Pursuant to Article 88 Item 2 of the Constitution of the Republic of Montenegro I hereby promulgate the Decree promulgating the Law on Tax on Income of Natural Persons (Official Gazette of the Republic of Montenegro No 65/01, 12/02, 37/04, 29/05, 78/06, and 04/07; Official Gazette of Montenegro No 86/09 of 25 December 2009)


Number: 01-3873/2
Podgorica, 28 December 2001
The President of the Republic of Montenegro
Milo Đukanović, m.p.

THE LAW ON TAX ON INCOME OF NATURAL PERSONS
(LAW ON PERSONAL INCOME TAX)

I BASIC PROVISIONS

1. General provisions

Article 1

(1) This Law introduces the obligation of payment of the tax on income of natural persons (hereinafter referred to as the income tax).

(2) The revenues resulting from the income tax shall belong to the Budget of Montenegro and budgets of local self-government units in proportion regulated by special laws.

2. Taxpayer

Article 2

(1) A taxpayer of the income tax shall be a resident or non-resident natural person who generates income from sources stipulated by this Law.

(2) Where two or more physical persons jointly generate income, each of these persons shall be a taxpayer proportionally to his/her share in generated income.

Resident

Article 3

(1) A resident natural person (hereinafter referred to as the resident), under this Law, shall be a natural person who:

1) Has his habitual residence or center of business and vital interests in the territory of Montenegro;

2) Resides in the territory of Montenegro for more than 183 days in the tax year.
(2) The resident of Montenegro shall also be a natural person who was assigned outside of Montenegro to conduct business for a natural person or legal entity who is a resident of Montenegro, or for an international organization.

3. Object of Taxation

Article 4

(1) Object of taxation of a resident shall be the income he/she generates in Montenegro and outside Montenegro.

(2) Object of taxation of a non-resident natural person (hereinafter referred to as the non-resident) shall be the income that a non-resident generates in respect of activities performed through a permanent place of business in Montenegro.

(3) The permanent place of business referred to in paragraph 2 of this Article shall be considered to be a place through which a non-resident carries out activities entirely or partly in Montenegro, directly or through an authorized representative. In the case of need, when determining the permanent place of business, the provisions of the law governing the tax on profit of legal entities shall apply accordingly.

(4) Object of taxation of a non-resident who does not have a permanent place of business in Montenegro shall also be the income generated in respect of royalties, interests, and proceeds from rentals of immovable property located in Montenegro.

4. Revenues Exempt from Income

Article 5

Income shall not include revenues generated on the following basis:
1) regulations on rights of disabled persons;
2) allowances for children and special assistance for supplies for newborn babies;
3) basic rights in the area of social protection;
4) assistance in the event of destruction or damage of property as a result of natural disasters or other extraordinary events;
5) compensations paid from health insurance, except for wage compensation;
6) inheritances and gifts;
7) organized social and humanitarian assistance;
8) state awards stipulated by law;
9) pensions, except for pensions obtained in accordance with the law governing the wages of the state and public officials, and disability allowances;
10) games of chance and lotteries;
11) goods, life, and property insurance.

4a Earnings not Subject to the Income Tax

Article 5a

(1) The income tax shall not be paid on allowance arising from personal earnings, or allowances for increased expenses of employees up to the amount set in the General Collective Bargaining Agreement, and so as follows:
1) deleted;
2) deleted;
3) per diems for official travel in country;
4) costs of use of own vehicle for official purposes.

(2) The income tax shall not be paid on earnings generated in respect of:
   1) deleted;
   2) Per diem for official travel abroad up to the amount stipulated for users of the State Budget;
   3) Allowances for increased cost of field work and visits (field work allowance), up to the amount of €100 a month, in case accommodation and meals are not provided for;
   4) Family separation allowances up to €100 per month;
   5) Sympathy assistance in case of death of an employee, member of his/her immediate family, and retired worker up to €1,500;
   6) Sympathy assistance in case of a serious illness, healthcare rehabilitation, procurement of medicaments, and health treatment of an employee or member of his/her immediate family up to €1,000;
   7) Severance payment in case of retirement up to €1,000;
   8) Severance payment in case of termination of employment in case of redundancy up to minimum amount determined by the law governing labor relations;
   9) Scholarship and loans to pupils and students up to €200 a month;
   10) Awards to pupils and students for the achieved results during education, as well as awards received in competitions within the educational system;
   11) Tuitions or other documented expense for the education of an employee in case that the education and vocational training is related to the field of activity of the employer;
   12) Allowances for meals – subsistence allowance paid to the amateur sportsmen by sport clubs up to €300 a month;
   13) Allowance during the unemployment paid by the extra-budgetary funds;
   14) Damage compensation resulting from consequences of accidents at work place according to the decision of the court or court settlement if the compensation is set as a lump sum amount;
   15) Trade union welfare assistance paid out from the trade union membership fee funds to union members;
   16) Gifts to children of an employee, up to 15 years of age, annually up to €50 per child;
   17) Jubilee awards for:
       - 10 years of work up to €100,
       - 20 years of work up to €200,
       - 30 years of work up to €300,
       - 40 years of work up to €400.

5. Persons Exempt from Taxation
   Article 6

The following persons shall be exempt from payment of the income tax:
   1) members of foreign diplomatic missions in Montenegro, and members of their households, if they are not citizens of Montenegro;
   2) members of consular representative offices, as well as members of their households, if they are not citizens of Montenegro;
   3) officials and experts of technical assistance programs of the United Nations Organization and its specialized agencies;
   4) honorary consuls of foreign countries, but only for earnings received by a country, which has appointed them honorary consuls;
   5) officials, experts, and administrative staff of international organizations if they are not citizens of Montenegro or do not have habitual residence if Montenegro.
6. Tax Period
   Article 7

(1) Tax period for which the personal income tax shall be calculated shall be a calendar year, with the exemption of cases when a business activity terminates or commences during the year.

(2) The income tax shall be calculated upon the expiry of the calendar year or other period for tax assessment according to the tax base realized during that period.

7. Tax Base
   Article 8

A tax base for the income tax of a resident shall represent the taxable income of the taxpayer generated during the tax period, reduced by the amount of loss carried forward.

A tax base for the income tax of a non-resident shall represent the taxable income of the taxpayer generated during the tax period.

8. Deleted
   Article 9
Deleted (Official Gazette of Montenegro, No 86/09)

9. Tax Rate
   Article 10

Tax rate of personal income tax shall be 9% of the tax base.

   Article 11
Deleted (Official Gazette of the Republic of Montenegro, No 78/06)

II INCOME

1. Sources of Income
   Article 12

(1) The income tax shall be paid on revenues from all sources except those that are exempt under this Law.

(2) Sources of revenues referred to in paragraph 1 of this Article shall include revenues generated in respect of:
   1) personal earnings;
   2) self-employment activity;
   3) property and property rights;
   4) capital;
   5) capital gains.
(3) Income shall represent the sum of taxable revenues referred to in paragraph 2 of this Article generated in the tax period.

2. Taxable Income

   Article 13

(1) Taxable income shall represent the difference between the income referred to in Article 12 of this Law and recognized expenditures (expenses) incurred by the taxpayer in generating and maintaining the income, unless otherwise prescribed by this Law.

(2) The expenditures referred to in paragraph 1 of this Article must be documented, unless regulated otherwise by this Law.

III TYPES OF REVENUES

1. Revenues from Personal Earnings

   Article 14

(1) Personal earnings shall be considered to be revenues that a taxpayer generates from employment.

(2) Personal earnings shall also be considered to be revenues generated on other basis that correspond to labor relation, in accordance with this Law.

(3) Personal earnings shall be considered to be, including but not limited to, the following:
   1) wages or wage compensations generated in accordance with regulations governing labor relations;
   2) deleted (Official Gazette of the Republic of Montenegro, No 37/04);
   3) earnings in respect of fees and other earnings that are paid by the employer to the employee in addition to wage, above the amount set by this Law;
   4) reimbursement of costs for business travels, meals, and accommodation in connection to these travels, moving expenses and reimbursement for the use of own vehicle for official purposes above the amount set by this Law;
   5) earnings of members of representative and executive bodies of the state, or the local government;
   6) earnings of members of assemblies, managing boards, supervisory boards, and other similar bodies of legal entities, members of trustees and committees that such bodies have, bankruptcy administrators and lay judges who are not in the capacity of court officials;
   7) all other earnings arising from labor relation and earnings corresponding to labor relation (temporary or occasional work, and other).

(4) Personal earnings shall be also considered to be earnings generated in the form of coupons, money certificates, shares or goods, by making or providing benefits, waiving of debt, as well as by covering the taxpayer’s expenditures by monetary compensation or through direct payment.

(5) The amount of the personal earnings referred to in paragraph 4 of this Article shall represent:
   1) par value of coupons, money certificates and shares;
2) price which would be achieved through the sale of the goods in the market;
3) consideration which would be achieved in the market for services or benefits made to the taxpayer;
4) monetary amount of expenditures covered.

Article 15

Taxable income from revenues based on personal earnings shall represent the amount of gross earnings referred to in Article 14 of this Law.

2. Revenue from Self-Employment Activity

Article 16

(1) Revenue from self-employment activity shall be considered to be the revenue generated by economic activity, freelance professions, professional and intellectual services, as well as revenue from other self-employed activities that are not the core activity of the taxpayer, but are performed occasionally in order to generate revenue, unless they are taxed otherwise in accordance with this Law.

(2) Revenue from self-employment activity shall be also considered to be revenue from agriculture and forestry, if a person generating such revenue is a taxpayer of the value added tax.

(3) The provisions of the law governing accounting shall apply to the persons generating revenues from self-employment activity with regard to the manner of keeping business records and preparation of financial statements, unless otherwise prescribed by this Law.

Taxable Revenue

Article 17

(1) Taxable revenue from a self-employment activity shall represent the taxable profit of the taxpayer.

(2) Taxable profit referred to in paragraph 1 of this Article shall be determined by adjusting the profit of the taxpayer shown in the income statement in the manner envisaged by this Law.

Adjustment of Revenues

Article 18

In order to determine a taxable profit, revenues in the amount set by an income statement, in accordance with the law governing accounting, shall be recognized except the revenues for which this Law stipulates a different manner of determination.

Article 19

Taxpayer's revenues from dividends and share in profit of other legal entities shall not be included in the tax base.
Adjustment of Expenditures

Article 20

(1) In order to determine taxable profit, expenditures in the amount set by an income statement shall be recognized, in accordance with the law governing accounting, except the expenditures for which this Law stipulates a different manner of determination.

(2) Notwithstanding paragraph 1 of this Article, standard expenditures shall be recognized to a taxpayer who generates revenue from self-employment activities other than his core activity, and who fails to document the expenditures, in the amount of 30% of the generated revenue.

Article 21

The following expenditures shall not be recognized:
1) expenses not incurred for the purpose of performing a business activity;
2) expenses that cannot be documented;
3) interest for default in payment of taxes and contributions;
4) interest paid to non-residents, if they are paid at the rate higher than the customary commercial rate;
5) expenses for payments to a non-resident head-office;
6) earnings of employees or other persons based on distribution of the profit;
7) pecuniary fines and penalties;
8) contributions paid to political organizations.

Article 22

Expenses incurred for materials and the acquisition value of goods sold shall be recognized in the amounts calculated by applying the average cost method or FIFO method in accordance with the law governing accounting.

Article 23

(1) Depreciation of permanent fixed assets shall be recognized as an expenditure in the amount set in the manner envisaged under this Law.

(2) Permanent fixed assets referred to in paragraph 1 of this Article shall include tangible and intangible assets, with a life exceeding one year and having the value exceeding EUR 200.

(3) Fixed assets referred to in paragraph 2 of this Article are classified into five groups with the following depreciation rates:
   - I group 5%
   - II group 15%
   - III group 20%
   - IV group 25%
   - V group 30%

(4) Depreciation of permanent fixed assets classified in the first group shall be determined by applying the straight-line rate for each asset separately.
(5) Depreciation of fixed assets classified in other groups (from the second to the fifth) shall be determined by applying the declining-balance rate to the value of assets classified by groups.

(6) The ministry in charge of finance shall adopt a more detailed regulation on classification of permanent fixed assets in groups and methods for determining depreciation.

Article 24

Expenses incurred for healthcare, education, scientific, religious, cultural, sports and humanitarian purposes, as well as for the environmental protection shall be recognized as expenditures to a maximum of 3% of the total revenue.

Article 25

Business entertainment expenses shall be recognized as expenditure in the amount up to 1% of the total revenue, provided that they are incurred for the improvement of operations, that they are documented, and that their recipient is not a related party.

Article 26

Membership fees for chambers, alliances, and associations shall be recognized as expenditure to the maximum of 0.1% of the total revenue, except for the membership fee the amount of which is prescribed by law, and which shall be recognized in the amount prescribed by law.

Article 27

(1) Adjusted doubtful claims (written off value) shall be recognized as an expenditure, provided that:
   1) it is proven beyond doubt that such claims were previously included in the revenues of the taxpayer;
   2) such claim is written off from the taxpayer's books as uncollectable;
   3) the taxpayer presents adequate evidences of unsuccessful collection of such claims.

(2) Doubtful claims, which are recognized as expenditure, and then collected, shall be included in revenues of the taxpayer at the time they are collected.

Article 28

Reserve funds of the taxpayer shall not be recognized as expenditures.

Article 29

Contributions for compulsory social insurance shall be recognized as expenditure in the amount of 50% of contributions prescribed by law.

Article 30

Interests and appurtenant costs to a creditor with the status of a related party shall be recognized as expenditure in the amount not exceeding interest expenses in the open market, if such expenses do not exceed the actually paid amount.

Article 31
The difference between interest calculated on the arm’s length basis and amount of the interest actually received shall be included in the tax base of the recipient of such interest.

**Tax Relieves**

**Article 32**

(1) Calculated tax shall be reduced by 50% of the investments made for the taxpayer who invests in fixed assets for his own activity, whereas that reduction cannot be higher than 70% of the total tax liability for the same tax period.

(2) Fixed assets referred to in paragraph 1 of this Article shall not be considered to be fixed assets referred to in Article 23 paragraph 2 of this Law, except for the fixed assets classified in the first depreciation group and the passenger vehicles, except for the special passenger vehicles used for training of the drivers and passenger vehicles used for taxi and rent-a-car services.

(3) If a taxpayer sells or divests the fixed asset referred to in paragraph 2 of this Article prior to the expiration of the period of three years following the year in which the tax relief was used, he/she shall be obliged to increase the tax base for the amount of used tax relief for the year of sale or divesture of the asset.

**Article 32a**

(1) A tax base shall be reduced to a taxpayer that in a business year employs new workers for an open-ending period and not less than for two years, by the amount of paid gross wages to those employees, increased by the associated contributions for compulsory social insurance paid by the employer.

(2) A taxpayer may use the right to the tax relief referred to in paragraph 1 of this Article one year as of the day of employment of the new worker.

(3) If a taxpayer terminates the labor contract with a person referred to in paragraph 1 of this Article (unless it is at the request of that person) prior to the expiration of two years from the day of employment, he shall be obliged to increase the tax base for the amount of used tax relief for the year of termination of the labor contract.

(4) The tax relief referred to in paragraph 1 of this Article shall be recognized in the total amount up to the level of the tax base.

**Tax Losses**

**Article 33**

Losses resulting from business transactions may be carried forward to offset profit generated in the future period, but not exceeding five years.
3. Revenue from Property and Property Rights

Revenues
Article 34

Revenues from property and property rights shall be considered to be:
1) revenues generated by rental of movable and immovable property;
2) revenues from time limited assignment of copyrights, industrial property rights, and other property rights.

Expenditures
Article 35

(1) Expenditures in respect of property and property rights shall be considered to be actual expenses incurred by generation of such revenues, provided that they are documented.

(2) If expenditures referred to in paragraph 1 of this Article are not documented, standard expenditures shall be recognized in the amount of 30% of generated revenue from the property and property rights.

(3) Notwithstanding paragraph 2 of this Article, in cases of rental of rooms, apartments, and holiday houses to travelers and tourists for which a sojourn fee has been paid, standard expenditures shall be recognized in the amount of 50% of the generated revenue in such respect.

Taxable Revenue
Article 36

Taxable revenue from property and property rights shall represent a difference between the revenue referred to in Article 34 and expenditures referred to in Article 35 of this Law, incurred during the same tax period.

4. Revenues from Capital
Article 37

(1) Revenue from capital shall be considered to be:
   1) Revenues from interests;
   2) Share in profits realized by the members of management and employees in money or shares;
   3) Revenues from the use of property and services by the owners and co-owners of the capital for their private needs.

(2) Revenue from capital shall be also considered to be earnings from shares and share in capital of members of management and employees of a for-profit corporation received or bought under preferential conditions.

(3) Expenditures shall not be recognized when determining the taxable income from capital.
5. Capital gains and losses

Article 37a

(1) A capital gain shall be revenue generated through sale of property, precisely immovable property, share in a legal entity, and securities (hereinafter referred to as the property).

(2) Taxable revenue in respect of capital gains shall be a difference between the sale and acquisition price of the property referred to in paragraph 1 of this Article.

(3) Negative difference referred to paragraph 1 of this Article shall be considered to be a capital loss.

(4) The ministry in charge of finance shall prescribe a more detailed manner for payment tax on revenues referred to in paragraph 1 of this Article.

Article 38

Deleted (Official Gazette of the Republic of Montenegro, No 78/06)

Article 39

Deleted (Official Gazette of the Republic of Montenegro, No 78/06)

Article 40

Deleted (Official Gazette of the Republic of Montenegro, No 78/06)

Article 41

Deleted (Official Gazette of the Republic of Montenegro, No 78/06)

IV CALCULATION AND PAYMENT OF THE INCOME TAX

1. Calculation and Payment of the Income Tax in the Tax Return

Article 42

(1) The income tax shall be calculated annually.

(2) The taxpayer himself shall calculate the income tax in the tax return.

(3) The income tax shall be calculated at the rate referred to in Article 10 of this Law.

(4) The income tax shall be determined in accordance with the tax base referred to in Article 8 of this Law, provided that the amount of the tax paid in the form of advance installments for all sources of revenue is deducted from the total calculated tax.

(5) The income tax shall be paid at the same time with the tax return filing.

(6) If the taxpayer has paid during the year, in the form of advance installments, higher amount of taxes than he is obliged to based on the tax return, the excess paid amount of tax shall be retuned at his request or shall be included in the advance installments for the next tax period.
Tax Return
Article 43

(1) Taxpayer of the income tax shall be obliged, upon the expiration of the tax period, to file a tax return to a competent tax authority.

(2) The tax return shall be filed at the end of April of the current year for the previous year.

(3) The competent tax authority shall stipulate the form and contents of the tax return.

(4) Taxpayer who generates income from:
   1) personal earnings on the basis of wages of employees, if they are generated with one employer;
   2) revenues from other self-employment activities referred to in Article 16, paragraph 1 of this Law;
   3) capital revenue;
   4) revenue from self-employment activity subject to the lump sum taxation, shall not submit a tax return for such income and paid advance installments of the tax shall be considered to be the final tax assessment on that basis.

(5) Taxpayer, who during the year generates only revenues referred to in paragraph 4 of this Article, may file the tax return for using rights determined by this Law, provided that he has not used such rights during the year.

2. Avoidance of Double Taxation

Article 44

(1) A resident taxpayer, who generates income outside of Montenegro and pays an income tax in another country, the tax credit in the amount equal to the tax paid in such country shall be approved.

(2) The tax credit referred to in paragraph 1 of this Article cannot exceed the amount that would have been obtained by applying provisions of this Law to the income generated in another country.

Article 45

(1) Agreement on avoiding double taxation shall supersede the provisions of this Law.

(2) The ministry in charge of finance shall stipulate the form, content, and the procedure for issuing a certificate on residency.

3. Payment of Tax on Personal Earnings

Article 46

(1) A tax on personal earnings shall be calculated, withheld, and paid by the employer, or payer of these earnings.
(2) The tax on personal earnings shall be calculated, withheld, and paid at the time of each payment of such earnings, according to the regulations applicable on the day of the payment.

(3) Advance installments for the tax on personal earnings shall be calculated from the tax base made up of the amount of gross earnings realized within a specific calculation period.

(4) Advance installments for the tax on personal earnings shall be calculated by applying the rate of 9% to the tax base referred to the paragraph 3 of this Law.

(5) A non-resident organization that does not have diplomatic immunity and that has a registered office or permanent establishment in Montenegro shall be obliged to calculate the tax on personal earnings paid to its employees in accordance with the provisions of paragraphs 1 to 3 of this Article and pay it at the same time with the payment of personal earnings.

(6) A resident taxpayer employed in a diplomatic or consular representative office of a foreign country, in an international organization, in an office or organization that has diplomatic immunity on the territory of Montenegro shall be obliged to calculate himself the tax on such earnings in the manner set forth in paragraphs 1 to 3 of this Article and pay it within 5 days from the day of receiving them.

(7) Resident taxpayer, who generates earnings from another country, shall calculate himself the tax on such an income in the manner set forth in paragraphs 1 to 3 of this Article and shall pay it within 5 days from the day of receiving them.

**Article 46a**

The Pension and Disability Insurance Fund of Montenegro shall calculate, withhold, and pay the tax on pensions of the state and public officials at the event of payment of the pension.

**Article 47**

(1) The employer shall submit to the tax authority and to the employee data on the paid personal earnings arising from the wage and withheld and paid income tax for such personal earnings, by the 31 January of the current year for the previous year.

(2) Employer shall be obliged to submit to the competent tax authority reports and other records relevant for calculation of the tax on personal earnings, the content and submission deadlines of which shall be prescribed by the minister in charge of finance.

(3) The obligation referred to in paragraph 2 of this Article shall relate also to the persons referred to in Article 46, paragraphs 6 and 7 of this Law.

(4) The payer of earnings (revenues) shall provide to the recipient of revenues the data on paid other personal earnings referred to in Article 14 of this Law, withheld and paid income tax until 31 January of the current year for the previous year.
4. Advance Payment of the Tax on Revenues from Self-Employment Activity

Article 48

(1) During the year, a taxpayer shall pay the tax on revenue from a self-employment activity in the form of monthly advance installments, the amount of which is determined based on the amount of the income tax from the self-employment activity as set in the tax return for the previous year.

(2) Advance installment referred to in paragraph 1 of this Article shall be paid until the end of the current month for the previous month, in the amount of 1/12 of the tax liability for the previous year.

(3) Advance installment of paid tax referred to in paragraph 2 of this Article shall be considered to be a credit with respect to the tax liability as set in the tax return.

(4) A taxpayer, who starts to carry out the activity during the year, shall determine the advance installment for the tax on revenue from self-employment activity on the basis of the estimation of generation of revenues for that year.

(5) Notwithstanding paragraph 1 of this Article, the tax on revenues generated from other self-employment activities referred to in Article 16, paragraph 1 of this Law shall be calculated, withheld, and paid by the payer of revenue at the event of each payment at the rate of 9% on the tax base that represents a difference between the generated revenues and expenditures referred to in Article 20 paragraph 2 of this Law.

Lump Sum Taxation of the Revenue from Self-Employment Activity

Article 49

(1) Obligor of taxes on revenues from self-employment activities whose total turnover for the year that precedes the year for which the tax is assessed or whose planned turnover in cases of commencement of the activity is less than EUR 18,000 may be allowed, at his request, to pay the tax in an annual lump sum amount.

(2) The ministry in charge of finance shall prescribe more detailed criteria for determining the amount of tax referred to in paragraph 1 of this Article and the tax scale for payment of taxes.

(3) The tax referred to in paragraph 1 of this Article shall be paid monthly until the end of the current month for the previous month in the amount of 1/12 of a tax liability set by the tax scale referred to in paragraph 2 of this Article.

(4) The request referred to in paragraph 1 of this Article shall be submitted by the end of the preceding year for the following year, and in the case of commencement of the activity during the year, the request shall be submitted within 5 days from the day of registration to carrying out of the activity.

(5) The obligors referred in the paragraph 1 of this Article shall be obliged to keep business records on generated turnover.
(6) If a tax authority estimates that the request referred to in paragraph 1 of this Article is grounded, it shall adopt a tax decision within 15 days from the day the request is submitted.

(7) Notwithstanding paragraph 3 of this Article, taxpayers who perform seasonal self-employment activity, for no longer than six months, shall pay taxes by the fifth of the month for the current month.

4a. Advance Payment of Taxes on Revenues from Property and Property Rights
Article 49a

(1) Advance payment of tax on revenues from property and property rights during the year, shall be calculated, withheld, and paid by the payer of revenue (legal entity or entrepreneur), at the event of each collection of revenue, and at the same time with collection, by applying a rate of 9% to the taxable revenue referred to in Article 36 of this Law.

(2) In case of direct generation of revenues from property and property rights, the income tax shall be paid at the same time when an annual tax return is filed.

5. Payment of Tax on Revenues from Capital
Article 50

(1) The payer of revenues from capital shall be obliged to calculate, withhold, and pay the tax on revenues from capital at the same time with the payment of revenue.

(2) The tax on revenues from capital shall be calculated at the rate of 9%, while the personal deductions referred to in Article 8 of this Law are not taken into account.

(3) Notwithstanding paragraph 2 of this Article, the tax rate on revenues from interest paid to non-residents shall be 5%.

6. Deleted
Article 51
Deleted (Official Gazette of the Republic of Montenegro, No 78/06)

7. Regulations for Implementation of this Law
Article 52

Minister in charge of finance shall adopt more detailed regulations for the implementation of this Law.
8. Application of Other Regulations
Article 53

The law governing the tax procedure shall apply accordingly to relations not specially regulated by this Law (appeal procedure, procedure of enforced collection, interests, and other).

IVa PENALTY PROVISIONS

Article 53a

(1) A pecuniary fine in the amount from ten-fold to two hundred fold of the minimum wage in Montenegro shall be imposed for an offence on a legal entity, or entrepreneur, if:

1) fails to file a tax return to a competent tax authority by the end of April of the current year for the previous year or fails to calculate correctly or pay tax at the same time with the filing of the tax return (Article 42 and Article 43, paragraphs 1 and 2);

2) as a payer of revenues subject to the income tax, fails to calculate, calculate incorrectly, fails to withhold or pay the tax on revenues, together with each and every payment of revenues (Articles 46, 49a, and 50);

3) as an employer or payer of personal earnings, fails to submit to the tax authority and the employee, within the prescribed deadline, data on paid personal earnings of employees, withheld and paid tax for such personal earnings or reports and other records relevant for calculation of the taxes on personal earnings (Article 47);

4) fails to pay within the prescribed deadline advance installment of tax on revenues from self-employment activity (Article 48);

5) fails to pay within the prescribed deadline the tax liability assessed as a lump sum amount (Article 49, paragraphs 3 and 7);

6) fails to keep business records on realized turnover (Article 48, paragraph 5);

(2) A pecuniary fine in the amount from two fold to ten-fold of the amount of minimum wage in Montenegro shall be also imposed for the offence referred to in paragraph 1, items 2 and 3 of this Article on a responsible person in the legal entity.

(3) In addition to the pecuniary fine, a preventive measure to prohibit the performance of an activity, for the period from one to three months, may also be imposed for the offence referred to in paragraph 1 of this Article on an entrepreneur.

Article 53b

On-the-spot pecuniary fine in the amount of three-fold the amount of the minimum wage in Montenegro may be imposed on a taxpayer for the offence referred to in Article 53a, paragraph 1, item 6 of this Law.

Article 53v

(4) A pecuniary fine in the amount from ten-fold to two hundred fold of the minimum wage in Montenegro shall be imposed for an offence on a legal entity, or entrepreneur, if:

A pecuniary fine in the amount from two-fold to twenty-fold of the amount of the minimum wage Montenegro shall be imposed for an offence on a taxpayer natural person, if:

1) fails to file the tax return for the income tax to the competent tax authority by the end of April of the current year for the previous year, or incorrectly calculates or fails to
pay the tax at the same time with the filing of the tax return (Article 42 and Article 43, paragraphs 1 and 2);
2) fails to calculate and fails to pay the tax within the prescribed deadline as a resident taxpayer employed with the diplomatic or consular representative office of a foreign country, international organization, office or organization that holds diplomatic immunity on the territory of Montenegro and as a resident taxpayer who generates earnings from other country (Article 46, paragraphs 6 and 7);
3) fails to calculate, incorrectly calculates, fails to withhold or fails to pay tax on revenues at the event of each collection and at the same time with collection of revenues (Article 49a).

V TRANSITIONAL AND FINAL PROVISIONS

Article 54

Taxpayers that acquired the right to use tax relieves and tax holidays in accordance with the provisions of the Law on Tax on Income of Citizens (Official Gazette of the Republic of Montenegro, 30/93, 3/94, 13/94, 42/94, 13/96, and 45/98) shall continue to use the right until their expiration.

Article 55

Earnings from unemployment allowances, compensation for retirement severance paymnet or redundancy severance payment up to the minimum amount set forth by the General Collective Bargaining Agreement or regulation of the Government shall not be taxable until 1 January 2005.

Article 56

Relief for dependents referred to in Article 9 of this Law shall apply from 1 January 2007.

Article 57

Notwithstanding Article 40 paragraph 1 of this Law, the acquisition price of immovables acquired by the taxpayer before 1 January 2003 shall consist of the value of such immovable property, and which shall be used as a tax base for payment of the tax on immovables set forth on 1 January 2003.

Article 58

The tax on capital gains from securities shall not be paid until 1 January 2005.

Article 58a

The tax on capital gains shall be paid from 1 January 2011.

Article 59

Taxation of revenues from agriculture and forestry and revenues from self-employment activity based on the established lump-sum net revenue (lump sum payers) for the year 2002 shall be carried out in accordance with the Law on Tax on Income of Citizens (Official Gazette of the Republic of Montenegro 30/93, 3/94, 13/94, 42/94, 13/96, and 45/98).
Article 60

Notwithstanding Article 14 of this Law, personal earnings generated based on allowance for meals during work, allowance for winter supply and holiday allowance paid to employees whose salaries are provided from the budget of Montenegro shall not be taxed until 2003.

Article 61

The Law on Tax on Income of Citizens (Official Gazette of the Republic of Montenegro 30/93, 3/94, 13/94, 42/94, 13/96 and 45/98) shall cease to have effects as of the day this Law enters into force.

Article 62

This Law shall enter into force on the eighth day of its publication in the Official Gazette of the Republic of Montenegro, and shall apply as of 1 July 2002.
Note of the Publisher:

The consolidated text of the Law on Personal Income Tax does not include provisions of Articles 29, 30, and 31 of the consolidated text of the Law on Amendments to the Law on Personal Income Tax from the Official Gazette of the Republic of Montenegro, No 78/06 and 04/07 – Corrigendum of the Law on Amendments to the Law, which read as follows:

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Article 29

Notwithstanding Article 3, paragraph 2, item 8 of this Law, the paid severance payment in case of termination of the employment due to the redundancy up to the amount of 24 average wages in the Republic, for 2007 and 2008, shall not be subject to payment of the income tax.

Article 30

Notwithstanding Article 7, Article 22 paragraph 2 and Article 27 of this Law the rate of the income tax for 2007 and 2008 shall amount to 15%, and 12% for 2009.

Article 31

This Law shall enter into force on the eighth day of its publication in the Official Gazette of the Republic of Montenegro, and shall apply as of 1 January 2007.

The consolidated text of the Law on Personal Income Tax does not include provisions of Articles 19 of the Law on Amendments to the Law on Personal Income Tax from the Official Gazette of Montenegro, No 86/09, which read as follows:

Article 19

This Law shall enter into force on the eighth day of its publication in the Official Gazette of Montenegro, and shall apply as of 1 January 2010.

SU-SK No 01-600/9
Podgorica, 21 December 2006

Constituent Parliament of the Republic of Montenegro
The Speaker
Ranko Krivokapić, m.p.