30 % instead of 15 %.

III. Indirect taxation

3.1 Value Added Tax (VAT)

3.1.1 VAT Registration Threshold

The VAT turnover registration threshold is determined by the Ministry of Finance, according to economic and administration factors. The current turnover threshold is EUR 30,000 in a 12-month period.

Voluntary registration: Every physical person or legal entity that is not obliged to be registered for VAT according to the abovementioned conditions but offers taxable supplies of goods or services in Montenegro, has the right to a voluntary VAT registration at the respective Tax Office.

3.1.2 Rates

| | |
|--|-----|
| General rate - applied on domestic transactions and on imports of goods | 21% |
| Basic food supplies (bread, milk, meat, fat, oil, sugar), medical drugs, books, water supplies, hotel accommodation, public transport, service of preparation and serving of food, bottled drinking water, and non-alcoholic non-carbonated drinks in restaurants and facilities where catering services are provided, etc.. | 7% |
| Books, touristic accommodation, F&B service except for alcohol and sparkly drinks, solar panels | 15% |
| Exports of goods out of Montenegro and international transport of goods and passengers, services provided to foreign legal entities, medicines, and medical devices, determined by the list of medicines, etc. | 0% |

3.1.3 VAT Exempt supplies of goods and services:

| |
|---|
| Financial services and banks |
| Postage stamps supply |
| Supply provided by a non-profit organization |
| |
| Supply of newspapers, magazines, and books (other than imported) and advertising in electronic and traditional media services |
| International air and sea transport |
| Supply of services performed outside the territory of Montenegro by a taxpayer whose place of business is in Montenegro |

3.1.4 Fiscalization (e-invoicing)

From 1st June 2021, all legal entities that are obliged to harmonize their business in accordance with the law on fiscalization in such a way that they are obliged to report their turnover through electronic toll collection devices that will be connected to the Tax administration.

3.2 Custom Duty

Customs duty in the Republic of Montenegro is applied on the import of goods, by the custom authorities. The liability to pay customs duty is always on the importer of goods, but it is added to the cost of goods and in this way it is finally passed on to the consumers.

Customs duty is based generally on the value of goods or upon the weight, dimensions, or other criteria, depending on the item. The rate of customs duty in Montenegro is different for each product and it also varies by country(ies) of origin. The customs authorities have the obligation to publish and update the list of the customs rates for each product and each country.

3.3 Excise Duty

Excise duty in the Republic of Montenegro is an indirect tax applied on certain goods, such as tobacco products, alcoholic drinks, coffee, petroleum (and petroleum byproducts), packaging products etc. The liability to pay excise duty is always on the manufacturer or producer of goods. Nevertheless, it is normally added to the cost of goods and is collected by the manufacturer from the buyer of goods.

There is no universal excise duty rate, as the duty for each product is different and is calculated on a kg, liter, or piece basis.



IV. Local and Other Taxes, Fees

| |
|--|
| Real estate tax on buildings. Property tax – calculated on the surface (square meters) of the buildings – its amount depends on the region where the building is located. |
| Real estate tax on agricultural land – calculated on the surface (hectares) of the agricultural land – its amount depends on the region where the land is located. |
| Tax on environment and waste collection |
| Fees on occupying a public place in the market for business purposes. |
| Transfer tax – Second and subsequent transfers of real estate property are subject to transfer tax at the rate of 3%. For the property valued over 150 000, from 1 January 2024 transfer tax rate of 5% |
| Municipality tax - City surtax - Municipality tax calculated on the base of personal income tax. Depending on the municipality surtax rate can be from 10% to 15%. |

V. Tax Calendar

| Activity | Deadline |
|---|---------------------------------|
| Declaration and payment of VAT | 15th of the following month |
| Declaration and payment of social and health insurance contribution | 15th of the following month |
| Declaration of dividend distribution and payment of related withholding tax | 28th February for previous year |
| Submission of Financial Statements to the Tax Office | 31st March for previous year |
| Declaration and payment of annual corporate income tax return | 31st March for previous year |
| Annual personal income tax return | 30th April for previous year |
| Immovable Property Declaration | 30th April for previous year |

VI. Administrative Penalties

| Activity | Penalty |
|---|-------------------------|
| Personal Income Tax Law: - Failure to submit an annual personal tax return within legal deadline - Late or incorrect payment - Other related offense | EUR 2,000 to EUR 10,000 |
| Corporate Income Tax Law: - Late submission of withholding tax return or corporate income tax return - Late payment of corporate income tax or withholding tax - Other related offense | EUR 550 – EUR 16,500 |
| Value Added Tax: - Failure to register for VAT - Failure to submit VAT return - Other VAT related offenses - Fiscalization offense | EUR 3,000 to EUR 40,000 |



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