



# Montenegro

## Introduction

Montenegrin law does not recognize the term "extended business traveler." A person's liability to Montenegrin tax is determined by tax residence status and the source of income derived by the individual.

### Contact

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## Key messages

Extended business travelers will be liable for tax primarily on their employment income related to work performed in Montenegro if they are present in Montenegro more than 183 days in a calendar year.

## Income tax

### Liability for income tax

A person's liability for Montenegrin tax is determined by residence status or source of income.

A Montenegrin tax resident is an individual who spends more than 183 days in a calendar year in Montenegro, if the individual has a residence in Montenegro, or if the individual's center of business and vital interest is in the territory of Montenegro. Montenegrin tax residents are residents for the entire calendar year.

Montenegrin-sourced income is income generated from business activities performed in a fixed place of business located in Montenegro, interest, and income from the rental of immovable property located in Montenegro.

A Montenegrin tax resident is assessable on worldwide income. The personal income tax paid in another country can be claimed as a tax credit.

### Tax trigger points

There is no trigger point for taxation in Montenegro. For all business trips/assignments that last for more than 183 days in a calendar year, foreigners become Montenegrin tax residents, and income tax must be reported by filing an annual tax return.

### Types of taxable income

Tax residents are assessable on Montenegrin-sourced income (employment income, self-employment income, income from property and property rights, income from capital) and their worldwide income, whereas nonresidents are assessable only on income from Montenegrin sources.

### Tax rates

In 2010, Montenegro applies a 9 percent flat tax rate on all types of income.

## Social security

### Liability for social security

According to Montenegrin social security legislation, all foreigners assigned to Montenegro are obliged to pay mandatory social security contributions, unless such payments are secured in their home country or otherwise prescribed by the social security convention between Montenegro and their home country.

## Compliance obligations

### Employee compliance obligations

Individuals who are performing work in Montenegro for a period longer than 183 days in a calendar year and whose employer is not resident in Montenegro are obliged to file a tax return and pay income tax by themselves upon receiving the income for work performed in Montenegro. However, since the government of Montenegro has not yet prescribed a form of tax return for income received from abroad, income tax is paid annually. Individuals who become Montenegrin tax residents, therefore, have to report tax by filing an annual tax return. The annual tax return must be filed and tax must be paid by April 30 of the current year for the previous calendar year.

## Other

### Work permit/visa requirements

Generally, before to coming to Montenegro, a visa must be obtained. If an individual intends to stay in Montenegro less than 90 days, a short-term visa is necessary. However, in practice, this visa is not required for citizens of most European countries. On the other hand, if an individual intends to work in Montenegro for more than 90 days in a six-month period, the individual is required to obtain a work permit and temporary residence permit prior to commencing any work. In addition, the government of Montenegro has introduced quotas, limiting the number of work permits issued per year, but this limitation is not applied to certain categories of assignees (managers, specialists) assigned to Montenegro.

### Double taxation treaties

Montenegro has entered into double taxation treaties with 38 (mostly European) countries to prevent double taxation and allow cooperation between Montenegro and tax authorities in other countries in enforcing their respective tax laws.

### Permanent establishment implications

There is the potential risk that an extended business traveler may create a permanent establishment if the business traveler has a fixed place of business in Montenegro for a period longer than 183 days, depending on the level of authority the employee has.

### **Indirect taxes**

The general value-added tax (VAT) rate for the taxable supply of goods and services and the import of goods is 17 percent, whereas the reduced tax rate is 7 percent. VAT registration is required for individuals who independently perform business activities.

### **Transfer pricing**

Montenegrin law has basic provisions regarding transfer pricing, although Montenegrin tax authorities do not have developed transfer pricing practices.

### **Local data privacy requirements**

Montenegro has data privacy laws.

### **Exchange control**

Montenegrin legislation does not restrict the flow of currencies into and out of the country. Individuals (both resident and nonresident) may freely bring in unlimited amounts of foreign currency, but any amount exceeding EUR2,000 must be reported to the Customs Authority. Due to anti-money laundry regulations, all financial transactions exceeding EUR15,000 must be reported to the authorities, as well as all cash transactions over EUR15,000.

### **Nondeductible costs for assignees**

As of 2010, personal deductions in the amount of EUR840 were abolished.

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