

16 Annex - Taxation

115. INSTRUCTIONS ON CALCULATING AND PAYING TAXES AND CONTRIBUTIONS FROM AND ON PERSONAL EARNINGS FROM EMPLOYMENT

115. INSTRUCTIONS ON CALCULATING AND PAYING TAXES AND CONTRIBUTIONS FROM AND ON PERSONAL EARNINGS FROM EMPLOYMENT

Based on Articles 47 and 52 of the Law on Tax on the Salary of Physical Persons (Official Gazette of the Republic of Montenegro 65/01, 37/04 and 78/06), the Ministry of Finance adopted

INSTRUCTIONS ON CALCULATING AND PAYING TAXES AND CONTRIBUTIONS FROM AND ON PERSONAL EARNINGS FROM EMPLOYMENT¹

1. GENERAL PROVISIONS

Article 1

This instructions shall prescribe a more detailed was of calculating and paying taxes and contributions for the mandatory social insurance (hereinafter: contributions) from and to personal earnings from employment (hereinafter: personal earnings), the content of records on the paid out personal earnings and the way of informing the taxing authority and the employee on the paid out personal earnings, calculated and paid tax and contributions regarding those earnings.

The provisions of this instructions shall also refer to the way of calculating and paying surtax on the earnings of physical persons generated on the basis of the earnings from employment (hereinafter: surtax).

Article 2

Personal earnings from employment shall cover the earnings, salary compensation and other earnings prescribed by the Law on Labor (Official Gazette of the Republic of Montenegro 43/03 and 79/04), generated in cash or a non-monetary form.

Personal earnings from paragraph 1 of this Article shall be shown in gross amount, which includes net personal earnings, tax and contributions paid by the insured person (employee).

2. WAY OF CALCULATING TAXES AND CONTRIBUTION FROM PERSONAL EARNINGS

2.1. Personal earnings tax calculation

Article 3

Monthly advanced payment of tax on personal earnings shall be calculated by applying tax rate to the tax base, which is made up of gross amount of personal earnings generated in that period, reduced by the amount of monthly personal deduction of EUE 70.

Calculating contributions from personal earnings

Article 4

The contributions for the following shall be calculated from the personal earnings of an employee:

¹ Official Gazette of the Republic of Montenegro 81/06

115. INSTRUCTIONS ON CALCULATING AND PAYING TAXES AND CONTRIBUTIONS FROM AND ON PERSONAL EARNINGS FROM EMPLOYMENT

- 1) retirement and invalid insurance at the rate of 12%;
- 2) health insurance at the rate of 7.5%;
- 3) unemployment insurance at the rate of 0.5%.

The base for calculating contribution from paragraph 1 of this Article is made up of the gross personal earnings of the employee.

3. WAY OF CALCULATING LIABILITIES PAID FOR PERSONAL EARNINGS

3.1. Calculation of contributions on personal earnings

Article 5

The contributions for the personal earnings of an employee shall be calculated for the following:

- 1) retirement and invalid insurance at the rate of 9.6%;
- 2) health insurance at the rate of 6%;
- 3) unemployment insurance at the rate of 0.5%.

The gross personal earnings shall make up the base for the calculation of contributions and it shall be equal to the base used for calculating contributions for personal earnings.

3.2. Calculation of surtax

Article 6

Surtax at the rate prescribed by the unit of the local self-government shall be calculated for personal earnings.

The calculated tax from personal earnings of an employee shall make up the base for calculating the surtax from paragraph 1 of this Article.

4. EXAMPLES OF CALCULATING TAXES AND CONTRIBUTIONS FOR THE CURRENT GROSS SALARIES

(of EUR 370 and EUR 750)

Description	Tax rate			Tax rate		
	15%	12%	9%	15%	12%	9%
1. Gross salary	370	370	370	750	750	750
2. Tax on salary (EUR 1-70)x15%	45	36	27	102	81.6	61.2
3. Contributions on salary (1x20%)	74	74	74	150	150	150
4. Net salary (1-(2+3))	251	260	269	498	518.4	538.8
5. Contributions on salary (1x16.1%)	59.57	59.57	59.57	120.75	120.75	120.75

115. INSTRUCTIONS ON CALCULATING AND PAYING TAXES AND CONTRIBUTIONS FROM AND ON PERSONAL EARNINGS FROM EMPLOYMENT

6. Surtax on income (2x13%*)	5.85	4.68	3.51	13.26	10.61	7.96
7. Total amount to be paid (1+5+6)	435.42	434.25	433.08	884.01	881.36	878.71

* Remark: the surtax rate is up to 13 % except for the Old Royal Capital and the Capital city, where the rate is up to 15 %.

5. WAY OF PAYING TAXES, CONTRIBUTIONS FROM AND TO PERSONAL EARNINGS AND SURTAX

Article 7

Tax, contributions from and to personal earnings and surtax shall be suspended and paid by the employer, or a payer of those earnings.

Tax, contributions and surtax shall be paid at the same time with the payment of personal earnings to the prescribed payment accounts.

For the personal incomes generated in non-monetary form, tax, contributions and surtax shall be paid at the latest until the last working day in the month in which the receipt is generated.

Payment of the tax and contributions for the personal earnings generated directly from a foreign country shall be done by an employee within five days from the day of their receipt. This decision shall also be applied to employees in the diplomatic or consular missions of a foreign country, in international organizations and in organizations or offices which enjoy diplomatic immunity on the territory of Montenegro.

6. INFORMING AND KEEPING RECORDS ON CALCULATED PERSONAL EARNINGS, TAX, CONTRIBUTIONS AND SURTAX

Article 8

Employer or the payer of personal earnings shall be obliged to make a monthly return on calculated personal earnings, tax, contributions from and to those earnings and surtax.

The return from paragraph 1 of this Article shall be made on the Form "OPD1" which shall be, together with the instructions for its filling, printed together with this Instructions and shall make its integral part.

The return from paragraph 1 of this Article shall be made in two copies and before the payment of the personal earnings, shall be delivered for verification, to the tax authority in charge. Without the verification of the return from paragraph 1, the payment operations holder shall not allow the payment of personal earnings.

The return from paragraph 1 of this Article shall be filed by persons from Article 7, paragraph 4 of the Instructions.

Article 9

Employer or a payer of personal earnings shall be obliged to make an annual return on calculated and paid personal earnings, tax, and contributions for all the employees, on the Form "OPD-3" which shall be, together with the instructions for its filling, printed together with the Instructions and shall make its integral part.

115. INSTRUCTIONS ON CALCULATING AND PAYING TAXES AND CONTRIBUTIONS FROM AND ON PERSONAL EARNINGS FROM EMPLOYMENT

The employer or the payer of personal income shall submit the return on the data from paragraph 1 of this Article to the employee, on the Form "OPD-2" which shall be printed together with the instructions and shall make its integral part.

The returns from paragraphs 1 and 2 of this Article shall be filed to the tax authority and to an employee at the latest until 31 January of the current year, for the previous year.

Article 10

Employer or a payer of personal earnings shall be obliged to keep special records for the employees on personal earnings from employment (hereinafter: records).

The important facts about all the payments on the basis of employment, suspended or paid tax, contributions from and to personal earnings and surtax shall be entered, chronologically, in the records.

If earnings from employment are paid a number of times during one month, each payment shall be entered into the records, and at the end of the month, or at the latest within 15 days after the expiration of the month, the data shall be summed up.

At the end of the calendar year or in case when an employee ceases with his work permanently, an employer shall be obliged to close the records.

Employer or a payer of personal earnings can adjust the records in form and content to his needs, whereas, he shall be obliged to provide at the least, the data on:

- time of payments of personal earnings;
- amounts of personal earnings on all the bases and in all forms;
- amounts of calculated, suspended and paid taxes and contributions from personal earnings;
- amounts of calculated and paid contributions and surtaxes.

7. TRANSITIONAL AND FINAL PROVISIONS

Article 11

By coming into force this Instructions shall supersede the Instructions on the Way of Calculating and Paying Taxes and Contributions from and to Personal Incomes from Employment (Official Gazette of the Republic of Montenegro 43/04).

Article 12

The Instructions shall enter into force the day after its publishing in the Official Gazette of the Republic of Montenegro, and it shall be applied from 1 January 2007.

MINISTRY OF FINANCE

No: 04-9424/1

29 December 2006

P o d g o r i c a

M I N I S T E R,

115. INSTRUCTIONS ON CALCULATING AND PAYING TAXES AND CONTRIBUTIONS FROM
AND ON PERSONAL EARNINGS FROM EMPLOYMENT

Igor

Lukšić,

PhD

115. INSTRUCTIONS ON CALCULATING AND PAYING TAXES AND CONTRIBUTIONS FROM AND ON PERSONAL EARNINGS FROM EMPLOYMENT

12. Under number 3.1, column 2. enter the number of employees whose monthly earnings are up to EUR 70.
13. Under number 3.1, column 3. enter the number of employees whose monthly earnings are over EUR 70.
14. Under number 3.1, column 4. enter the total number of employees with the calculated personal earnings in the month for which the return is being filed.
15. Under number 3.2, column 2. enter the amount of the calculated personal earnings up to EUR 70.
16. Under number 3.2, column 3. enter the number of the calculated personal earnings over EUR 70.
17. Under number 3.2, column 4. enter the amount of the total calculated personal earnings.
18. Under number 3.3, column 2. is not to be filled.
19. Under number 3.3, columns 3. and 4. enter the total amount of the calculated tax.
20. Under ordinal number 4.1, column 2. enter the amount of the calculated contributions for retirement and invalid insurance from personal earnings.
21. Under ordinal number 4.1, column 3. enter the amount of the calculated contributions for the health insurance from personal earnings.
22. Under ordinal number 4.1, column 4. enter the amount of the calculated contributions for the unemployment insurance from personal earnings.
23. Under ordinal number 4.1, column 5, enter the amount of the total calculated contributions from personal earnings.
24. Under ordinal number 4.2, column 2. enter the amount of calculated contributions for retirement and invalid insurance for personal earnings.
25. Under ordinal number 4.2, column 3. enter the amount of calculated contributions for health insurance on personal earnings.
26. Under ordinal number 4.2, column 4. enter the amount of calculated contributions for unemployment insurance on personal earnings.
27. Under ordinal number 4.2, column 5. enter the amount of total calculated contributions on personal earnings.
28. Under ordinal number 5, enter the amount of calculated surtax on income of physical persons.

115. INSTRUCTIONS ON CALCULATING AND PAYING TAXES AND CONTRIBUTIONS FROM AND ON PERSONAL EARNINGS FROM EMPLOYMENT

OPD2

Annual return on paid taxes and contributions from personal earnings of the employee for the period
from / / - to / / -

Tax identification number of the employer

1.

Tax identification number of the employee

3.

2. Name and address of the employer

4. Name and address of the employee

Amount of calculated gross personal earnings

5.

Amount of paid gross personal earnings

6.

Difference (5-6)

7.

Amount of the paid in taxes

8.

Amount of paid contributions for retirement and invalid insurance

9.

Amount of paid contributions for health insurance

10.

115. INSTRUCTIONS ON CALCULATING AND PAYING TAXES AND CONTRIBUTIONS FROM AND ON PERSONAL EARNINGS FROM EMPLOYMENT

Amount of paid contributions
for the unemployed

11.	
-----	--

signature of authorized officer

Date

LS

Note:

The Form is in Excel – Annual return on paid in taxes and contributions from and to personal earnings of employees OPD 3

115. INSTRUCTIONS ON CALCULATING AND PAYING TAXES AND CONTRIBUTIONS FROM AND ON PERSONAL EARNINGS FROM EMPLOYMENT

INSTRUCTIONS FOR FILLING THE FORM OPD3 - Annual return on paid in taxes and contributions from and to personal earnings of the employees

1. In field "tax identification number of the employer", enter the tax identification number of an employer or a person who submits the return.
2. In field "Name", enter the name of the employer.
3. In field "Address", enter the municipality, street and number of the employer.
4. In column 1, enter the name and surname of the employee.
5. In column 2, enter the tax identification number of the employee.
6. In column 3, enter day and month of the beginning of the period for which the return is being filed (01.01. for example).
7. In column 4, enter day and month of the finalization of the period for which the return is being filed (31.12. for example).
8. In column 5, enter the amount of the calculated gross personal earnings of the employee.
9. In column 6, enter the amount of the total calculated contributions for retirement and invalid insurance from salary (chargeable to the employee) and to salary (chargeable to the employer).
10. In column 7, enter the amount of the paid net personal earnings of the employee.
11. In column 8, enter the amount of the paid in tax.
12. In column 9, enter the amount of the total contributions paid for retirement and invalid insurance from salary (chargeable to the employee) and to salary (chargeable to the employer).
13. In column 10, enter the amount of the total contributions paid for health insurance from salary (chargeable to the employee) and to salary (chargeable to the employer).

In column 11, enter the amount of the total contributions paid for unemployment insurance from salary (chargeable to the employee) and to salary (chargeable to employer).