

## Montenegro Tax Knowledgebase

### Employee personal income tax

#### Tax residence

A resident is defined as an individual who:

1. Spends at least 183 days in Montenegro during a tax year;
2. Has their domicile in Montenegro; or
3. Has their centre of personal and economic activities in Montenegro.

Additionally, an individual may be considered a resident if they are sent abroad for work by a legal entity or natural person resident in Montenegro, or by an international organisation. If Montenegro has entered into a Double Taxation Treaty (DTT) with another country, the individual's residency status will be determined according to the provisions outlined in the treaty.

#### Conditions for the obligation to file the PIT

In Montenegro, the taxation of an individual's income is determined by their residency status. Residents are taxed on their worldwide income, regardless of its source.

Non-residents are only taxed on income that has its source in Montenegro, for example, rental income derived from immovable property located in Montenegro.

Exemptions: Individuals are exempt from paying personal income tax if they are:

1. Members of foreign diplomatic missions in Montenegro and their household members, provided they are not citizens of Montenegro;
2. Members of consular missions and their household members, provided they are not citizens of Montenegro;
3. Officials and experts working on technical assistance programs of the United Nations and its specialised agencies;
4. Honorary consuls of foreign countries, but only for income received from the country that appointed them as honorary consuls;
5. Officials, experts, and administrative staff of international organisations, provided they are not citizens of Montenegro or do not have residency in Montenegro.

#### Tax report in question (Form name)

GPP-FL Form (Godišnja prijava poreza za dohodak fizičkih lica)

Individuals who earned income from:

1. Independent activities that constitute the taxpayer's primary business, except for income subject to flat-rate taxation;
2. Property;
3. Capital gains;
4. Earnings from two or more employers or payers of personal income, with a total monthly gross amount exceeding EUR 700, in accordance with the rates specified in Article 10 of the PIT Act;
5. Income from sports activities;
6. Income from copyrights and related rights, patents, trademarks, and income from independent cultural professionals, from abroad.

## Tax year

The tax year in Montenegro is the calendar year.

## Tax rates

As of the beginning of 2022, Montenegro has introduced progressive taxation for both employment income and income generated by entrepreneurs (self-employment income). A flat tax rate of 15% applies to other types of income.

Personal income tax rates under Article 10a of the Personal Income Tax Law:

### **1. Personal earnings:**

- 0% on income up to €700;
- 9% on income from €700.01 to €1,000;
- 15% on income over €1,000;

### **2. Independent activities:**

- 9% on income from €8,400.01 to €12,000;
- 15% on income over €12,000;

### **3. Property, capital, capital gains, sports activities, copyrights, patents, trademarks, cultural professionals, and other earnings:**

- 15% of the taxable gross amount.

## Tax returns and payment of tax

Employment income is taxed via withholding by the employer. Individuals who receive only employment income from one employer are not required to file an annual tax return (GPPFL Form).

Individuals who receive income from several sources must file an annual tax return, with tax paid during the year deducted from the final tax due. Taxpayers must submit their GPPFL form to the tax office either online or in person by April 30 of the year following the reporting period. For self-employed income, income tax is paid throughout the year in monthly instalments.

Each payment is due by the end of the current month and is based on 1/12 of the total tax liability from the previous year's tax return. For example, the payment for September must be made by October 31. Non-residents with Montenegrin-source income that is not subject to withholding tax must file a tax return to report such income.

Taxes on employment income, capital gains, income from self-employment (when not the primary activity of the self-employed individual), and property-related income are withheld at the source by the income payer. Self-employed taxpayers may opt for lump-sum taxation, provided their total turnover in the year preceding the assessment year does not exceed EUR 18,000.

## Personal deductions (salary)

There are no deductions or allowances.

## Additional tax reliefs (not mentioned above)

Tax incentives under the Montenegrin Personal Income Tax Law:

### **1. Tax exemption for businesses in underdeveloped areas**

New businesses in economically underdeveloped municipalities are exempt from income tax for eight years. The maximum exemption is EUR 200,000.

### **2. Tax exemption for hiring unemployed workers**

Employers who hire individuals on a permanent contract or for at least five years are exempt from income tax on their salaries for four years. This applies to workers unemployed for over three months and residing in underdeveloped areas.

### **3. Flat-rate taxation for small businesses**

Self-employed individuals with annual revenue under EUR 30,000 can opt for flat-rate taxation. The tax is paid in monthly instalments, with specific rules set by the Ministry of Finance.

## How to submit the tax return

GPP-FL Form (Godišnja prijava poreza za dohodak fizičkih lica)

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## **Submission without digital signing:**

The taxpayer must install Microsoft .NET Framework and the Financial Statement Submission Software. After entering the data, they select Submit, which sends the statements to the Revenue and Customs Administration system. If the statements are correctly filled out, they are stored and assigned a unique identification number. The taxpayer must print, sign, and physically submit the statements at a branch office, where an officer verifies and processes them.

## **Submission with digital signing:**

The same software installation is required. After entering the data, the taxpayer selects Submit and Electronically Sign. No physical submission is needed, as the statements are fully processed online.

## **Employee taxation of income (int, div, royalties)**

### **Interest income: Tax rates**

The tax base is the gross amount of taxable income. The applicable tax rate is 15%.

### **Dividend income: Tax rates**

The tax base is the gross amount of taxable income. The applicable tax rate is 15%.

### **Capital gains: Tax rates**

The tax base is the gross amount of taxable income. The applicable tax rate is 15%.

### **Royalty income: Tax rates**

The tax base is the gross amount of taxable income. The applicable tax rate is 15%.

## Withholding

### Withholding tax on interest: Rates

A 15% withholding tax is imposed on interest paid to individuals, unless, in the case of nonresidents, the rate is reduced under the applicable tax treaty.

The payer of capital income (e.g., a bank or another institution distributing interest) must calculate, withhold, and remit the tax at the time of payment or registration with the relevant authority. If the interest is earned abroad, the taxpayer is responsible for reporting it in their tax return and settling the applicable tax, with the option to apply a tax credit under double taxation treaties.

### Withholding tax on dividends: Rates

A 15% withholding tax is imposed on dividends paid to residents and nonresidents, unless, in the case of nonresidents, the rate is reduced under an applicable tax treaty.

### Withholding tax on capital gains: Rates

The tax is levied on capital gains realised from the sale of real estate, shares in a legal entity, and securities.

Capital gain tax is not levied on the transfer of:

- Real estate used by the taxpayer as their only and main place of residence.
- Property made between spouses and is in relation to the marriage, divorce or inheritance of property;
- Property made as a gift to relatives in the first degree of inheritance (spouse and children).
- Tax base is the difference between the sale price and the price at which the taxpayer acquired the property. The capital gains tax rate is 15%.

### Withholding tax on royalties: Rates

Royalties paid to residents and nonresident individuals are not subject to withholding tax.

### Fees for technical services:

Service fees paid to individuals are not subject to withholding tax.

## Employee tax - Special regimes to apply

### Digital nomads' tax regimen

Under the Montenegrin PIT law, individuals with digital nomad status are eligible for an income tax exemption if they earn income from personal earnings or independent activities provided by an employer not registered in Montenegro, in accordance with the law governing the residence and work of foreigners.

### Double taxation agreements ( link website)

<https://www.gov.me/clanak/101098--ugovore-o-izbjegavanju-dvostrukog-oporezivanja>

### Digital nomads' tax regime

### How to apply and deadlines for employees

Montenegro has made it easier for digital nomads to move there by amending the Law on Foreigners in August 2022, allowing the issuance of a D visa for digital nomads. A digital nomad is defined as a foreigner who works electronically for a foreign or their own business that is not registered in Montenegro. To apply for a temporary residence permit, the applicant must submit the form in person at the Ministry of Internal Affairs and receive a confirmation.

The application requires the following documents:

1. Proof of sufficient financial means for support;
2. Proof of secured accommodation;
3. Health insurance coverage;
4. A valid foreign passport or ID card with at least three months' validity beyond the intended stay, or a travel document for stateless persons (with no entry or residence ban in Montenegro);
5. A statement confirming no criminal convictions for offences punishable by more than six months of imprisonment in the home country;
6. Justification for the permit application.

To prove sufficient financial support, the digital nomad must provide evidence of monthly personal income from the previous year that is at least three times the minimum wage in Montenegro. As of October last year, the minimum wage is EUR 600 for employees with lower or high school education and EUR 800 for those with higher education.

Under Article 60a of the Law on Foreigners, a digital nomad can submit a work contract or another document proving they work for a foreign or their own business that is not registered in Montenegro.

The temporary residence permit is valid for up to two years and can be extended for an additional two years. A new permit can be issued six months after the previous one expires.