

4a Taxing of Foreign Investors

The tax system in Montenegro is settled in a modern way that corresponds to the comparative experiences of developed countries and international standards. It provides the following:

- Functioning and stability of the integral market and efficient conducting of macroeconomic and stabilization policy.
- Compatibility with the tax systems of countries of market economy;
- Equal position and business conditions and competitiveness of taxpayers in a unified economic territory and on an integral market, which enables the free movement of goods, services, persons and capital.
- Equal position of all legal entities and natural persons in the territory of Montenegro.
- Payment of liabilities of all taxpayers in conformity with their economic force.
- Foreign investment incentives by providing equal tax treatment and tax security in the territory of Montenegro, and thus also competitiveness on the international market of capital, goods and services.

The types of tax in the territory of Montenegro are:

- Corporate Profit Tax (effective from January 1, 2002)
- Personal Income Tax (effective from July 1, 2002)
- Property Tax (effective from January 1, 2003)
- Excise Tax (effective from April 1, 2002)
- Value Added Tax (VAT) (effective from July 1, 2002).

Corporate Profit Tax

Taxpayer

- A taxpayer of profit tax is a resident or non-resident legal entity that performs an activity in order to make profit.
- A limited partnership is also considered to be a legal entity in the sense of the Law.

Resident and Non-resident

- A resident legal entity is an entity that is established in the Republic of Montenegro or has its place of management and control in the territory of Montenegro.
- A non-resident legal entity is an entity that is not established in Montenegro and that has its place of management and control outside Montenegro, and that performs its business operations through a permanent business unit.

Taxable Subject

- The taxable subject of a resident is profit made by a resident in Montenegro and outside Montenegro.
- The taxable subject of a non-resident is profit made by a non-resident in Montenegro.

- The taxable subject of a non-resident's permanent business unit is profit made by that business unit.

- A permanent business unit is a permanent business office through which a legal entity conducts its business operations, either completely or partly, and which is organized in one of the following forms: head office, branch office, office, factory, workshop, mine, oil or gas deposit, quarry or any other place for the extraction of natural resources.

- A building site or pre-fabricated building facilities constitute a permanent business unit only if they are used for more than 6 months.

- A permanent business unit is not considered to be:

- use of building facilities for storage, exhibition or delivery of goods pertaining to a legal entity;
- keeping commodity stocks pertaining to a legal entity for storage, exhibition or delivery;
- storage of commodity supplies pertaining to a legal entity and to be processed by another legal entity;
- conducting a permanent business office to procure goods or to collect information for a legal entity;
- conducting a permanent business office for a legal entity's business operations and all other preparatory and ancillary activities;
- conducting a permanent business office for any purposes as specified above, providing the preparatory and ancillary character of the total activities of the permanent business office for these purposes.

- The taxable subject of a non-resident without permanent business unit is income generated on the basis of: dividends and share in profit, royalties, interests and revenues from the lease of real estate located in Montenegro.

Sources of Profit

-Sources of profit in Montenegro are considered to be revenues earned on the basis of:

- selling goods produced in Montenegro;
- rendering services in Montenegro;
- interests generated by a resident taxpayer and a non-resident permanent business unit;
- dividends paid by a resident;
- using property rights in Montenegro;
- extraction of natural resources;
- immovable and movable property located in Montenegro;
- selling immovable property located in Montenegro;
- selling movables, provided that their owner is located in Montenegro;
- risk insurance and reinsurance realized in Montenegro.

- Sources of profit in Montenegro are also considered to be other revenues, if they were earned by performing an activity in Montenegro.

Tax Exemptions

- Corporate profit tax is not paid by:

- the Central Bank of Montenegro;
- public funds and public institutions which are established by Montenegro or a local governance unit, except for profit made by selling goods and services on the market.

Tax Base

- The tax base of profit tax is the taxable profit of the taxpayer.
- The taxable profit is the difference between revenues and expenses as demonstrated in the profit and loss account.

Tax Rate

- The corporate profit tax rate is progressive.
- The profit tax rates amount to:
 - on profit up to 100,000 € : 15%;
 - on profit over 100,000 € : 15,000 € + 25% on the amount of profit over 100,000 € .
- A taxpayer of corporate profit tax in Montenegro is obligated to account for, withhold and pay tax after deduction for payments made on the basis of:
 - dividends and share in a legal entity's profit;
 - royalties, interests and revenues from the lease of real estate paid to a non-resident taxpayer.
- The tax rate as defined under the previous item amounts to 15%, except for interests, for which the tax rate amounts to 5%.

Tax Exemptions and Tax Concessions

- A newly established legal entity that conducts a production activity in an economically underdeveloped municipality is exempt from paying profit tax for the first three years upon the start-up of the activity, on the profit made in the performance of its activity in an underdeveloped municipality.
- Profit tax is reduced to a taxpayer that makes profit in a newly established business unit conducting a production activity in an underdeveloped municipality, for a period of three years, in proportion with the share of such profit in the total profit of the taxpayer.
- The tax credit as defined under the previous item is realized on the condition that separate files are kept relating to the business operations of the business unit in the underdeveloped municipality.
- The computed profit tax is reduced to a taxpayer that makes investments in fixed assets for his own activity, by 25% of the investment made.
- The tax credit as defined under the previous item may not exceed 30% of the tax accounted for in the year in which the investment was made.
- Fixed assets as under this Paragraph are considered to be permanent fixed assets that are subject to depreciation, except for passenger cars.
- Legal entities established as non-governmental organizations are exempt from profit tax up to the amount of 4,000 € , if they use this profit in order to attain the objectives for which they were established.
- The exemption as defined under the previous item is established by the decision of the competent tax authority.

Avoiding Double Taxation

- A resident taxpayer that makes profit outside Montenegro and that pays tax on such profit in another state is granted a tax credit amounting to the profit tax paid in that state.
- The tax credit is limited to the amount of tax that would be paid under this Law on the profit made in another state.
- Any double taxation agreements supersede the provisions of this Law.

Personal Income Tax

Taxpayer

- Personal income tax is paid by a resident or non-resident natural person earning income from the sources established by this Law.
- When two or more natural persons jointly earn income, a taxpayer is any of those persons, in proportion with the share in the income such person has earned.
- A resident natural person in the sense of the Law is a natural person who:
 - has his residence in the territory of the Republic of Montenegro,
 - has his center of business and life interests in Montenegro,
 - stays in the territory of Montenegro for 183 days or more in the respective tax year.
- A resident of Montenegro is also a natural person, who is sent outside Montenegro to perform duties for a natural person or legal entity, which is a resident of Montenegro, or for an international organization.

Taxable Subject

- The taxable subject of a resident is the income earned by the resident in Montenegro and outside Montenegro.
- The taxable subject of a non-resident natural person is the income earned by such non-resident on the basis of activities performed through a permanent business office in Montenegro.
- A permanent business office is considered to be an office, i.e. a place through which a non-resident performs his activities in Montenegro, either completely or partly, either by himself or through an authorized representative. In case of need, when determining a permanent business office, the provisions of the Law on Corporate Profit Tax will apply.
- The taxable subject of a non-resident is also the income earned by such non-resident on the basis of royalties, interests and revenues from the lease of real estate located in Montenegro.

Revenues Exempt From Taxable Income

- Revenues are not considered to be personal income if received on the following bases:
 - regulations governing the rights of disabled persons;
 - children's allowances and money assistance for newborn babies' equipment;
 - compensation received by disabled and aged persons to pay for the care extended to them by someone else and indemnity for physical damages;
 - assistance in the event of destruction or damage to property due to natural disasters;
 - other extraordinary events;
 - compensation under health insurance, except for compensation of salaries;
 - inheritance and gifts;
 - pensions;
 - state awards;
 - scholarships to top sportsmen.

Persons Exempt From Taxation

- The following persons are exempt from paying income tax:
 - staff members of foreign diplomatic missions in Montenegro and members of their households, if they are not citizens of Montenegro;
 - staff members of foreign consular offices and members of their households, if they are not citizens of Montenegro;
 - officers and experts of United Nations technical assistance programs and their specialized agencies, as well as officers, experts and staff of other international organizations rendering technical assistance to Montenegro on the basis of bilateral agreements between Montenegro and other countries, if they are not citizens of Montenegro;
 - honorary consuls of foreign states, but only for the income received from the state that appointed them to that position.

Tax Period

- The tax period, for which income tax is established and paid, is the calendar year (hereinafter: tax period).

Tax Base

- The income tax base of a resident is the taxable income of the taxpayer earned in the tax period, reduced by the amount of transferred loss and personal deduction for supported persons.
- The income tax base of a non-resident is the taxable income of the taxpayer earned in the tax period.

Tax Rate

- The income tax rates are progressive and amount to:

Amount of taxable income (EURO)	Tax rate
Up to 600 €	0%
From 600 up to 2,000 €	0 € + 17% on the amount over 600 €
From 2,000 up to 3,500 €	238 € + 21% on the amount over 2,000 €
Over 3,500 €	553 € + 25% on the amount over 3,500 €

Sources of Income

- Personal income tax is paid on revenues from all sources, except for those exempted by this Law.
- Sources of income are revenues earned on the basis of:
 - personal receipts;
 - self-employment;
 - agriculture and forestry;
 - real estate and property rights;
 - capital; and
 - capital gains.
- Income is the sum of taxable revenues earned in the tax period.

Taxable Income

- Taxable income is the difference between revenues and acknowledged expenses incurred by the taxpayer in earning and retaining such income.
- Expenses must be evidenced.

Avoiding Double Taxation

- A resident taxpayer that earns income outside Montenegro and that pays tax on such income in another state is granted a tax credit amounting to the income tax paid in that state.
- The tax credit is limited to the amount of tax that would be paid under this Law on the income earned in another state.

(Effective from July 1, 2002)

Property Tax

Taxable Subject

- Property tax is paid on immovable property located in the territory of the Republic of Montenegro, which is not exempt by the Law.
- Immovable property is considered to be: land, buildings, apartments and business premises in buildings and other building facilities.
- Buildings and other building facilities, the ownership of which is separated from land ownership, as well as dwelling and business units in buildings, may be taxed separately.

Taxpayer

- A property taxpayer is any person (natural person and legal entity) that is the owner of immovable property on January 1st of the year for which the tax is established.
- When the owner of immovable property is unknown or when he was not determined, the property taxpayer is the beneficiary of that immovable property.
- If several persons have co-ownership or joint ownership on the same immovable property, the property taxpayer is any of such persons, in proportion with their property share.
- Taxpayers are jointly and severally responsible for the payment of property tax.
- In the case of using building rights, the taxpayer for the land (plot) is the owner of the land, and for the building facility, the owner of the building facility.

Tax Base

- The property tax base is the market value of the immovable property.
- The market value of the immovable property is the value of that property on January 1st of the year for which the tax is established.
- The competent local governance body establishes the market value of the immovable property.

Tax Rate

- The property tax rate is proportional.
- The property tax rate may amount from 0.08% up to 0.80% of the immovable property's market value.
- The local governance unit may set the property tax rates by types of immovable property.
- The tax rate on the sale of non-cultivated land is up to 50% higher if compared to cultivated land.

Tax Exemptions

- Property tax is not paid on:

- state-owned immovable property used by state authorities, local governance bodies and organizations with a public function, for the activities they were established for;
tax base for the total immovable property of a certain taxpayer does not exceed the amount of 5,000 \times and if such property is not used as a source of revenue.

Tax Reliefs

- Property tax for buildings and apartments that are used by the taxpayer as a permanent place of residence is reduced by 20% for the taxpayer and by 10% each for the members of his household, up to a maximum of 50% of the tax liability.
- The provisions as defined under the previous item are applicable up to the year 2005.

Tax Period

- The period for establishing property tax is the calendar year.
(Effective from January 1, 2003)

Excise Tax

- Excise goods are:
 - Alcohol and spirits;
 - Tobacco products; and
 - Mineral oils, mineral oil products and substitutes.
- Excise tax is paid for excise goods produced in the territory of the Republic of Montenegro and excise goods imported into Montenegro.
- An excise taxpayer is a producer and/or importer of excise goods, or a person/entity to which the excise tax liability may be transferred, in conformity with this Law.
- An excise licensee is a natural person or legal entity to which a tax authority may issue an excise license, allowing such person or entity to produce, treat, process, refine, store, receive and dispatch excise goods in the performance of his activity, under a deferred excise tax payment regime.
- An excise license is a document issued by a tax authority to a legal entity or natural person allowing such person or entity to produce, treat, process, refine, store, receive and dispatch excise goods, in the performance of his activity in an excise goods warehouse, under a deferred excise tax payment regime.
- An excise goods warehouse is one or several connecting, enclosed areas or facilities that constitute a technological whole, and in which an excise licensee produces, stores, receives or dispatches goods under a deferred excise payment regime and which must bear clearly visible markings and be physically separate from other areas or facilities.
- A deferred excise payment regime is an institution for the production, storage and movement of excise goods, on the basis of which the obligation to pay an excise tax is postponed.
- An exempt excise goods beneficiary is a natural person or legal entity to which a tax authority may, under conditions defined by this Law, issue an excise license, allowing him to procure, in the performance of his activity, excise tax-free excise goods for purposes specified by the Law.
- An exempt excise goods beneficiary plant is an area, installation or equipment where excise goods are stored, which an exempt excise goods beneficiary may purchase excise tax-free for the needs of his activity.
- An excise goods importer is a customs debtor, as under the customs regulations, or a foreign excise goods consignee.

Excise Tax Base and Amount of Excise Tax

- The excise tax base for wines, light alcoholic beverages and other fermented beverages is the quantity of excise goods measured in hectoliters, and for beer and ethyl alcohol the alcohol volume content per hectoliter.
- Excise tax is paid to the amount of:
 - 1.90 \times per alcohol volume content per hectoliter of beer;
 - "0" (zero) \times per hectoliter of table wine;
 - 35 \times per hectoliter of sparkling wine;
 - 40 \times per hectoliter of other fermented beverages;
 - 70 \times per hectoliter of light alcoholic beverages; and
 - 550 \times per hectoliter of pure alcohol.
- The excise tax base for tobacco products is the kilogram and the retail price of such goods.
- The excise tax on cigarettes is paid as a specific excise tax, which is established per kilogram and as a proportional excise tax, which is established as a percentage of the retail price of the best sold (most popular) cigarettes, so that the total excise tax amounts to 57% of the retail price of cigarettes.
- By its regulation, the Government of Montenegro establishes the amount of specific and proportional excise tax.
- Excise tax on other tobacco products is paid to the amount of:
 - for cigars and cigarillos 10.00 \times /kg
 - for shredded tobacco (for rolling cigarettes) 20.00 \times /kg
 - for other smoking tobacco 15.00 \times /kg
- The retail price is the price established by the producer or importer. The retail price includes excise tax and turnover tax (value added tax).
- A producer or importer of tobacco products must report the retail prices to the competent tax authority 15 days before marketing them.
- The retail sale of tobacco products at prices that exceed the reported prices is not allowed.
- The excise tax base for mineral oils is the quantity of mineral oil, measured in kilograms or liters.
- If the unit for determining a quantity for an excise tax is a liter, such liter is measured at a temperature of 15 degrees C.
- Excise tax is paid to the following amounts:
 - a) Gasoline and other light oils:
 - 0.120 \times /kg of aviation gasoline (tariff no. CN 2710.00 11 10);
 - 0.364 \times /liter of motor unleaded gasoline (tariff no. CN 2710.00 11 20);
 - 0.120 \times /kg of fuel for jet gasoline motors (tariff no. CN 2710.11 30);
 - 0.364 \times /liter of other types of motor fuel (tariff no. CN 2710.00 11 90);
 - b) Kerosene:
 - 0.120 \times /kg of petroleum (kerosene) for motors (tariff no. CN 2710.21 10);
 - 0.120 \times /kg of fuel for jet kerosene motors (tariff no. CN 2710.00 21 20);
 - 0.120 \times /kg of other types of kerosene (tariff no. CN 2710.00 21 90).
 - c) Gas oils:
 - 0.270 \times /liter of Diesel fuel

(tariff no. CN 2710.31 00):

- 0.270 € /liter of ship and other fuel (tariff no. CN 2710.00 32 00);
- 0.120 € /liter of other oils (tariff no. CN 2710.00 39 00).

d) Heating oils:

- 0.023 € /kg of low-sulfur oil for metallurgy (tariff no. CN 2710.00 41 00);
- 0.023 € /kg of other heating oils (tariff no. CN 2710.00 49 00).

e) Oil gas and other gas hydrocarbons:

- 0.069 € /kg of mixtures of propane and butane gas (tariff no. CN 2711.19 00 10);
- 0.069 € /kg of other oil gas (tariff no. CN 2711.19 00 90).

Marking Excise Goods (Excise Tax Stamps)

- Putting imported and domestic tobacco products and alcoholic beverages into free circulation is allowed only if such products are marked with excise tax stamps, unless an importer is transporting tobacco products and alcoholic beverages to an excise goods warehouse.

(Effective from April 1, 2002)

Value Added Tax

- Value added tax (hereinafter: VAT) is a general tax on consumption and is accounted for and paid in all stages of the supply of taxable goods or the provision of taxable services, unless otherwise specified by this Law.

Taxable Subject

- The taxable subject of VAT is:

- a supply of goods and provision of services effected for consideration by a taxpayer in the performance of his activity; and
- the import of goods into Montenegro.

1) Supply of Goods

- Supply of goods is the right to dispose of movable or immovable property, unless otherwise specified by this Law.

- The following is also considered a supply of goods:

- a supply of goods for consideration, on the basis of a decision made by a state authority or a local governance body;
- the sale of goods under a contract on the basis of which commission is paid on the purchase or sale of those goods;
- the sale of goods on the basis of a contract on the lease of goods for a specified period of time or on the basis of a sales contract with deferred payment, which provides that ownership (under normal circumstances and in the normal course of events) is transferred no later than by the time of payment of the last installment;
- the supply of newly built facilities and transfer of material rights and shares in respect of immovable property, which give the holder (owner) of the property ownership rights or the right of usufruct on the immovable property or part of the property;
- the disposal of business assets of the taxpayer by another person including bankruptcy or liquidation administrators and custodians;

- the supply (procurement) of electric power, gas and energy for heating, refrigeration and air conditioning;
- the use of a taxpayer's goods for non-business purposes;
- the exchange of goods.
- The following is also considered a supply of goods as defined under the previous item:
 - acquisition of ownership rights on goods by, or for account of, the state or local community on the basis of the law; and
 - withdrawal of ownership right on goods by any person under the law.
- The sale of land (agricultural land, building land, constructed and non-constructed) is not considered as supply of goods.

2) Supply of Services

- A supply of services means the performance, omission or toleration of any action in the performance of activities other than the supply of goods.
- The following is also considered a supply of services:
 - the transfer, assignment or use of copyrights, patents, licenses, trademarks and other property rights (hereinafter: property rights);
 - the supply of services on the basis of regulations of a state authority or local governance body;
 - the use of a taxpayer's services for non-business purposes;
 - the exchange of services.

3) Import of Goods

- An import of goods is any entry of goods into the customs territory of Montenegro, unless otherwise specified by this Law.

Tax Debtor

- A person obligated to pay VAT is:
 - a taxpayer who performs the supply of goods or services, on which VAT is accounted for and paid;
 - a tax representative appointed by a taxpayer, who does not have a registered office, business unit, permanent or regular residence in Montenegro, if the taxpayer performs the supply of goods or services in Montenegro. If the taxpayer, not based in Montenegro, does not appoint a tax representative, the recipient of the goods or services pays the VAT;
 - the recipient of services, if such services are performed by a taxpayer without registered office in Montenegro;
 - any person who shows VAT in his invoice or other document used as invoice, which is not allowed to be shown under this Law;
 - in the case of import, a customs debtor determined according to the customs regulations or recipient of the goods.

Taxpayer

- A taxpayer is any person who in the performance of his economic activity in a permanent or temporary way, regardless of the purpose and result of conducting such activity, performs a supply of goods or services for which VAT is accounted for and paid.
- An activity includes all activities of production, processing, trade and service activities, including mining, agricultural and professional activities, as well as the use of property and property rights.
- A taxpayer is also every person who imports goods or receives goods from abroad for his own account, as well as a person for whose account the goods are being imported.

- State authorities and organizations and local governance units and other public bodies are not considered to be taxpayers, within their activities on the basis of public functions, even if, relating to those activities, taxes, contributions and other duties are being collected.
- State authorities and organizations and local governance units and other public bodies are taxpayers, if they perform supply of goods and services within a certain economic activity, which is subject to tax in the case of other taxpayers according to this Law.

Place of Taxation

- VAT is accounted for and paid at the place where the supply of goods or services was performed, i.e. at the place where the supply is considered to be performed, under this Law.
- The territory of Montenegro is considered to be one single place of the supply of goods and services.

Tax Base (and Correction of the Tax Base)

- The tax base for VAT is everything that constitutes the consideration (in cash, goods or services) the taxpayer has received or will receive from the purchaser, customer or third party for performing the supply of goods or services, including subsidies that are directly linked to the price of such supply, excluding VAT, unless otherwise specified by this Law.
- The tax base shall include:
 - excise tax and other taxes, fees, import duties and other charges, excluding VAT;
 - indirect expenses, such as commission, costs of packaging, transport and insurance charged by the supplier to the purchaser or client of the services;
 - amounts charged on returnable packaging and caution money charged.
- If consideration for the supply of goods or services is not paid or not entirely paid in cash, the tax base shall be equal to the market value of the goods or services at the time the supply was performed.
- For exchange of goods or services, the tax base shall be the value of the goods or services received in exchange.
- For the supply of goods or services performed by a taxpayer who does not have a registered office in Montenegro, the tax base is considered to be everything that constituted the consideration the recipient of goods or services has paid or will have to pay to the supplier.
- For the supply of goods, the tax base shall be the purchase price of the goods excluding VAT, i.e. the cost of the goods at the time and place the supply was performed, and for the supply of services the amount of cost for the services performed.
- If, for non-business reasons, the consideration is less than the market value, or if there is no consideration, the tax base shall be the market value of the goods or services at the time and place the supply was performed.
- The following shall be excluded from the tax base:
 - price reduction and discounts given on the invoice at the time the supply is performed;
 - amounts charged, received or paid by the taxpayer on behalf and for the account of his purchaser or a third party.
- If the tax base subsequently changes due to repayment, discount or inability to pay, the taxpayer who performed the supply of goods or services, may correct or reduce the amount of VAT, if the taxpayer for whom the supply of goods or services was performed, corrects (reduces) the deduction of input VAT and if he informs the supplier of those goods or services in writing accordingly.

- If the amount of VAT, charged on the import of goods that the taxpayer takes into account as a deduction of the input VAT, changes, the deduction of input VAT may be corrected for this difference on the basis of the customs document (decision).
- A correction of the tax base may be made only within the accounting period, in which the tax base was changed.
- In the case of transfer of the rights relating to a collateral security, the tax base shall be the price of the collateral security increased by the difference of the market value to be collateral.
- If packaging, on which VAT was charged and levied, is returned, the tax base may be corrected in the tax period in which the packaging was returned.

Tax Base for the Sale of Real Property

- If an entire business entity or plant is transferred, the tax base shall be the consideration given for each transferred item, but the sum of all the individual amounts paid in consideration equals the total payment for that business entity or plant reduced by the value of real property that is taxed under a separate law. Debts taken over shall not be deducted from the tax base. If the purchaser completely deducts the charged VAT at the time of purchasing the business entity or plant, as an input tax, the VAT shall not be paid, and the transfer is considered to be tax-free.

Tax Base For the Import of Goods

- The tax base for the import of goods is the value of the goods, determined in conformity with the customs regulations.
- The tax base shall include:
 - excise tax and other taxes, levies and other charges paid outside Montenegro and on import, excluding VAT under this Law;
 - indirect expenses, such as commissions, costs of packaging, transport and insurance, which arise after the import of goods to the first place of destination in Montenegro. The first place of destination is considered to be the place stated in the packing list (bill of lading) or other document with which the goods are imported into Montenegro;
 - for import of goods, the tax base exclude, if not already excluded, price reductions and discounts;
 - the tax base for the import of goods that were previously temporarily exported by the taxpayer for processing, repair or mounting abroad, shall be the value of processing, refining, treatment, repair or mounting, including the value of materials used for those purposes and other costs abroad relating to the dispatch and delivery of those goods.

Rate of Value Added Tax

- VAT shall be paid at the rate of 17%.

Exemption From VAT Payment

- VAT shall be paid at the rate of 0% on:
 - all types of bread;
 - all types of milk;
 - export of goods;
 - supply of services, except for services directly linked to import or export of goods;
 - goods exported from Montenegro by a seller, who has not established a business in Montenegro, or other person for his account, except for goods intended to supply of private boats, aircraft and other traffic means for private use;
 - services performed relating to goods imported into Montenegro and exported by persons performing such services or by the customer, provided that he does not

have a registered office, business unit or permanent residence or temporary stay in Montenegro;

- delivery of goods used for the supply of:
 - boats, open sea vessels for the transport of passengers for consideration or for performing commercial and industrial activities;
 - sea rescue and assistance vessels.
- delivery of goods and services used in international passenger traffic, if conditions of reciprocity are met;
- goods and services intended for:
 - the official needs of diplomatic and consular missions,
 - the official needs of international organizations, if this is provided by international treaties;
 - the personal needs of foreign staff members of diplomatic or consular missions, including their family members;
 - the personal needs of foreign staff members of international organizations, including their family members, if this is provided by international treaties.
- The right as defined under the previous item shall be realized on conditions of reciprocity, which is approved by the Ministry of foreign affairs.
- Goods are considered to be exported, when they are actually taken out of Montenegro or when they enter a the customs-free zone or a customs warehouse, if they are intended for export
- Except for these exemptions of VAT payment, articles 27, 28, 29 and 30 of the Law provide for a broad spectrum of exemptions (medicines, school books, books, insurance and reinsurance services, real estate, banking and financial services, services of games of chance, etc.).

Tax Period

- The taxpayer shall calculate the tax liability in the tax period.
- The tax period, for which the tax liability is accounted for, is the calendar month.

Accounting for VAT

- The taxpayer shall account for VAT according to the invoices issued for goods supplied or services performed within the tax period.

Submitting of VAT Return

- The taxpayer must state his tax liability in the monthly tax return for the assessment of VAT.

Payment of the Tax Liability

- The tax liability for the tax period shall be due on the 15th day of the current month after the elapse of the tax period.

(Effective from July 1, 2002)