

VAT RATES

General rate Article 24

VAT shall be accounted for and paid at the general rate of 17% on the supply of goods, services and import of goods, except for supply of goods, services and import of goods for which it has been prescribed that the VAT shall be paid at a reduced rate, as well as on supply of goods, services and import of goods that have been zero rated.

Reduced rate Article 24a

(1) VAT shall be accounted for and paid at the reduced rate of 7% on the supply of goods, services and import of goods, as follows:

- 1) Basic products for human nutrition (bread, flour, milk and dairy products, baby food, fat, cooking oil, meat and sugar)
- 2) Medicines, including also medicines used for veterinary medicine, except for medicines referred to in Article 25, paragraph 1, item 9 of this Law;
- 3) Orthotic and prosthetic tools, as well as medical devices which are surgically implanted in the body, except for medical devices referred to in Article 25, paragraph 1, point 9 of this Law;
- 4) Textbooks and teaching aids;
- 5) Books, monographic and serial publications;
- 6) Services of accommodation in hotels, motels, apartment hotels, tourist settlements, boarding houses, leisure, camps and villas;
- 7) Potable water, except for bottled water;
- 8) Daily and periodic press, except those of completely or mostly advertising content;
- 9) Services of public transportation of passengers and their personal baggage;
- 10) Services of public hygiene;
- 11) Funeral services and goods related to those services;
- 12) Copyrights and services in the area of education, literature and art;
- 13) Copyrights in the area of science and art products, collections and antiques referred to in Article 45;
- 14) Services charged in the form of tickets for cinema and theaters, concerts, museums, fairs, amusement parks, exhibitions, zoos and similar cultural and sports performances, except for those for which exemption from VAT payment is prescribed;
- 15) Services regarding the use of sports facilities for non-profit purposes;
- 15a) services provided in marinas;
- 15b) computer equipment;
- 16) Fodder, fertilizer, devices for plant protection, reproduction seeds, planting material and breeding stock.

(2) Goods i.e. services referred to in paragraph 1, items 1, 3, 4, 5, 6, 15 and 16 of this Article shall be regulated in greater details by regulation of the Ministry of Finance.

Zero Rate Article 25

1) VAT shall be paid at the rate of 0% on:

1. goods that have been exported from Montenegro by the seller that is goods that have been exported on his behalf by another person;
2. supply of services, including transport and other ancillary services, except services referred to in Articles 26 and 27 of this law, which are directly linked to export that is import of goods in accordance with Article 16, paragraph 2 that is Article 30, paragraph 1, item 1 of this law;

3. goods exported from Montenegro by a purchaser that is another person on behalf of the purchaser, who has not established a business in Montenegro, except for goods intended to supply private watercrafts, aircrafts or any other means of transport for private use;
 4. services performed on goods imported in Montenegro and exported by a person who has provided the service or by a client if he has not established the headquarters, business unit, i.e. a permanent or usual residence in Montenegro;
 5. supply of services provided by representatives or other intermediaries in the name and for the account of another person, provided that those services are a part of services listed in this Article or services provided outside Montenegro. Exemption does not relate to travel agents that are providing services in the name and for account of travelers outside Montenegro;
 6. supply of fuel and other necessary goods used for supplying:
 - a) vessels for open-sea sailing which transport passengers for consideration that is which are intended for performing commercial and industrial activities;
 - b) sea rescue and assistance vessels;
 - c) military vessels leaving Montenegro, which destinations are foreign piers, that is anchorages;
 7. goods and services that are used in international air and maritime traffic;
 8. goods and services intended for:
 - a) the official purposes of diplomatic and consular representatives;
 - b) the official purposes of international organizations, if this is envisaged by an international treaty;
 - c) for personal needs of foreign staff of diplomatic and consular representatives including their family members;
 - d) for personal needs of foreign staff of international organizations including members of their families, if provided by international treaties;
 - 9) medicines and medical devices, determined by the list of medicines, i.e. medical devices prescribed and issued at the expense of the Health Insurance Fund of the Republic;
 - 10) goods and services used for exploration of petroleum drills on the open sea;
 - 11) deliveries of goods to the free zone, free and customs warehouses and deliveries of goods within a free zone, free and customs warehouses;
 - 12) delivery of goods or services when it is envisaged by international treaties or contract of donation that tax expenses shall not be paid from the received funds.
- (2) The manner and procedure for exercising the right to exemption from VAT payment referred to in paragraph 1, items 8, 10, and 12 of this Article shall be governed by the regulation of the Ministry of Finance. ;
- 3) Goods shall be considered as exported when they are actually taken out of Montenegro or when they enter a customs-free zone or a customs warehouse if intended for export.
- (4) Services directly related to export, i.e. import of the goods referred to in paragraph 1, item 2 of this Article shall be governed in more details by the regulation of the Ministry of Finance.

VAT EXEMPTIONS

VAT exemptions in public interest

Article 26

The following services that are in public interest shall be exempt from the VAT payment:

1. Public postal services, as well as supply of goods directly related with these deliveries;
2. Health services and care and delivery of goods including supply of human organs, blood and human milk, performed in accordance with regulations on health insurance;

3. Social security services and the supply of goods directly linked to social security services that are performed in accordance with the regulations governing the field of social security services;
4. Services in pre-school education and the education and training of children, young people and adults, including the supply of goods and services directly linked to these activities, provided these activities are performed in accordance with the regulations governing this field;
5. Services and deliveries of goods by nursery schools, primary and secondary schools, universities, and by student catering and boarding institutions;
6. Services related to culture including tickets for cultural events and supply of goods directly related to those services provided by non profit organizations in accordance with regulation governing the field of culture;
7. Services related to sport and sport education, which perform nonprofit organizations (unions, associations, etc);
8. Services of public radio broadcasting service, except for services of commercial character;
9. Religious services and supply of goods directly linked to religious services performed by religious institutions in order to satisfy the needs of the faithful, in accordance with the regulations related to those communities;
10. Services provided by non - government organizations established in accordance with the regulations governing the activities of these organizations, unless there is probability that such exemption would lead to a distortion of competition.

Other VAT exemptions
Article 27

The following shall also be exempt from VAT:

1. Insurance and reinsurance services, including services provided by insurance brokers and agents;
2. Supply of immovable propriety, except the first transfer of the ownership rights that is the rights to dispose of newly-constructed immovable property;
3. Services of leasing or subletting of residential houses, apartments and permanent residential premises for longer than 60 days and lease of agricultural land or forests, which are registered in land books;
4. Banking and financial services, such as:
 - a) Approving and managing credits, and approving and managing guarantees that is other forms of credit insurance on the part of the lender;
 - b) Services relating to the management of deposits, savings, bank accounts, conducting payment transactions, transfers, executing due liabilities, cashing cheques or other financial instruments, except for recovery of debts and factoring;
 - c) Transactions, including the issuing of bank notes and coins, which are legal tender in any country, excluding collector items (for example: numismatic collection); the collector items shall be considered to be coins of gold, silver and other material, bank notes not in use as legal tender, and coins with a numismatic value;
 - d) Trading in shares that is other forms of equity interests in companies, bonds and other securities, including their issuance, except for the safekeeping of securities;
 - e) Investment fund management.
5. Current postage stamps, administrative and court and tax stamps;
6. Supply of gold and other precious metals to the Central Bank of Montenegro;
7. Services of games of chance and entertaining games.

VAT exemptions for import of goods
Article 28

The following shall be exempt from VAT:

1. Imported goods the supply of which is exempt from VAT in Montenegro;
 2. Goods brought into Montenegro as part of a customs transit procedure;
 3. Re-imported goods imported in an unchanged state by the person who exported the goods, provided that such goods are exempt from payment of customs duties in accordance with customs regulations;
 4. Re-imported goods on which services have been performed abroad but in respect of which the right to a deduction that is refund of VAT has not been recognized;
 5. Goods imported by state bodies or voluntary humanitarian organizations and organizations of disabled persons, which are intended for, people, as a free of charge delivery, in social needs. This exemption does not include alcohol drinks, tobacco and tobacco products, coffee and vehicles, except rescue vehicles;
 6. Imported goods exempt from payment of customs duties intended for official purposes of diplomatic, consular organizations and international organizations and to members of such organizations, within the limits and under the conditions set forth in international conventions on establishment of the organizations, on the basis of an opinion issued by a minister responsible for foreign affairs;
- 7) Services related to imports of goods, provided that the value of such services is included in the tax base in accordance with Article 22, paragraph 2, item 2 of this
8. Gold and other precious metals, bank notes and coins imported by the Central Bank of Montenegro;
9. Imported goods for which exemption from payment of customs duties is prescribed, in accordance with Article 184, paragraph 1, points 2), 3), 9) and 13) of the Customs Law.
 10. Goods specifically developed for education, enabling or employment of blind and deaf persons, or other physically or mentally handicapped persons, if these were acquired free of charge and imported by institutions or organizations whose activity is education or offering assistance to these persons, and if a donator does not express a commercial purpose, based on the opinion of the ministry in charge of social affairs;
 11. passenger vehicles, especially adapted to transportation of disabled persons in wheelchairs, but only if they are imported for the needs of persons who, due to a physical handicap, are in need of wheelchair, under conditions prescribed by customs regulations;
 12. Import of goods for the purposes referred to in Article 25, paragraph 12 of this Law.
- (2) The Ministry of Finance shall regulate a more detailed manner for exercising the right to VAT exemption referred to in items 5, 6 and 12 of this Article in the form of a regulation.

Exemptions for a temporary import of goods
Article 29

Goods that are temporarily imported shall be exempt from VAT payment provided that they are exempt from customs duties according to the customs legislation.

Other special exemptions
Article 30

- 1) Import of goods intended for the following shall be exempt from VAT:

- a) to be submitted for inspection to customs authorities and when permitted to be stored temporarily in accordance with customs regulations;
 - b) to be entered into a free customs zone, i.e. free customs warehouse;
 - c) to be subjected to a customs warehousing procedure or import procedure for export under suspension arrangement.
- 2) Exemption referred to in paragraph 1 of this article shall apply to supply of services linked to supply of those goods.
- 3) The payment of VAT shall be exempted under this article on condition that the goods are not released for free circulation and that the amount of VAT on release for free circulation is the same amount as would have been charged and levied if such supply of goods had been taxed at import into Montenegro.