

## **16 Annex - Taxation**

### **102. LAW ON VALUE ADDED TAX**

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Pursuant to Article 88 item 2 of the Constitution of the Republic of Montenegro, I hereby issue the

**DECREE PROMULGATING THE LAW ON VALUE ADDED TAX**

**(Official Gazette of the Republic of Montenegro 65/01, 12/02, 38/02, 72/02, 21/03, 76/05, 04/06 and Official Gazette of Montenegro 16/07 of 27 December 2007)**

I hereby promulgate the Law on Value Added Tax, passed by the Parliament of the Republic of Montenegro at the second sitting of the second ordinary session in 2001, on 27 December 2001.

No 01-3874/2

Podgorica, 28 December 2001

The President of the Republic of Montenegro

Milo Đukanović, m.p.

**LAW ON VALUE ADDED TAX**

**I GENERAL PROVISIONS**

**Article 1**

1) This Law shall regulate the system and introduces the obligation to pay value added tax in the Republic of Montenegro.

2) Value Added Tax (hereinafter referred to as the "VAT") as a general tax on final consumption is calculated and paid in all stages of turnover of taxable products that is taxable services, unless otherwise provided by this Law.

**Article 2**

Revenues from VAT belong to the Budget of the Republic of Montenegro.

**II SUBJECT MATTER OF TAXATION**

**Article 3**

The subject matter of taxation of VAT shall be the following:

- 1) turnover of goods and services that a taxpayer performs within the scope of his business activity for a fee and
- 2) import of goods into Republic of Montenegro (hereinafter referred to as the "Montenegro").

**Turnover of goods**

**Article 4**

1) Turnover of goods shall be the transfer of rights to dispose of movable, i.e. immovable property unless otherwise provided by this Law.

2) The following shall also be deemed a turnover of goods, for the purpose of paragraph 1 of this Article:

- 1) turnover of goods performed for a fee on the basis of a regulation adopted by a state body, i.e. local self-government body;
- 2) the sale of goods under contract on the basis of which the commission shall be paid on purchase or sale of those goods;
- 3) the sale of goods on the basis of contract on lease of goods for a specified period, i.e. on the basis of sales contract with postponed payment, which regulates that (under ordinary circumstances and in the normal course of events) ownership transfer shall be performed at the latest by final instalment payment;

- 4) the sale of newly constructed structures and transfer of material rights and shares in respect of immovable property, which provide the holder (owner) with ownership right, i.e. the right to possess the immovable property or part of the immovable property;
  - 5) the disposal of the business assets of the taxpayer by another person including liquidation and bankruptcy administrator and custodian (tutor);
  - 6) the turnover of electricity, gas and energy for heating, refrigeration and cooling;
  - 7) use of goods of taxpayer for non-business purposes;
  - 8) the exchange of goods.
- 3) The following shall be deemed a turnover of goods referred to paragraph 2 item 1 of this Article:
- 1) acquisition of ownership rights on goods by or for the account of the state or local self-government on the basis of Law;
  - 2) deprivation of ownership right on goods of a person on the basis of Law.
- 4) Turnover of land (agricultural, building, constructed and unconstructed), as well as the turnover of used passenger cars, motorbikes and vessels, for which the taxpayer, during the turnover, was not entitled to input VAT deduction, shall not be deemed a turnover of goods for the purpose of this Article.

### **Use of goods for non-business purposes**

#### **Article 5**

- 1) If a taxpayer uses goods, which form a part of his business assets, for private purposes or for private purposes of his employees, disposes of the goods free of charge or for fee, i.e. lower than the one that could be achieved on the market, i.e. uses the goods for purpose unrelated to performance of his/her business activity, such use, i.e. alienation shall be deemed a turnover of goods performed for a fee.
- 2) With the exception of paragraph 1 of this Article, the following shall not be deemed a turnover of goods for a fee:
  - 1) giving business samples free of charge in reasonable (real) quantities to customers or potential customers provided that they are not put on sale, i.e. if they are in such form in which it is not possible to sell them;
  - 2) giving low-value gifts, within performance of activities of a taxpayer, provided that this is done occasionally and not to same persons;
- 3) The Ministry of Finance shall regulate, with its regulation, what shall be deemed a low-value gift referred to in paragraph 2 item 2 of this Article.

### **Use of the products of own production, change of purpose and retention of the products after the termination of the business activity**

#### **Article 6**

The following shall be deemed also a turnover of goods for a fee:

- 1) taking (utilisation) of goods that a taxpayer produces, builds, processes, supplies, i.e. imports during performance of his/her business activities if the valued added tax on such products could not be completely deducted in case they were supplied from another taxpayer;
- 2) utilisation of goods for which input VAT has been partly or completely deducted that the taxpayer utilised for purposes for which exemptions from payment of VAT are prescribed by Law;
- 3) retention of goods for which input VAT has been partly or completely deducted after the termination of performing activities, i.e. termination of registration.

### **Turnover of property**

#### **Article 7**

1) Turnover of goods for the purpose of Article 4 of this Law shall not include the transfer of property or part thereof with or without fee or as an investment if the transferee of the property who is or upon transfer becomes a taxpayer and who continues to perform the same business activity. In such case, the transferee is deemed to take the place of the transferor.

2) The acquirer of the property referred to in paragraph 1 of this Article shall be obliged to make correction of the input VAT for the acquired immovable property, in the manner prescribed by Article 39 of this Law.

### **Turnover of Services**

#### **Article 8**

1) A turnover of services shall mean the performance, omission, i.e. toleration of any action within performance of activities other than the turnover of goods within the meaning of Articles 4, 5 and 6 of the Law.

2) The following shall also be deemed a turnover of services:

- 1) transfer, assignment and use of copyrights, patents, licenses, trademarks and other property rights (hereinafter referred to as the "property rights");
- 2) turnover of services on the basis of a regulation of a state body or local self-government body;
- 3) use of services of a taxpayer for non-business purposes, and
- 4) exchange of services.

### **Use of services for non-business purposes**

#### **Article 9**

The following shall also be deemed a use of services of a taxpayer for non- business purposes for the purpose of Article 8 paragraph 2 item 3 of this Law:

- 1) use of goods forming a part of business assets of a taxpayer for the provision of services for private purposes or for private purposes of his/her employees, or other purposes beyond his/her business activity, and
- 2) turnover of services performed by a taxpayer without fee or for reduced fee for his/her private purposes, for the purposes of his/her employees, i.e. purposes that are not related to performance of his/her business activity.

### **Turnover of services in one's own name and for other person**

#### **Article 10**

If a taxpayer acts in his own name and for other person, during turnover of services, it shall be deemed that the taxpayer personally both receives and supplies such services.

### **Import of Goods**

#### **Article 11**

The import of goods shall mean any entry of goods into the customs territory of Montenegro unless otherwise provided by this Law.

## **III TAX DEBTOR**

#### **Article 12**

The VAT tax debtor shall be:

- 1) taxpayers who performs turnover of goods, i.e. services for which VAT shall be calculated and paid;
- 2) tax representative appointed by the taxpayer who does not have a registered office, business unit, permanent, i.e. regular residence in Montenegro (hereinafter referred to as the “taxpayer not based in Montenegro”) if the taxpayer performs the turnover of goods or services in Montenegro. If the taxpayer not based in Montenegro does not appoint a tax representative, the recipient of goods or services shall pay the VAT;
- 3) recipient of the services under Article 17 paragraph 3 of this Law, except in the case when the recipient is a person who is not a VAT taxpayer when the taxpayer is the service provider;
- 4) any person who shows VAT that pursuant to this Law should not have been shown, in his invoice or other document, which serves as invoice;
- 5) person that imports goods, i.e. recipient of goods in case of import.

#### **IV TAXPAYER**

##### **Article 13**

- 1) Taxpayer shall be any person who conducts any business activity, referred to in paragraph 2 of this Article, independently, in any place, regardless of a purpose or result of that activity.
- 2) The activity referred to in paragraph 1 of this Article shall include all activities of production, trade and providing service, including mining, agriculture and professional activities. The use of tangible and non-tangible property (property rights) for the purpose of permanent realisation of revenues shall be deemed a business activity.
- 3) A taxpayer shall also be a person who temporarily carries out the activity relating to the delivery of newly built construction facilities or parts of construction facilities.
- 4) The Ministry of Finance shall prescribe more detailed criteria regarding what shall be deemed as the activity referred to in paragraph 3 of this Article.
- 5) Taxpayer shall be a person who imports goods for his own account or receives goods from abroad, as well as the person for whose account the goods are being imported.
- 6) State bodies and organisations and bodies of local self-government unit and other public legal authorities shall not be deemed taxpayers within the scope of performing their activities on the basis of public functions even if, in connection to these activities, taxes, fees, contributions and other duties are being collected. Political parties, trade unions and chambers shall not be deemed the taxpayers, if they carry out activities within their scope of work, i.e. authorisations.
- 7) State bodies and organisations and bodies of local self-government unit and other public legal authorities shall be deemed taxpayers if they are performing turnover of goods, i.e. services, which is taxable, pursuant to this Law, in cases of other taxpayers.
- 8) Organisers of services under Article 17 paragraph 2 item 3a) of this Law shall be deemed taxpayers.

#### **V PLACE OF TAXATION**

##### **Article 14**

- 1) VAT shall be calculated and paid at the place where turnover of goods, i.e. services was performed, i.e. at the place where the turnover is deemed performed under this Law.
- 2) The territory of Montenegro shall be deemed the single place of the turnover of goods, i.e. services.

##### **Place of Turnover of Goods**

### **Article 15**

The following shall be deemed the place of turnover of goods:

- 1) the place where goods are located at the time of dispatch or transport commences. If dispatch, i.e. transport of goods commences outside Montenegro, it shall be deemed that the importer performs it within Montenegro;
- 2) the place where the goods are installed, i.e. assembled if the goods have been installed that is assembled by the supplier or another person on behalf of and for the account of the supplier;
- 3) the place where the goods are located at the time the turnover is made, if the turnover of the goods is carried out without dispatch, i.e. transportation;
- 4) the place of receipt of the electric power, gas and energy used for heating, refrigeration and cooling.

### **Place of turnover at import of goods**

#### **Article 16**

- 1) For the import of goods, the place of turnover is the place where goods enter Montenegro.
- 2) With the exception of paragraph 1 of this Article, for goods in respect of which permission was granted immediately on entry into Montenegro for temporary storage or customs-approved use or use of the goods referred to in Article 30 paragraph 1 of this Law or for which a temporary import procedure with full exemption from payment of import duties or a customs transit procedure was initiated, the importation shall be considered as having been performed where the second customs-approved treatment or use for these goods begins.

### **Place of turnover of services**

#### **Article 17**

1) The place where the turnover of services is performed shall be deemed the place where the taxpayer who provides the service has established his business or has a registered office or business unit from which the service is provided, or his place of permanent or temporary residence if he has not established a business and does not have registered office of business unit, unless otherwise provided by this Law.

2) With the exception of paragraph 1 of this Article, the place where the turnover of services is performed shall be deemed:

- 1) place where immovable property is located if the provision of the service is directly connected to the immovable property, including services such as those of estate agents, valuations of immovable property and preparatory works for construction (the services of architects, on-site supervision and etc.);
- 2) road or part of the road where transport services are performed. If the transport services are not performed exclusively in Montenegro (but also abroad) this Law shall apply only to that part of the transport services performed in Montenegro;
- 3) place where services are actually performed provided that the services concerned are:
  - a) services in the area of: culture, art, science, education, sports, entertainment events and similar services including the services rendered by the organizers of such services;
  - b) ancillary transport services, such as loading, unloading, transferring, warehousing and other services that are in common way related to transport;
  - c) Services regarding professional opinions, appraisals and evaluations of the movable property;
  - d) (Shall be deleted. Official Gazette of the Republic of Montenegro 76/05)

3) With the exception of paragraph 1 of this Article, with respect to the following services:

- 1) transfer, consignment and use of copyrights, patents, licenses, trade marks and other intellectual property rights;
- 2) telecommunication services;
- 3) in the area of economic propaganda;
- 4) provided by engineers, Lawyers, notaries, auditors, accountants, interpreters, translators, and other similar consulting services;
- 5) electronic data processing and provision of information, including also information on business procedures and experiences;
- 6) banking, insurance and re-insurance services;
- 7) intermediary services in employment of human resources;
- 8) rental of movable property, except for transportation means;
- 9) withdrawal from carrying out a business activity;
- 10) intermediary services in connection with services referred to in items 1 to 9 of this paragraph, if they are performed by the agents in the name and for the account of the customer, the place where the turnover of services is performed shall be considered to be the place of the registered office of the recipient of the service. If the services are performed in the business unit, the place of the turnover of services shall be considered the place of business unit of the recipient of the service. If the recipient of the service has his permanent residence abroad, then the place of the turnover of the services shall be the place of his permanent residence.

4) Regarding the intermediation services, except for the services referred to in paragraph 2, item 1 and paragraph 3, item 10 of this Article, the place of the turnover of services shall be considered the place of delivery of goods or services for which the intermediary services have been performed.

5) The Ministry of Finance may, in respect of services referred to in paragraph 1 and 3 of this Article and services of renting transportation means, and for the purpose of avoiding double taxation, i.e. tax evasion, determine as a place of turnover a place where the service is used, i.e. where the service is rendered.

## **VI INCEPTION OF OBLIGATION TO CALCULATE VAT**

### **Article 18**

- 1) VAT is calculated at the moment of delivery of goods that is at the moment of providing the service.
- 2) Goods shall be deemed delivered that is services performed when an invoice is issued.
- 3) If an invoice referred to in paragraph 2 of this Article has not been issued, VAT shall be calculated on the eighth day after the delivery of the goods, i.e. performance of the services.
- 4) If the payment is partly or fully made before an invoice has been issued, or before the turnover of goods or services has been performed, VAT shall be calculated on the day of receipt of the payment.
- 5) In case of turnover of goods, excluding goods referred to in Article 4, paragraph 2, item 3, of this Law,, i.e. in case of turnover of services where successive invoices and successive payments are made, VAT shall be calculated on the last day of the period to which the invoice that is payment relates.
- 6) In case of turnover of goods, i.e. services referred to in Articles 5, 6 and 9 of this Law, VAT shall be calculated within the tax period in which the turnover was performed.
- 7) For changes to the tax base under Article 20 of this Law, VAT shall be calculated when the invoice, i.e. other document on the change of tax base is issued.

8) With the exception of paragraph 2 of this Article, in the case when in accordance with Article 12, items 2) and 3) of this Law, the tax debtor is the recipient of goods i.e. services, it shall be deemed that goods are delivered i.e. services performed, when the recipient receives the invoice or when the payment is made, depending on what happened earlier in time. If the recipient does not receive the invoice, VAT shall be calculated on the eighth day after the delivery of goods or performance of services.

### **Inception of tax liability at import of goods**

#### **Article 19**

1) The obligation to calculate VAT at importation shall be established at the same moment when obligation to assess customs duty and other import charges are established.

2) With respect to goods that are not subject to customs duties and other import charges, VAT shall be calculated at the moment when obligation to pay import duties has been established as if the obligation should have been established according to the customs legislation.

## **VII TAX BASE**

### **Tax base and correction of the tax base**

#### **Article 20**

1) The VAT base (hereinafter referred to as the “tax base”) shall be everything, which constitutes the fee (in cash, in goods or in services), that the taxpayer has received or will receive from the purchaser, customer or third party for performed turnover of goods or services, including subsidies directly linked to the price of such turnover, excluding the VAT, unless otherwise provided by this Law.

2) The tax base shall include:

- 1) excise duty and other taxes, fees, customs and other import duties and charges, excluding VAT;
- 2) indirect costs, such as commissions, costs of packaging, transport and insurance, which the supplier charges to the purchaser, i.e. client of the services.

3) If the fee for turnover of goods, i.e. services is not paid or not entirely paid in cash, the tax base shall be the same as the market value of the goods, i.e. services at the time the turnover was performed.

4) For exchange of goods or services, the tax base shall be the value of the goods, i.e. services that are received in exchange.

5) For the turnover of goods, i.e. services performed by a taxpayer who has not registered office in Montenegro, the tax base shall be considered everything that constitutes the fee, which the recipient of goods, i.e. services has paid or will pay to the supplier of goods, i.e. services.

6) For the turnover of goods referred to in Articles 5 and 6 of this Law, the tax base shall be the VAT exclusive purchase price of goods in question, i.e. service, i.e. the cost of the goods at the time and place the turnover was performed; for turnover of services under Article 9 of this Law, the tax base shall be amount of costs of the services performed.

7) If for non-business reasons the fee is less than the market value, or if there is no fee, the tax base shall be the market value of the goods, i.e. services at the time and place the turnover was performed.

8) The following shall be excluded from the tax base:

- 1) price reductions and discounts given on the invoice at the time the turnover is performed;



- 2) amounts which the taxpayer receives from his customer as the refund of costs he paid in his name and for his account, and keeps them in his books as transitional items, in which case the taxpayer has to obtain the evidence on actual amount of these expenses and must not deduct the VAT from these transactions.

9) If the tax base subsequently changes due to repayment, discount or the inability to pay, the taxpayer who performed the turnover of goods that is services may correct that is reduce the amount of VAT if the taxpayer for whom the turnover of goods, i.e. services was performed corrects (reduces) the deduction of input VAT and provided that he informs the supplier of goods, i.e. services of the changes in writing.

10) If the amount of the VAT charged on the import of goods that the taxpayer takes into account as a deduction of input VAT changes, the deduction of input VAT may be corrected for this difference on the basis of the decision of the customs authority.

11) The correction of the tax bases may only be done within the accounting period in which the tax base was changed.

12) In the case of transfer of rights relating to collateral security, the tax base shall be the price of the collateral security, increased by the amount of difference of market value to the collateral.

13) Tax base shall not include the costs of refundable package, which are kept in the form of records with a delivering party. .

#### **Article 20a**

Due to inability to collect, a taxpayer may correct (reduce) the amount of VAT, if, on the basis of a final court decision on closed bankruptcy procedure or on successfully finalized compulsory composition, he is not compensated or not totally compensated. Taxpayer may act in the same manner if he gets a final court decision on suspension of the enforcement procedure, or another document from which it can be seen that he was not compensated or not totally compensated after the closed case, due to the debtor's deletion from the court registry, or other adequate registries or records. If the taxpayer subsequently receives the payment or partial payment for goods or services delivered which served as a ground for corrected tax base, he shall be obliged to calculate VAT from the received amount.

#### **Tax base when selling property**

##### **Article 21**

If an entire business or an entire plant is transferred then the tax base shall be the fee given for each item transferred in such way that the sum of all the individual amounts paid in fee equals the total payment made for the entire business entity or for the entire plant reduced by the value of real estate which is taxed in accordance with special Law. Debts taken over shall not be deducted from the tax base. If the VAT calculated at the time of acquisition of the business entity or plant may entirely be deducted by the buyer as an input tax then the VAT shall not be paid and the transfer shall be considered tax-free.

#### **Tax base for the import of goods**

##### **Article 22**

1) The tax base for the import of goods shall be the value of the goods determined in accordance with customs legislation.

2) The tax base under the Paragraph 1 of this Article shall include:

- 1) excise duty and other taxes, fees and other charges paid outside Montenegro and on import, excluding VAT, under this Law;
- 2) indirect expenses, such as commissions, packaging costs, transport and insurance, which arise after the import of goods to the first place of destination in Montenegro. The first place of destination is the place stated in the consignment note or the other document with which the goods are imported into Montenegro.

3) For imports of goods, the tax base shall exclude, if not already excluded, price reductions and discounts in accordance with Article 20 paragraph 8 of this Law.

4) The tax base for import of goods, which were previously temporarily exported by the taxpayer for processing, refining, repair, or mounting abroad is the value determined in accordance with customs regulations.

### **Conversion of the value of foreign currency into domestic currency**

#### **Article 23**

1) If the value that was the basis for determining the tax base for the importation of goods is denominated in foreign currency, the conversion of this amount into domestic currency shall be made by applying the exchange rate determined in accordance with customs legislation for calculating the customs value of goods.

2) If the value, which was the basis for determining the tax base, with the exception of the import of goods, is denominated in foreign currency, the conversion of this amount into domestic currency shall be made by applying the middle exchange rate of the Central Bank of Montenegro on the day the tax liability arises.

## **VIII VAT RATES**

### **General Rate**

#### **Article 24**

VAT shall be calculated and paid at the general rate of 17% on the turnover of goods, services and import of goods, except for turnover 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 turnover of goods, services and import of goods that have been zero rated.

### **Reduced rate**

#### **Article 24a**

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

- 1) basic products for human consumption (milk, bread, fat, oil 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 item 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 theatres, concerts, museums, fairs, amusements 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;

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 more details by regulation of the Ministry of Finance.

#### **NOTE OF THE PUBLISHER:**

With the exception of the Article 24a paragraph 1 items 1, 2 and 3 of this Article, bread, until 31 July 2008, medicines, orthotic and prosthetic tools, as well as medical devices, which are surgically implanted in the body, until 31 May 2008 shall be paid at the rate of 0%. (See NOTES at the end of the text).

#### **Zero rates**

#### **Article 25**

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

- 1) goods that have been exported from Montenegro by the seller, i.e. goods that have been exported on his behalf by another person;
- 2) turnover 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, i.e. import of goods in accordance with Article 16 paragraph 2, i.e. 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 turnover 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) turnover 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 travellers outside Montenegro;
- 6) turnover of fuel and other necessary goods used for supplying:
  - a) vessels for open-sea sailing which transport passengers for fee 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 harbours, i.e. 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 organisations, 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 organisations 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.

## **IX EXEMPTIONS FROM PAYMENT OF VAT**

### **Exemptions in public interest**

#### **Article 26**

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

- 1) public postal services, as well as turnover of goods directly related with these deliveries;
- 2) health services and care and delivery of goods including turnover of human organs, blood and human milk, performed in accordance with regulations on health insurance;
- 3) social security services and the turnover 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 turnover 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 turnover 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 non-profit organisations (unions, associations, etc);
- 8) services of public radio broadcasting service, except for services of commercial character;
- 9) religious services and turnover 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-governmental organisations established in accordance with the regulations governing the activities of these organisations, unless there is probability that such exemption would lead to a distortion of competition.

### **Other 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) turnover of immovable propriety, except the first transfer of the ownership rights, i.e. 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 or redemption;
  - 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 stocks, i.e. shares in companies, bonds and other securities, including their issuance, except for the safekeeping (deposit) of securities;
  - e) investment fund management.
- 5) current postage stamps, administrative and court and tax stamps;
- 6) gold and other precious metals supplies by the Central Bank of Montenegro;
- 7) services of games of chance and entertaining games.

### **Exemptions at import of goods**

#### **Article 28**

1) The following shall be exempt from VAT:

- 1) imported goods which turnover is exempted from payment of 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, i.e. refund of VAT has not been recognised;
- 5) goods imported by state bodies or voluntary humanitarian organisations and organisations of disabled persons, which are intended for, people, as a free of charge delivery, with 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 organisations and international organisations 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 Law;
  - 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 items 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 by a regulation.

### **Exemptions at temporary import of goods**

#### **Article 29**

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

### **Other special exemptions**

#### **Article 30**

- 1) Import of goods intended for the following shall be exempted from VAT payment:
  - a) to be submitted for inspection to customs authorities and when it is to temporary store them 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 turnover of services linked to turnover 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 turnover of goods had been taxed at import into Montenegro;

## **X ISSUANCE OF INVOICES**

### **Obligation to issue invoice**

#### **Article 31**

- 1) Taxpayer shall be obligated to issue invoice or any document, which can be used as and invoice for each separate turnover of goods, i.e. services (hereinafter referred to as the "invoice"). Invoice shall be issued in two copies, where buyer keeps original of invoice, and seller keeps copy of invoice.
- 2) Taxpayer shall be obligated to issue invoice for any payment received prior to turnover of goods or services (subscription, advance payment), as well as for any subsequent change of tax base.

- 3) An invoice shall be any document issued by a taxpayer or by other person on taxpayer's request regardless of the form and title, which contains a calculated turnover of goods, i.e. services.
- 4) In the case of exchange of goods or services, every participant in exchange shall be obligated to issue invoice.
- 5) If a taxpayer shows on an invoice issued for the turnover of goods or services an amount of VAT, which exceeds the amount of VAT that he is obliged to show under the Law, he shall be obliged to pay this excess amount, except in cases referred to in Article 20, paragraph 9 of this Law.
- 6) Taxpayer may issue the invoice in non-material form, provided that the taxpayer has permission from the tax authorities to issue invoices in this form. A taxpayer who receives an invoice in a non-material form shall also have to have permission from the tax authorities; otherwise, it shall be deemed that the invoice was not issued for the purposes of deducting input VAT.

**Basic data contained in the invoice issued to a taxpayer and other persons**

**Article 32**

- 1) The taxpayer who delivers goods or provides services to the other taxpayer, on his invoice must state at least the following data:
  - 1) the place and date of issue and invoice number;
  - 2) the name and address of a taxpayer who performs the turnover (seller) and his VAT number;
  - 3) the name and address of the recipient of goods, i.e. user of services (buyer);
  - 4) date of the performed turnover;
  - 5) quantity and usual trade name of delivered goods that is type and quantity of provided services;
  - 6) the amount of fee of the performed turnover without VAT;
  - 7) applied tax rate;
  - 8) amount of calculated VAT;
  - 9) the total amount of fee on performed turnover, which is VAT inclusive;
  - 10) signature and stamp of the invoice issuer.
- 2) In the case that goods delivered or services performed are exempted from VAT or it is calculated at zero rated, it should be clearly stated on the invoice that VAT has not been charged, with the reference to the article of this Law which prescribes zero rate, i.e. exemption;
- 3) The invoice issued by a taxpayer to other persons needs not show information under paragraph 1 items 3 and 6 of this article. However, it shall show the sales value of the goods or services, including VAT, and the amount of the VAT.
- 4) Taxpayer shall be obliged to issue an invoice to the purchaser of goods, i.e. recipient of services irrespective of whether the purchaser that is recipient specifically requested one. The purchaser of goods, i.e. recipient of services shall be obliged to retain the invoice immediately on departure from the sales or other business premises, and present it upon the request of an authorised person from the tax authority.
- 5) The liability to issue an invoice in accordance with paragraphs 3 and 4 of this article shall not include farmers selling their products on the green market.
- 6) The liability to issue an invoice referred to in paragraphs 3 and 4 of this Article does not apply to sale of tobacco products, travel tickets and tokens in passenger traffic (train, bus, funicular railway), stamps, fees, securities and forms in postal traffic, periodic newspapers and revenue from slot machine. Turnover data shall be obtained by making an inventory, at least once monthly, of stocks at the beginning and at the end.

7) The taxpayer referred to in paragraph 4 of this Article has duty to post, in every sale facility in a visible place, a notice about the obligation to issue and take the invoice.

8) Taxpayer, who charges the turnover of goods or services in cash, shall be obligated to show the turnover through the cash register.

9) The Ministry of Finance shall adopt a more detailed regulation on the use of cash register referred to in paragraph 8 of this Article, and the manner of recording the turnover of goods or services through the cash register.

## **XI TAX PERIOD, CALCULATION AND PAYMENT OF VAT**

### **Tax period**

#### **Article 33**

- 1) Tax period is the time period in which taxpayer has duty to calculate and pay VAT.
- 2) The tax period shall be a period starting as of the first until the last day in a month (calendar month).

### **VAT calculation**

#### **Article 34**

- 1) Taxpayer shall calculate VAT according to the amounts charged on taxable supplies indicated on the issued invoices for supplied goods, i.e. for services rendered in the tax period.
- 2) The amounts charged on taxable supplies as referred to in the paragraph 1 of this article shall be considered to include:
  - 1) the amounts on issued invoices;
  - 2) the amounts of advance payments that have been made in accordance with Article 18 paragraph 4 of this Law;
  - 3) the value of the turnover of goods or services referred to in Articles 5, 6 and 9 of this Law;
  - 4) the amounts on invoices issued by the taxpayer that has a registered office abroad, according to the paragraph 5 of Article 20 of this Law.

### **Submission of VAT calculation return**

#### **Article 35**

- 1) The taxpayer shall indicate his tax liability in the monthly tax return for assessment of VAT.
- 2) The taxpayer shall submit the tax return from paragraph 1 of this Article to the responsible tax authority no later than the 15th day of the following month after the termination of the tax period;
- 3) Taxpayer shall submit a VAT return referred to in paragraph 1 of this Article irrespective of whether he is obliged to pay the VAT for the period for which the VAT return is submitted.
- 4) The VAT return referred to in paragraph 1 of this Article shall contain all the information necessary to assess the tax liability;
- 5) A competent tax authority shall prescribe the form and content of return referred to in paragraph 1 of this article.
  
- 6) If the taxpayer does not submit the tax return in the prescribed time or does not have the prescribed documentation or tax records, then the Tax authority can make an assessment of the tax liability on the basis of control carried out, by comparison with a taxpayer in similar business, or on the basis of other data about the business operations of the taxpayer.

### **Payment of the tax liability**

#### **Article 36**



- 1) Tax liability for the taxation period becomes payable on the 15th day of the current month after the elapse of the taxation period.
- 2) Persons referred to in Article 12 items 2 and 3 of this Law are also obligated to pay VAT within the deadline defined in Paragraph 1 of this Article.
- 3) At import, VAT shall be calculated and paid as import duty in accordance with the customs regulations.

## **XII DEDUCTION OF INPUT VAT**

### **Conditions for deduction of input VAT**

#### **Article 37**

- 1) In the calculation of their tax liability, taxpayer may deduct VAT which they are obliged to pay or which they have paid at the time of purchase of goods or services from another tax payer, at the time of importation of goods and as a recipient (beneficiary) of services (hereinafter referred to as the "input VAT"), provided he has used those goods that is services or will use them for the purposes of performing activities on which VAT is paid.
- 2) Taxpayers may also deduct input VAT on goods and services used for performing activities outside Montenegro, on condition that the right to deduct input VAT would have been recognized if the activity had been performed in Montenegro;
- 3) Taxpayers shall not deduct input VAT:
  - 1) on goods and services used for turnover of goods or services on which VAT exemption is prescribed, unless otherwise provided by this Law;
  - 2) on goods and services used for performing activities outside Montenegro, on condition that the right to deduct input VAT would not have been recognized if the activity had been performed in Montenegro;
- 4) Taxpayer may deduct input VAT in respect of the turnover of goods, i.e. services that are exempted from payment of VAT:
  - 1) under Articles 25 and 28 item 7, and article 30 of this Law;
  - 2) under Article 27 items 1 and 4a) to 4d) of this Law, provided that the services are performed for clients who have registered office or a permanent business unit outside Montenegro, or provided that such services are directly linked to goods intended for export;
- 5) Taxpayer shall not deduct input VAT on:
  - 1) vessels intended for sport and recreation, personal automobiles and motorcycles, fuels and oils and spare parts and services closely related to them, other than vessels, i.e. vehicles, intended for: further sale, renting (rent-a-car), transportation of persons and goods (taxi) and training of drivers of the aforementioned transportation means;
  - 2) representation expenses;
- 6) Taxpayers may deduct input VAT only if:
  - 1) it is shown on invoices under article 32 of this Law;
  - 2) it is shown on customs declarations;
  - 3) it is paid on the basis of Article 39 paragraph 2 and Article 43 paragraph 3 of this Law.
- 7) Taxpayer may deduct input VAT within the tax period in which he received the invoice for turnover of goods and services to him, i.e. customs declarations for imported goods;
- 8) If a taxpayer receives an invoice showing VAT from a person who may not issue an invoice under this Law, he shall not deduct the VAT shown as input VAT, even if the unauthorized person pays the VAT;

9) If a taxpayer receives an invoice showing an amount of VAT, which exceeds the amount of VAT that should be charged and levied according to this Law, the taxpayer shall not deduct this excess amount as input VAT, irrespective of whether this VAT has been paid.

Calculation of deducted share of input VAT

**Article 38**

1) A taxpayer who performs partly taxable and partly tax-exempt turnover of goods, i.e. services is entitled to a deduction of input VAT only for those activities that relate to taxable supplies.

2) Taxpayers must divide input VAT to a deducted share and to a non-deducted share, prior to submitting the VAT return.

3) Input VAT is determined for total turnover of goods, i.e. services by applying the formula showing:

1) in the numerator: the total amount of annual turnover, excluding VAT, which relates to turnover on which the taxpayer has the right to deduct input VAT;

2) in the denominator: the amount included in the numerator and the total amount of annual turnover on which the taxpayer does not have the right to deduct VAT, including subsidies and grants, except for subsidies referred to in Article 20, paragraph 1, of this Law;

4) The calculation of the deducted share shall not include:

1) the amount of turnover which relates to equipment that the taxpayer disposed with in the pursuance of their business activities;

2) the amount of turnover of financial services, if they are performed temporarily (periodically);

3) the amount of turnover of real estate, if the turnover is performed temporarily (periodically);

5) The deducted share of VAT shall be determined on an annual (calendar) basis as a percentage, and shall be rounded up to the nearest whole number;

6) The temporary deducted share of VAT for the current year shall be determined on the basis of data on turnover in the previous year. If there is no data on turnover in the previous year, or if it is a negligible amount, the deducted share shall be determined by the taxpayer on the basis of his own assessment with the written approval of the responsible tax authority.

7) The taxpayer, in the last tax period i.e. in the tax period in the calendar year, shall make correction of a temporary deducted share of input VAT referred to in paragraph 6 of this Article, by applying percentages applicable to the amount of input VAT for all tax periods in the calendar year.

8) The Ministry of Finance shall regulate in more details the manner of determining and correcting the deducted share of input VAT.

9). With the exception of the third paragraph of this article, taxpayer may determine

the calculate share for each individual area of its activities separately, provided he maintains accounts for each individual area of their activities separately and provided they obtain written permission from the competent tax authorities.

**Correction of deduction of input VAT**

**Article 39**

1) Deductions of input VAT which taxpayer has made in accordance with this Law may be corrected:

1) if they subsequently determine that the deduction of input VAT was calculated at a higher or lower amount than the amount which the taxpayer was obligated to pay;

2) it after the tax calculation it emerges that the factors used for calculating the deducted amount of input VAT have changed (when the change of prices occurs, or in case of cancellation of the agreed purchase);

- 2) If, within a period of five years from the calendar year of the beginning of use of the equipment, changes occur in the conditions, which were decisive for the deduction of input VAT that year, a correction of the input VAT shall be made for the period following the change. For immovable property, this period shall be twenty years, instead of the 5-year period;
- 3) The beginning of use of the equipment, i.e. immovable property under the paragraph 2 of this Article shall be considered the tax period in which the deduction of input VAT was (or was not) made;
- 4) Equipment under the second paragraph of this article shall mean equipment, which under accounting regulations is classified as the tangible fixed assets of the taxpayer;
- 5) A correction of deduction of input VAT may be made if the difference exceeds EUR 30.

**Deduction of input VAT on commencement of performance of taxable activity**

**Article 40**

- 1) On the day his registration for VAT becomes valid, taxpayer who commences with performance of activities, which are subject to VAT, acquires the right to proportional deduction of input VAT for products that he has on stocks before the registration has become valid. The proportional deduction of input VAT shall be determined by the tax authority on the basis of the accounting information of the taxpayer and data on comparable stocks of goods for performing the same type of activity by other taxpayers;
- 2) Taxpayers under the paragraph 1 of this article may deduct input VAT in proportion to the turnover performed, but shall not have the right to a VAT refund on this basis.

**Article 41**

Shall be deleted. (Official Gazette of Montenegro, 16/07)

**XIII SPECIAL TAX PROCEDURES**

**Small Businesses**

**Article 42**

- 1) With the exception of Article 13 paragraph 1 of this Law, person whose value of turnover of goods, i.e. services in the past 12 months does not exceed or is unlikely to exceed, the amount of EUR 18 000 shall not be deemed taxpayers under this Law.
- 2) Person referred to in paragraph 1 of this Article must not calculate or state VAT in his accounts and he is not entitled to deduct input VAT and do not keep books in accordance with this Law.
- 3) Person referred to in paragraph 1 of this Article may voluntarily submit a request to the responsible tax authority to start calculating and paying VAT. Based on the written request, tax authority adopts the decision on the registration for VAT payment for the period of minimum three years.
- 4) Taxpayers who do not have a registered seat in Montenegro are not subject to the provisions of this Article.

**Farmers**

**Article 43**

- 1) Farmer who is not considered as a VAT taxpayer by virtue of turnover of agricultural and forestry goods that is services (hereinafter referred to as the "farmer") shall be entitled to a lump-sum compensation of input VAT (hereinafter referred to as: lump-sum compensation), under conditions and in the manner prescribed by this Law.

- 2) Lump-sum compensation referred to in paragraph 1 of this article shall be granted only to those farmers who perform the turnover of agricultural and forestry goods, i.e. services for taxpayers referred to in this Law.
- 3) Taxpayers referred to in paragraph 2 of this Article to whom the turnover of goods that is services was performed by farmers shall be obliged to add lump-sum compensation in the amount of 5% of the purchase value to the payment of this turnover of goods and services;
- 4) Taxpayers referred to in Paragraph 3 of this Article shall be entitled to deduct the lump-sum compensation as the input VAT under the conditions determined by this Law;
- 5) The farmers referred to in paragraph 1 of this article shall be entitled to lump-sum compensations on condition that they have previously acquired the permission of the competent tax authority.
- 6) The Ministry of Finance shall regulate in more detail conditions and method of exercising rights referred to in this Article.

### **Services provided by travel agencies and tour operators**

#### **Article 44**

- 1) Travel agencies and tour operators (hereinafter referred to as the “travel agencies”) operating in their own name and using the goods and services of other taxpayers in the provision of travel facilities may calculate and pay VAT in accordance with this Article.
- 2) All services performed by a travel agency in respect of a journey shall be treated as a single service provided by the travel agency to the traveller.
- 3) VAT shall be paid in the place where the travel agency has established its business and on the amount which represents the difference between the total amount paid by the traveller, exclusive of VAT, and the actual cost to the travel agency of the supplies and services provided by the other taxpayers, provided that a direct beneficiary of those services is the traveller.
- 4) If turnover of goods that is services, which travel agency performs with other taxpayers, is performed outside of Montenegro, VAT shall not be paid according to Article 15, paragraph 1, item 5 of this Law. Where the turnover of goods and services is performed partly in Montenegro and partly outside of Montenegro, VAT shall not be paid on that part which is performed outside Montenegro.
- 5) A travel agency shall not be entitled to deduct VAT charged by other taxpayers in the turnover of goods that is services performed for the direct benefit of the traveller.
- 6) Provisions contained in this article shall not apply to travel agencies acting only as intermediaries and submitting an account in accordance with Article 20 paragraph 8 item 2 of this Law.

### **Used goods, works of art and antiques**

#### **Article 45**

- 1) Taxpayer who, in performing his activities, either working in his own name or on behalf of another person under a contract on the basis of which commission is paid for purchases or sales, and who purchases or obtains used goods, works of art, collections and antiques with the intention of resale (hereinafter referred to as the “resellers”), may calculate and pay VAT in accordance with this article and Articles 46 and 47 of this Law;
- 2) Used goods shall mean any movable item, which is intended for further use as it is (in the state in which it was obtained) or after repair, other than means of transport, works of art, collections and antiques, precious metals and precious stones. The following shall be deemed precious metals: silver (including silver combined with gold or platinum), gold (including gold combined with platinum), platinum, and all items made from these metals, provided that the fee for turnover of the metals in question does not exceed the market value. The following shall be deemed precious

stones: diamonds, rubies, sapphires and emeralds, either processed or unprocessed, provided they are not mounted or chained.

3) Works of art shall mean:

- 1) paintings, drawings and pastels, collages and similar decorative plaques if executed by hand by the artists;
- 2) original engravings, prints and lithographs if executed by hand by the artist in limited numbers in black and white or in colour of one or of several plates, irrespective of the process and of the material employed, but not including any mechanical or photomechanical process;
- 3) original sculptures and statues, in any material, provided that they are executed by the artist, and sculpture casts the production of which is limited to eight copies and supervised by the artist or his successors in title;
- 4) tapestries and wall textiles made by hand from original designs provided by artists, provided that they are not more than eight copies of each;
- 5) individual pieces of ceramics executed entirely by the artist and signed by him;
- 6) enamels on copper, executed entirely by hand, limited to eight numbered copies bearing the signature of the artist or the studio, excluding products of jewellers (valuables, jewellery, goldsmiths and filigrees);
- 7) photographs taken or printed by the artist or taken under his supervision, provided they are signed and numbered and limited to 30 copies, all sizes included.

4) Collections shall mean:

- 1) postage or revenue stamps, first-day covers, pre-stamped stationary, franked, used or unused, provided that they are not for sale, or intended for use;
- 2) collections and pieces of zoological, botanical, mineralogical, anatomical, historical, archaeological, paleontological, ethnographic or numismatic importance.

5) Antiques shall mean objects listed in the customs tariff other than works of art and collections, which are more than 100 years old.

6) If reseller simultaneously accounts for and pays VAT under general arrangements, under these arrangements, he shall be obliged to provide in his accounts separate statements of turnover and to calculate and pay VAT for each item separately.

7) Reseller shall be obliged to submit to the tax authority a return to be taxed under

a special arrangement each fifteen days before the start of the month in which he intends to begin to calculate VAT under the special arrangement. VAT shall be calculated under the special arrangement starting from the first day of the first subsequent month following the submission of the return for taxation under a special arrangement. The VAT accounting period under this article may not be shorter than 24 months.

8) Reseller may calculate VAT under a special arrangement if he has purchased or obtained goods referred to in the first paragraph of this article from:

- 1) the person who is not a taxpayer;
- 2) another taxpayer who, in accordance with this Law, did not have the right to deduct input VAT for these goods;
- 3) taxpayer referred to in Article 42 paragraph 1 of this Law if business assets are concerned;
- 4) another reseller.

9) Reseller who accounts for VAT in accordance with this article and Articles 46 and 47 of this Law shall not show VAT in the invoices, which he issues.

**Tax base for used goods, works of art, collections and antiques**

**Article 46**

- 1) The tax base for turnover of goods under the article 45 shall be the difference between the sales price and the purchase price of the resellers of those goods decreased for the amount of VAT.
- 2) The purchase price for resellers shall mean the total payment (in cash, goods or services) including all taxes, commissions, expenses and duties paid by reseller to the person from whom he obtained the goods.
- 3) The sales price of the reseller shall include the total payment received or to be received by the reseller from the purchaser or a third party, including subsidies directly linked to this turnover, taxes and all other duties and direct purchase costs, commissions, packaging costs, transport and insurance charged to the purchaser by the reseller, including VAT.
- 4) If the purchase price exceeds the sales price for the goods, the tax base shall be considered as being equal to zero (0).

**Other instances of turnover of works of art, collections and antiques**

**Article 47**

- 1) Reseller may also calculate VAT on the difference between the sales price and purchase price for turnover of the following goods:
  - 1) works of art, collections and antiques which he imports himself;
  - 2) works of art which he acquires directly from the artist or successors in title.
- 2) The VAT calculation period under this article may not be shorter than 24 months.
- 3) With the exception of paragraph 1 of this Article, reseller may calculate VAT under a general arrangement in instances of individual turnover of goods under the first paragraph of this article. In such instances, he/she may deduct the input VAT that he/she paid or that was charged in the calculating period when the turnover of these goods was performed.
- 4) The tax base for turnover of goods referred to in paragraph 1 of this article shall be the difference between the sales price of the reseller for the goods in question and the purchase price of the reseller for these goods, reduced by the VAT on the difference;
- 5) The purchase price for imports shall be an amount, which is equal to the tax base for the importation of goods, increased by the VAT, which is calculated or paid at the importation of these goods. The purchase price under the paragraph 1 item 2 of this Article shall be the total payment, including all taxes, commissions, expenses and duties paid by the reseller to the person from whom he acquired the goods in question.
- 6) The sales price of the reseller shall mean the total payment received or to be received by the reseller from the purchaser or third party, including subsidies directly linked to this turnover, taxes and all other duties, and contingent purchase costs (commissions, packaging costs, transport and insurance), which the reseller charges to the purchaser, including VAT.
- 7) If the purchase price exceeds the sales price for the same goods, the tax base shall be considered as being equal to zero (0).
- 8) Reseller who performs turnover of goods under this article may not deduct input VAT on goods acquired or imported in this manner;
- 9) Provisions contained in Article 46 paragraphs 2 and 3 of this Law shall also apply to turnover of goods under this article.

**Turnover of goods at public auction**

**Article 48**

- 1) Taxpayer who in pursuing his business activities, either working in his own name or on behalf of another person in accordance with a contract on the basis of which commission is paid for purchases or sales and who offers used goods, works of art, collections and antiques for sale at

public auction (hereinafter referred to as the “auctioneer”) with the intention of selling to the highest bidder, may calculate VAT in accordance with this Article and with Article 49 of this Law.

2) If an auctioneer simultaneously accounts for VAT under general procedure (rule) and under special procedure, he/she shall be obliged to provide in his accounts separate statements of turnover of goods and to calculate VAT for each item separately.

3) Auctioneer shall calculate VAT in accordance with paragraph 1 of this Article, if acting on behalf of an authorised legal representative (principal) who is:

- 1) a person who is not a taxpayer;
- 2) another taxpayer who in accordance with this Law is not entitled to deduction of input VAT in respect of these goods;
- 3) a taxpayer referred to in Article 42 paragraph 1 of this Law, if his business assets are concerned;
- 4) a reseller referred to in Article 45 of this Law.

### **Tax base for the turnover of goods at public auction**

#### **Article 49**

1) The tax base for turnover of goods under Article 48 of this Law shall be the difference between the price reached at the public auction and the amount paid by the auctioneer to the authorised legal representative (principal) for the turnover of goods performed and the amount of VAT the auctioneer is liable to pay for his commission.

2) The auctioneer shall be obliged to pay to the authorised legal representative (principal) the amount equal to the difference between the price reached for the goods at the public auction and the amount of the commission received or to be received by the auctioneer from the authorised legal representative (principal) under a contract whereby commission is paid on sales;

3) The price reached at auction shall include the total amount, including taxes and all other duties, and indirect purchase costs (commissions, packaging costs, transport and insurance) paid by the purchaser to the auctioneer for the goods.

4) Auctioneer shall be obliged to issue an invoice to the purchaser and the authorised legal representative (principal) for each turnover of goods at a public auction. The invoice issued to the purchaser must state the price of the goods reached at the auction, taxes and other duties, and indirect purchasing costs, (commission, packaging costs, transport and insurance) which the auctioneer charges to the purchaser of the goods. VAT shall not be stated separately on the invoice.

5) The document issued by the auctioneer to the authorised legal representative (principal) must state separately the amount that is price reached at auction, reduced by the amount of the commission received or to be received from the authorised legal representative (principal);

6) If the auctioneer has issued an invoice to an authorised legal representative (principal) who is a taxpayer, it shall be deemed that the authorised legal representative (principal) has issued the invoice.

7) The authorised legal representative (principal) shall be considered to perform the turnover at the moment when goods have been sold to the auctioneer at a public auction.

### **XIV VAT REFUND**

#### **Refund of VAT input**

#### **Article 50**

1) If the amount of the tax liability (output tax) in a tax period is lower than the amount of the input VAT which the taxpayer may deduct in the same period, the difference in VAT shall be accepted as

a tax credit for the following tax period, i.e. it shall be refunded upon the request within 60 days after the VAT return had been submitted for calculation.

2) A taxpayer, who mainly exports goods and taxpayer who in more than three successive VAT assessments states the surplus of input VAT, might be refunded the difference in VAT within 30 days after the VAT return was submitted for calculation.

3) If a taxpayer failed to pay other taxes within the prescribed deadline his difference in VAT shall be reduced for the amount of the tax debt.

4) Taxpayer, who realised the right to refund of input VAT and, at the same time, has customs debt (based on VAT), upon his/her request, these funds may be redirected to payment of VAT at import.

4) The Ministry of Finance shall prescribe more detailed conditions and method of refunding the input VAT referred to in this article.

### **Refund of VAT to taxpayers who have no registered office in Montenegro**

#### **Article 51**

1) Taxpayer who has no registered office in Montenegro shall have the right to refund of input VAT which was charged to that person on the basis of the turnover of goods or services performed by taxpayers in Montenegro, or which was charged upon the import of goods into Montenegro, under the conditions and in the manner provided in this Law;

2) A taxpayer referred to in paragraph 1 shall have the right to a refund of input VAT if:

1) the goods were bought, i.e. imported and services performed, for the purpose of conducting the activity, which is performed abroad, under such conditions when a taxpayer would be entitled to deduct the input VAT if the activity was performed in Montenegro.

2) during the period in which the person is recognized as being entitled to a refund of input VAT, that person does not perform turnover of goods, i.e. services which would be deemed turnover performed in Montenegro, except for:

a) services in relation to import of goods in connection with item 2 of the second paragraph of Article 22 of this Law; services in relation to exports in accordance with Article 25 and import services in accordance with Article 30 of this Law;

b) services on which VAT must be paid by the person for whom the services were performed.

3) Taxpayers shall have the right to a refund of input VAT in a given period on the basis of a claim submitted to a competent authority;

4) The Minister of Finance shall prescribe more detailed conditions that must be fulfilled by a taxpayer in order to be granted the right to a refund of input VAT, the time limits for submitting a refund claim, the period to which a claim relates, the minimum amount which may be claimed, and the refund procedure, including the deadline for a refund.

### **Refund of VAT in respect of passenger transport**

#### **Article 52**

1) Purchaser who is a natural person without a permanent or temporary residence in Montenegro shall have the right to a refund of VAT on goods which they purchase in Montenegro and take out of Montenegro.

2) The right to a refund of VAT referred to in paragraph 1 shall not apply to mineral oils, alcohol and alcohol beverages and tobacco products.

3) The Minister of Finance shall prescribe more detailed regulations on conditions and methods of refunding the VAT, the minimum purchase value for which persons under paragraph 1 of this Article have right to receive the VAT refund, the contents of a refund claim, the obligations of the seller in respect of VAT refund, and the calculation of his tax liability.



## **XV TAXPAYER'S ACCOUNTING AND STORAGE OF DOCUMENTATION**

### **Taxpayer's accounting**

#### **Article 53**

1) Taxpayers shall be obliged to record in their accounts all information required for the accurate and timely charging and payment of VAT, and in particular, information on:

- 1) the total value of turnover of goods or services performed; the value of the turnover of goods or services taxable at the prescribed rates (general and reduced); the value of the performed turnover taxable at zero rate; the value of the performed turnover of goods, i.e. services for which exemption from VAT payment is prescribed;
- 2) VAT charged according to invoices issued for turnover of goods, i.e. services;
- 3) the total value of goods or services received; the value of goods or services received with VAT charged at the prescribed rates; the value of goods or services received with VAT charged at the zero rate; the value of goods or services received exclusive of VAT;
- 4) VAT charged and levied on invoices for goods and services received at the prescribed rates (input VAT);
- 5) liabilities to pay VAT and on VAT payment;
- 6) claims for a refund of input VAT and on its payment or transfer to the following tax period;

2) Taxpayer has duty to provide the information referred to in items 1 to 5, paragraph 1 of this Article for the tax period prescribed for payment of VAT.

3) Taxpayer who record stocks of goods at tax inclusive sales price shall has duty to provide, in addition to the information under the first paragraph of this article, also information on VAT.

4) In order to provide the information on issued and received invoices, taxpayers has duty to keep a book to record issued invoices and a book to record received invoices.

5) Taxpayers who import goods have duty to keep a separate record of input VAT paid on the import of goods.

6) The contents of the book of received invoices and the book of issued invoices shall be prescribed by the Ministry of Finance.

### **Storage of documentation**

#### **Article 54**

1) Taxpayers have duty to store all received and issued documents, in particular, received and issued invoices, documents on amendments to invoices, export and import documents, financial documents, documents on the basis of which they have exercised VAT exemptions, VAT calculations and all other accounting documents in any way concerning the turnover of goods and services , i.e. the import of goods which are important for calculation and paying VAT for a period of at least five years after the end of the year to which these documents refer.

2) With the exception of paragraph 1 of this Article, taxpayers shall be obliged to store documentation concerning the taxation of immovable property for at least twenty years after the end of the year to which the documents refer.

3) For the period stipulated in the first paragraph of this article, persons referred to in Article 42, paragraph 1 of this Law shall be obliged to store all documents issued to them in relation to goods or services supplied to them and imports of goods.

## **XVI REGISTRATION OF TAXPAYERS**

### **VAT Registration**

#### **Article 55**

- 1) Taxpayers shall be obliged to report to the tax authorities when their activities in respect of which they are liable to charge, levy and pay VAT, begin, change and cease, unless otherwise provided by this Law.
- 2) The tax authorities shall issue a decision on entry into the VAT tax register to any person referred to in paragraph 1 of this article.
- 3) A person who becomes or may become a taxpayer for the first time shall be obliged to submit to the tax authority an application for registration no later than the 20th day of the calendar month following the month in which he performed or is likely to perform turnover of goods or services in the amount which exceeds the amount set out in the first paragraph of Article 42 of this Law. The status of a taxpayer shall be acquired on the day determined by the tax authority in the decision on VAT registration, which shall be issued within fifteen days time as of the receipt of an application.
- 4) All persons disposing of goods which under this Law are treated as being supplied by taxpayers pursuing their business activities shall be obliged to submit to the tax authorities an application for registration within fifteen days of the day when they acquire the right to dispose of the goods.
- 5) If the person referred to in paragraphs 3 and 4 of this Article does not file the application for registration within the prescribed deadline, the tax authority shall perform registration ex officio.
- 6) The tax authorities shall establish and maintain a register of persons who are or who may become taxpayers under this Law or persons disposing of goods in respect of which it is deemed under this Law that the disposal is performed by taxpayers.
- 7) The Ministry of Finance shall prescribe the form and contents of the application for VAT registration.

### **Termination of registration**

#### **Article 56**

- 1) The tax authority may, at the request of a taxpayer who in the period of the last twelve months (last calendar year) has failed to achieve turnover in the amount determined in the first paragraph of Article 42 of this Law, issue a decision on the termination of registration for VAT.
- 2) If a taxpayer terminations to perform activities, the tax authorities shall rule on the termination of registration for VAT ex officio.
- 3) Prior to the termination of registration, the taxpayer shall be obliged to calculate and pay VAT on all purchases performed until the day of notification of termination and to make an inventory of all stocks of goods. The taxpayer shall be obliged to calculate VAT on stocks of goods intended for personal use.
- 4) The tax authorities shall issue a decision on the termination of registration after the settlement of tax liabilities referred to in paragraph 3 of this article.

### **XVII CONTROL OF CALCULATION AND PAYMENT OF VAT**

#### **Article 57**

- 1) The calculation and payment of VAT shall be controlled by the tax authority in accordance with the Law that governs the tax procedure.
- 2) If a taxpayer fails to submit a VAT calculation or submits it in incomplete form or if the tax authority determines that the tax liability has been incorrectly charged and levied, and also in respect of late-payment interest, legal remedies and all questions of procedure and the jurisdiction of the tax authority not determined by this Law, the Law which governs the tax procedure.
- 3) For imports of goods, the calculation and payment of VAT shall be controlled by the customs authorities in accordance with customs regulations as if VAT was an import duty.

## **XVIII PENALTY PROVISIONS**

### **Tax offences**

#### **Article 58**

(1) A fine in the amount of 10 fold to 200 fold of the minimum wage in Montenegro shall be imposed on a legal person, i.e. entrepreneur for an offence, if it:

- 1) fails to issue an invoice to the purchaser of goods or the recipient of services (fourth paragraph of Article 32);
- 2) fails to submit, or fails to submit within the prescribed time limit a VAT calculation (Article 35);
- 3) fails to submit timely an application for taxation under a special arrangement (seventh paragraph of Article 45);
- 4) fails to report to the tax authority when its activity begins, changes or ceases (first paragraph of Article 55);
- 5) fails to submit an application for registration within the prescribed time limit (third paragraph of Article 55);
- 6) fails to draw up a list as at 31st of March 2003 of all issued, unpaid invoices and to submit them to the tax authority within the prescribed time limit (Article 66);
- 7) fails to make an inventory as at 31st of March 2003 of all goods on stock (first and second paragraphs of Article 67);
- 8) fails to make an inventory as at 31st of March 2003 with the sales tax and to submit the inventory lists to the competent tax authority within the prescribed time limit (Article 68);
- 9) fails to post visibly in a sale facility a notice about the obligation to issue and take invoices (Article 32, paragraph 7);
- 10) fails to present turnover in cash through the cash registry (Article 32, paragraph 8).

2) A fine in the amount of 5 fold to 20 fold of the minimum wage in Montenegro shall be imposed on a responsible person of the legal person for the offence specified in paragraph 1 of this Article.

#### **Article 59**

1) A fine in the amount of 20 fold to 300 fold of the minimum wage in Montenegro shall be imposed on a legal person, i.e. entrepreneur for an offence, if it:

- 1) fails to calculate the VAT when the liability arises in accordance with Article 18 of this Law;
- 2) fails to calculate the VAT on the tax base in accordance with Article 20 of this Law;
- 3) fails to issue an invoice and fail to retain a copy of the invoice (first paragraph of Article 31);
- 4) fails to state the prescribed information on an invoice (Article 32, paragraphs 1, 3 and 4);
- 5) fails to calculate or incorrectly calculate the VAT (Article 34);
- 5a) fails to pay VAT within the prescribed deadline (Article 36);
- 6) incorrectly calculates the amount of input VAT (Articles 37, 38, 39, 40 and 41);
- 7) calculates VAT, shows VAT on invoices and deducts input VAT in contradiction to provision of the Article 42 of this Law;
- 8) does not correct the input VAT on immovable property when purchasing the property (Articles 7 and 39);
- 9) fails to calculate VAT in accordance with Articles 45, 46 and 47 as resellers of used goods, works of art, collections and antiques;

- 10) fails to calculate the VAT in accordance with Articles 48 and 49 of this Law as an auctioneer;
- 11) states VAT on invoices ( Article 45 paragraph 9 and Article 49 paragraph 4);
- 12) fails to state on an invoice the price reached at auction, taxes and other duties and indirect purchase costs (Article 49 paragraph 4);
- 13) fails to state on a document separately the price reached at auction reduced by the amount of commissions (Article 49 paragraph 5);
- 14) fails to provide in their accounts the information referred to in Article 53 of this Law or fail to provide the information for the prescribed period;
- 15) fails to keep a book of received and issued invoices and other records (Article 53 paragraph 4 and 5);
- 16) fails to store business books and other documents for the prescribed period (Article 54);
- 17) fails to calculate or calculates incorrectly or does not pay VAT in accordance with the Article 56 paragraph 3 of this Law;
- 18) fails to pay sales tax in the manner and within the prescribed time limits (Article 65).

2) A fine in the amount of 10 fold to 20 fold of the minimum wage in Montenegro shall be imposed on a responsible person of the legal person for offences referred to in paragraph 1 of this Article.

#### **Protective measure**

##### **Article 60**

In addition to fine, a protective measure of prohibiting the performance of activity from one up to three months may be imposed on a legal person, i.e. entrepreneur for the offence referred to in Article 59 paragraph 1 items 5 and 6 of this Law.

### **XIX SPECIAL PROVISIONS**

#### **Implementation of the regulations**

##### **Article 61**

Regulations on customs tariff shall be used for the classification of products under this Law, whereas the regulations on classification of activities shall be used for the classification of activities.

##### **Article 62**

In case of relations that are not regulated by this Law (complaint procedure, enforced collection, interests, etc.), the Law governing tax procedure shall be applied accordingly.

##### **Article 63**

Rate of VAT, prescribed by this Law, may be increased or decreased up to 15% in accordance to the Budget Law of the Republic for a specific year.

#### **Regulations related to the enforcement of the Law**

##### **Article 64**

The Ministry of Finance shall prescribe more detailed regulations on the method of VAT calculation and payment, as well as the manner in which the right to VAT exemption may be exercised.

### **XX TRANSITIONAL PROVISIONS**

#### **Final calculation of the tax on the turnover of products, i.e. services**

##### **Article 65**

1) Taxpayers under the Law on Tax on Turnover (Official Gazette of the Republic of Montenegro 4/94, 13/94, 42/94, 13/96, 45/98 and 55/2000) shall present a final calculation of the tax on the turnover of products and services for the period from 1 January – 31 March 2003 and shall submit it to the competent tax authorities no later than the 30 April 2002.

2) Tax on turnover of goods, i.e. services, for which the obligation to calculate them until 31 March 2003 has been established, shall be paid within the time limits and in the manner defined in paragraph 1 of this Article.

### **List of unpaid issued invoices**

#### **Article 66**

Taxpayers have duty to draw up a list of unpaid issued invoices and advance payments on the 31 March 2003, which shall include the tax on the turnover of products and the turnover of services, calculated in accordance with the Law on Tax on Turnover (Official Gazette of the Republic of Montenegro 4/94, 13/94, 42/94, 13/96, 45/98 and 55/2000) and to submit it to the competent tax authority at the same time when the final calculation for the tax on turnover for the period January – March 2003 is submitted.

### **List of goods in trade**

#### **Article 67**

1) The taxpayers, according to the provisions of the Law on Tax on Turnover (Official Gazette of the Republic of Montenegro 4/94, 13/94, 42/94, 13/96, 45/98 and 55/2000), who perform trade activities have duty to make an inventory of goods in stock recorded according to the sales price with included of tax on turnover of products and services and to cancel the calculated turnover tax on stocks on 31 March 2003.

2) The taxpayers referred to in the previous paragraph shall determine the sales price for goods under the previous paragraph exclusive of turnover tax, and on the sales price thus calculated they should calculate VAT under the provisions of this Law. If this leads to an increase in the retail sales price, the taxpayers have duty to submit inventory lists of stocks and retail sales prices to the tax authority by 30 April 2003.

3) The taxpayers referred to Paragraph 2 of this Article, who are not VAT taxpayers, shall submit the turnover tax calculation in accordance with the provisions of this Law referred to in paragraph 1 of this Article until 30 April 2003 when they pay the tax.

4) Surveillance over the change of the retail prices referred to in this Article shall be performed by market inspection.

### **List of certain goods in trade and hospitality**

#### **Article 68**

1) With the exception of the Article 67 of this Law, taxpayers under the Law on Tax on Turnover (Official Gazette of the Republic of Montenegro 4/94, 13/94, 42/94, 13/96, 45/98 and 55/2000) conducting the trade activity and hospitality services and who are VAT taxpayers shall be obliged to make an inventory of stocks on 31 March 2003, containing turnover tax and to submit the inventory lists with the indicated turnover tax to the competent tax authority no later than 30 April 2003.

2) Turnover tax shown in stock reserves referred to in Paragraph 1 of this Article shall be treated as input VAT under this Law and taxpayers shall have the right on deduction of this tax in proportion to achieved turnover, but they shall not have the right to refund of input VAT on this basis.

### **Application for VAT registration**

#### **Article 69**

1) Persons referred to in Article 13 of this Law shall become taxpayers under the provisions of this Law if, during the year 2001, they achieved the turnover exceeding EUR 18 000.

2) Persons referred to in Paragraph 1 of this Article shall be obliged to submit an application for VAT payment registration to the tax authority, no later than 30 September 2002.

3) The tax authority shall issue to the persons referred to in Paragraph 2 of this Article, the certificate of registration no later than 30 October 2002.

#### **Postponed application**

##### **Article 70**

With the exception of Article 2 of this Law, for the year 2002, part of revenue from the VAT tax may be transferred to the Budget beneficiary, to which revenues of tax on turnover were transferred directly before this Law entered into force, based on special Government programme.

##### **Article 71**

1) With the exception of Article 38 of this Law, the deducted share of input VAT shall be determined on the basis of actual data on the turnover of goods, i.e. services on which VAT is calculated and paid until 31 December 2002.

2) Provisions of Article 40 of this Law shall not be applied on goods in stock purchased before 1 April 2003.

### **XXI FINAL PROVISIONS**

#### **Termination of validity of regulations**

##### **Article 72**

From the date on which this Law enters into force, the following shall cease to have effect:

- 1) Law on Tax on Turnover (Official Gazette of the Republic of Montenegro 4/94, 13/94, 42/94, 13/96, 45/98 and 55/2000) and regulations adopted on the basis of that Law.
- 2) Provisions of Article 9 paragraph 1 item 3 of the Law on Public Revenue System (Official Gazette of the Republic of Montenegro 30/93, 3/94, 42/94, 13/96 and 45/98).

#### **Entry into force**

##### **Article 73**

This Law shall enter into force on 1 January 2002 and it shall apply from 1 April 2003.

#### **NOTE OF THE PUBLISHER:**

Consolidated text of this Law does not contain the provisions of Article 29-33 of the Law amending this Law (Official Gazette of the Republic of Montenegro 76/05), which read as follows:

##### **Article 29**

1) Legal persons and natural persons carrying out the activity of trade and hospitality shall be obliged to take the inventory of goods which were exempted from the VAT payment on the basis of the Law on Value Added Tax (Official Gazette of the Republic of Montenegro 65/01, 38/02, 72/02 and 21/03), on the day of application of this Law.

(2) The persons referred to in paragraph 1 of this Article shall be obliged to, on the day of application of this Law, take inventory of the received and paid advance payments for goods that were exempted from the VAT payment, and which are, in accordance with this Law, taxable under the reduced or zero rate.

3) The persons referred to in paragraphs 1 and 2 of this Article shall be obliged to submit the inventory of goods or advance payments to the tax authority until 20 January 2006.

##### **Article 30**

Persons who, during the last 12 months, have generated the turnover exempted from VAT payment in the amount exceeding EUR 18,000 that is taxable under this Law, shall be obliged to

submit an application for VAT registration to the competent tax authority, at the latest until 20 January 2006.

**Article 31**

With the exception, until 1 January 2007, VAT shall be calculated and paid in the amount of 50% of the prescribed rate referred to in Article 13 of this Law on the turnover and import of textbooks, books, monographic and serial publications.

**Article 32**

A fine in the amount of 10 fold to 200 fold of the minimum wage in Montenegro shall be imposed on a legal person, i.e. entrepreneur for an offence, if it:

- 1) does not make the inventory of goods, i.e. advance payments (Article 29 paragraphs 1 and 2);
- 2) does not submit to the tax authority inventory of goods or advance payments within the prescribed deadline (Article 29 paragraph 3);
- 3) does not submit an application for registration within the prescribed deadline (Article 30).

**Article 33**

This Law shall enter into force on the eighth day following that of its publication in the Official Gazette of the Republic of Montenegro, and it shall apply from 1 January 2006.

**NOTE OF THE PUBLISHER:**

Consolidated text of this Law does not contain the provisions of the Article 9 of the Law amending this Law (Official Gazette of Montenegro 16/07) that reads:

**Article 9**

Provisions of the Article 24a item 15a) and 15b) of this Law shall apply until accession of Montenegro to the EU. With the exception of the Article 24a paragraph 1 items 1, 2 and 3 of this Article, bread, until 31 July 2008, medicines, orthotic and prosthetic tools, as well as medical devices, which are surgically implanted in the body, until 31 May 2008 shall be paid at the rate of 0%.

**Article 10**

This Law shall enter into force on the eighth day following that of its publication in the Official Gazette of Montenegro.