

16 Annex - Taxation

**121. RULEBOOK ON IMPLEMENTATION OF THE LAW ON
VALUE ADDED TAX**

Based on Article 64, in conjunction with Article 5, paragraph 3, Article 43 paragraph 6, Article 50 paragraph 4, Article 51 paragraph 4, Article 52 paragraph 3 and Article 53 paragraph 6 of the Law on Value Added Tax (Official Gazette of the Republic of Montenegro 65/01 and 38/02) the Ministry of Finance has adopted the

RULEBOOK
on
Implementation of the Law on Value Added Tax¹
(consolidated text)

I General provisions

Article 1

This Rulebook regulates in more details methods of implementing the Value Added Tax Law (Official Gazette of the Republic of Montenegro 65/01, 38/02, 72/02, 21/03, 76/05 and 4/06) (hereinafter: the Law).

II Subject of taxation

Article 2

(1) Subject of taxation shall be any supply (hereinafter: supply) of goods and services effected for consideration by a taxpayer in furtherance of its business activities within the country for the purposes of gaining profit, import of goods as well use of goods and services for non-business purposes provided other conditions envisaged by the Law have been satisfied. Independence, permanence and intention of gaining profit must be satisfied simultaneously.

(2) Taxpayer conducts an activity independently provided that it performs it on its account and on its own responsibility. An important feature of a taxable supply is a mutual causal connection between the supply and compensation.

1. Supply of goods and services

Article 3

(1) The supply of goods and services shall mean the transfer of the right to dispose of movable or immovable property to a buyer. Goods shall be considered to be objects or group of objects or goods that are, when being supplied, considered as goods such as: electricity, gas, energy for heating, freezing and cooling etc.

(2) The group of objects represents a set of several separated objects gathered in one uniform

¹ Official Gazette of the Republic of Montenegro 65/02, 13/03, 59/04, 79/05 and 16/06
Rulebook on Implementation of the Value Added Tax Law₂

entity that are considered to be goods in the functional sense.

Article 4

- (1) Services are considered to be any supplies effected for consideration, which are not considered to be supply of goods.
- (2) The services also include the transfer, assignment or use of copyrights, patents, licenses, trademarks and other property rights.
- (3) If a single supply has at the same time traits of a supply of goods and traits of a supply of services, traits determining the factual business content of the supply shall, having regard to the will of contracting parties, serve as demarcation factors.
- (4) In the event of repairing goods and for the purpose of making a distinction and determining whether a supply could be considered as a supply of goods or services, the share of the material procured by the taxpayer (doing the repair) within the total compensation shall be relevant. If the share of the compensation relevant to the material exceeds 50% of the total amount of the compensation relevant to the repair of goods, in such case it is the supply of goods and vice versa.

2. Refining and manufacture of goods from material provided by the ordering party

Article 5

- (1) If an ordering party provides the manufacturer with material to be processed, worked, finished or used to manufacture a specific product, the delivery shall not be a taxable supply since the ordering party shall retain the right to dispose with the material.
- (2) If the manufacturer referred to in paragraph 1 of this Article retains, after refining the material, by-products or waste exceeding 5% of the value of its supply that were to be returned to the ordering party, this shall be considered as a supply of goods effected by a ordering party to the manufacturer upon which VAT shall be charged.
- (3) If the ordering party referred to in paragraph 1 of this Article provides the manufacturer with material, parts or components without retaining the right to dispose with the deliveries but instead paying manufacturer's deliveries or counter deliveries this shall be considered as a taxable supply or an exchange.

3. Exchange

Article 6

- (1) If a supply of goods or services has not been effected for a monetary compensation but instead for a delivery of another goods or services, this shall be considered as exchange of goods or services.
- (2) In the event of exchange, deliveries shall be taxable at both suppliers of goods or services.

4. Return of goods

Article 7

(1) Should it happen that the purchaser, within the complaint or some other period set by the contract, returns goods to the supplier, it shall be deemed that there has been no supply.

(2) Should the supplier, within the period referred to in paragraph 1 of this Article, replace goods for another it shall be deemed that the original supply of goods has been performed, which is taxable.

(3) Should the supplier, within the guarantee period replace goods with other goods of the same type, same commercial quality and same technical characteristics, such supply of goods shall not be taxable.

(4) Should the supplier referred to in paragraphs 2 and 3 of this Article give another goods for replacement which is of lower or higher value, these differences shall consequently reduce or enlarge the tax basis.

(5) Should it happen that the purchaser returns the packaging/wrapping material for which it has been charged VAT by the seller it shall not be considered as a taxable supply.

5. Actual contributions

Article 8

The VAT shall not be chargeable or payable on actual contributions paid in within the process of increment of the initial capital of a corporation.

6. Supply of newly constructed real estate

Article 9

(1) Real estate (construction projects and their parts) that is constructed, supplied and paid after 31 March 2003 is considered as newly constructed real estate.

(2) Real estate that will be constructed (completed) on 31 March 2003 but not supplied, as well real estate for which the payment was made by 31 March 2003 in respect of the part in which they have been paid and which is subject to the sales tax on real estate, in accordance with the law regulating taxation of real estate shall not be considered as newly constructed real estate according to the Rulebook.

7. Special cases of supply of goods and services

Article 10

(Entry of goods into company)

(1) Entry of private (personal) property into a company shall not be taxable.

(2) If a member of a company exempts goods from the company, the exemption shall be considered as a taxable supply.

(3) Should the company enter its property into another company, this shall be considered as a taxable supply.

(4) For goods entered into the company, the company shall pay compensation in the form of rights related to the company, which are exempted from VAT according to the provisions of Article 27 paragraph 4 item d) of the Law.

Article 11

(Organizational changes of the company)

(1) When changing the organizational form of the company VAT tax shall not be charged or paid.

(2) Merger, amalgamation and division of a society shall not be taxable.

Article 12

(Sale of company)

(1) Sale of a company or its part making a business whole/unit shall also be considered as a supply of goods.

(2) Sale of a company or its part making a business whole/unit shall not be taxable, if a purchaser in the case referred to in paragraph 1 of this Article can deduct the entire input VAT.

Article 13

(Liquidation and bankruptcy)

(1) Supplies performed within the liquidation and bankruptcy procedure shall be taxable.

(2) Supplies of goods performed to members and owners of the company upon the completion of the liquidation procedure shall be taxable.

Article 14

(Sale of goods under enforced collection procedure)

(1) Should it happen that an authorized authority, under the enforced collection procedure, sells specific goods, it shall be deemed that the sale has been conducted directly to the purchaser by the debtor.

(2) In cases of the sale referred to in paragraph 1 of this Article the tax authority shall issue the VAT invoice against the debtor.

Article 15

(Succession)

Transfer of property rights from the defunct to one or more successors, in the event that business activity will be continued, shall not be taxable.

Article 16

(Use and sale of pledged goods)

- (1) Should the secured creditor use the pledged item against the reimbursement, it shall be considered as a taxable service.
- (2) When selling the pledged item, two taxable supplies will be performed. The first supply by a pledgor towards the secured creditor and the second supply by the secured creditor to the purchaser of the pledged item.
- (3) The provisions of paragraph 2 of this Article shall be applied accordingly to the transfer of pledged property rights.
- (4) Should the secured creditor fail to sell the pledged items, and the ownership right over the pledged items be transferred to it pursuant to the Contract Law, it shall be deemed that the supply has been conducted by the pledgor to the secured creditor.

Article 17

(membership fees)

- (1) Should the person that is established by virtue of special regulations for the purpose of executing tasks envisaged by the charter, receive fees it shall not be considered as a compensation for performed supply of services.
- (2) If a membership contribution is determined under certain criteria and if it is equal for all members, it shall be considered as a membership fee referred to in paragraph 1 of this Article.
- (3) If the persons referred to in paragraph 1 of this Article perform supplies during the year that would be taxable in the amount exceeding EUR 18,000 they shall be VAT taxpayers.

Article 18

(supply of goods and services to employees)

- (1) Should the employer give to his employees as compensation for the performed job not only monetary compensation but also compensation in goods and services, the supplies shall be taxable.
- (2) Any other supplies of goods and services executed or enabled by the taxpayer to employees (supply of food, drinks, transport service and any other benefits in goods and services) shall also be considered as the supply referred to in paragraph 1 of this Article.

Article 19

(shortage of goods)

The shortage of goods shall be deemed the usage of goods for non-business purposes, with the exception of:

- shortage and losses incurred due to force majeure,
- shortage inseparably connected with the process of manufacture and processing of goods,
- shortage and destruction due to ullage, loose and breakage of goods inseparably connected with the storage and transport of goods in the actual scale, not larger than the ordinary, set by a professional association, or tax authority if not determined by the professional association.

Article 20

(gifts of minor value)

(1) Gifts of minor value made in the furtherance of business activity of a taxpayer shall not be considered as taxable supplies provided those gifts are made occasionally and not to the same persons and the recipient is not obliged to execute any counter service.

(2) The gift of minor value shall be considered to be all goods the individual value of which, without VAT, does not exceed EUR 30.

Article 21

(usage of goods and services for non-business purposes)

(1) Usage of goods or services for non-business related purposes shall be the exclusion of goods or usage of services for private purposes of a taxpayer, purposes of taxpayer's family members and purposes of third persons to whom goods or services are ceded for non-business related purposes.

(2) Expenses referred to in paragraph 1 of this Article shall be subject to VAT provided that a taxpayer when purchasing the goods and services for those purposes has exercised the right to VAT input tax deduction (hereinafter: input tax).

8. Import of goods

Article 22

Import of goods into the country shall be taxable. Import of goods shall also mean entry, acceptance and other forms of import of goods regardless the purpose of bringing those goods within the customs territory of Montenegro.

III TAXPAYERS AND OTHER TAX DEBTORS

1. Taxpayers

Article 23

(1) Taxpayer shall be any legal or natural person who independently conducts business activity in accordance with regulations regardless of whether it has been entered into an appropriate register or any other prescribed records.

(2) The taxable person shall be deemed to conduct the business activity independently if it works on its own behalf and its own responsibility.

(3) A natural person conducting business activity partly independently and partly dependently shall be considered as a taxpayer in respect of a part relating to the independent business activity.

(4) A taxpayer shall be also a business unit of a foreign person. A business unit shall be a permanent place of business where foreign person is conducting its business activity entirely or partially (plant, mine, quarry).

Article 24

(1) A person who executed taxable supplies of goods and services during the last 12 months in a value that is not exceeding or is not likely to exceed the amount of EUR 18,000 shall not be considered as a VAT payer.

(2) The person referred to in paragraph 1 of this Article must not charge or indicate VAT on its invoices and shall not be entitled to deduction of input tax or be obliged to keep accounting records prescribed for VAT.

(3) Should the person referred to in paragraph 1 of this Article execute taxable supplies exceeding EUR 18000 in the course of the current year, it shall become a taxpayer.

(4) The person referred to in paragraph 3 of this Article shall be obliged to inform a competent tax authority by submitting the application for entry into the VAT register about the fact that it has executed taxable supplies, during the last 12 months, exceeding the determined amount and thus met the conditions to become a taxpayer.

(5) Person referred to in paragraph 1 of this Article may at his own discretion submit a request for commencing the assessment and payment of VAT. Tax authority shall pass a decision on entry into the register for VAT payment for the period not less than three years.

Article 25

(1) VAT taxable person (hereinafter: taxpayer) shall inform a competent tax authority about the fact that during the last 12 months he has executed supplies bellow EUR 18000 and that he does not wish any longer to keep the status of a taxpayer no later than 15 days after this fact has been established.

(2) A person that does not submit a request within the period referred to in paragraph 1 of this Article shall keep the status of a taxpayer.

Article 26

(1) Should the state authorities and organizations and local government authorities and other public–legal entities perform a business or any other activity whose non-taxation would bring about gaining unjustified benefits, a tax authority shall pass a decision recognizing those persons as taxpayers for that type of activity.

(2) Tax authority shall estimate whether conditions referred to in paragraph 1 of this Article have been satisfied, at its own discretion or upon the initiative of a taxpayer or any other interested person.

Article 27

(1) Taxpayer shall be also a person who issues an invoice for supplied goods or services with VAT tax shown separately, without being authorized to issue such invoice.

(2) Person referred to in Article 42 of the Law ("small taxpayer") as well as any other legal or natural person who is not a VAT taxpayer and therefore not authorized to issue invoices with VAT tax shown separately shall be considered as a person issuing the invoice referred to in paragraph 1 of this Article.

(3) Person supplying goods and services exempted from VAT shall be considered as a person issuing the invoice referred to in paragraph 1 of this Article provided that it separately indicate VAT on the invoice.

2. Foreign person

Article 28

(1) A business unit shall assess and pay VAT, in conformity with this Rulebook, in the event that a foreign person is conducting a business activity in Montenegro through such business unit.

(2) The business unit shall act in the name of and on behalf of the foreign person by using a firm of the parent company, its seat and its name.

(3) A foreign person who is not obliged to set up a business unit according to regulations but performs supplying in Montenegro shall be entered into the register of VAT taxpayers and may appoint a tax representative who will be undertaking taxpayer's obligations envisaged by this Rulebook.

Article 29

(Tax representative)

(1) The foreign person referred to in Article 28 paragraph 3 of this Rulebook may appoint as a tax representative a legal or natural person, which has a seat or a permanent residence in Montenegro and the status of a VAT payer in accordance with the Law.

(2) The tax representative referred to in paragraph 1 of this Article shall not be a business unit of a foreign person. The tax representative shall, on behalf of a foreign person, satisfy VAT obligations (produce and submit VAT calculations, keep a book of issued and received invoices, pay VAT tax etc.)

(3) If the same tax representative has been appointed by several foreign persons, the tax representative shall submit to the tax authority VAT calculations, and fulfil other VAT obligations for each foreign person separately.

(4) A foreign person shall send original invoices issued for executed supplies to the tax representative, without VAT being charged.

(5) The tax representative shall be obliged to produce, on the basis of original invoices, a document in two copies where it shall indicate:

- its company, i.e. its name and seat, or permanent residence and its tax number, VAT number

- document issuance date,
- name and seat, or permanent residence of a foreign person and tax number of a foreign person assigned by a competent Montenegrin tax authority,
- reference number under which the document has been entered into the book of issued invoices, which is kept by a tax representative on behalf of a foreign person,
- VAT amount as well other details prescribed by Articles 31 and 32 of the Law.

(6) The provisions of paragraph 5 of this Article shall not apply to supplies of goods and services for which the recipient of goods or services, i.e. importer is the VAT taxable person.

(7) The tax representative shall be obliged to send original document referred to in paragraph 5 of this Article and original invoice received from a foreign person, to a purchaser of goods or an ordering party, whereas a copy of the document and a copy of the invoice it shall retain in its bookkeeping.

(8) If a foreign person appoints a tax representative, the latter shall be jointly and severally liable for VAT payment. Should it happen that the tax authority determines that the tax representative does not meet its obligations related to VAT, it may prohibit the representative to continue the representation.

(9) The tax authority shall keep separate records on tax representatives.

Article 30

(Recipient of goods or services)

(1) Should the foreign person performing the supply of goods or services in Montenegro fail to appoint a tax representative, the VAT taxable person shall be the recipient of these goods or services, pursuant to Article 12 item 2 of the Law.

(2) For services referred to in Article 17 paragraph 3 of the Law rendered by a foreign person, the VAT taxable person is the recipient of such services, with the exception of the case where the recipient of services is not a VAT payer, and then the VAT taxable person is the provider of services.

3. VAT taxpayer at import

Article 31

(1) Taxpayer at import shall be the person importing goods or person receiving imported goods.

(2) The importer referred to in paragraph 1 of this Article shall be the taxpayer, as well as any other legal or natural person importing or bringing goods into Montenegro.

(3) If it is possible, given the circumstances of each specific case, to determine several persons as customs debtors who are pursuant to Article 12 item 5 of the Law the VAT taxpayers at import, these persons shall be jointly and severally liable for the VAT payment.

(4) If it is not possible, given the circumstances of each specific case, to determine the customs debtor pursuant to the customs regulations, in that case the VAT taxpayer at import shall be a person who is the actual recipient of goods.

IV PLACE OF TAXATION

Article 32

Value added tax shall be paid according to the place where goods or services have been supplied, where the territory of Montenegro shall be considered to be a single place of supply of goods or services.

1. Place of taxation of goods

Article 33

(1) In the event of supply of goods, the place of supply shall be the place where the goods are placed at the moment of supply. If the goods have been dispatched, then the place where the goods were placed at the beginning of dispatch shall be considered as the place of supply.

(2) If the supply is executed without dispatching i.e. transport, the place of supply shall be the place where goods are placed in the moment of the supply taking place.

(3) In the event of goods that are to be assembled, installed or constructed, the place of supply shall be the place where goods are set up by the supplier or any other person on its behalf.

(4) When supplying electricity, gas and energy for heating, freezing and cooling, the place of supply shall be the place where the goods have been received.

2. Place of taxation of services

Article 34

(1) When determining the place of supply of services referred to in Article 17 of the Law, the general principle envisaging that the place of supply of service is the place where the seat or a permanent or temporary residence of a person providing the service is shall be applied unless otherwise prescribed by the Rulebook.

(2) When services are executed by a business unit, the place of supply shall be the seat of the business unit.

(3) When executed services are directly connected to immovable property including services such as those of real estate agents, valuations of immovable property, preparatory works for construction, services of architects and on-site supervision by authorized supervisors, the place of supply of services shall be considered to be the place where the immovable property is located. For example, the following shall not be considered as services directly related to immovable property: advertising services related to purchase or lease of immovable property, funding of immovable property and legal and tax consulting.

(4) In the event of transport service, the place of supply of service shall be the road or a part of the road where the transport service is executed. If a transport service is not executed only within the country, the section of the road within the country shall be taxed, while the part of the section of the road in a foreign country shall not be subject to VAT. In that particular event the transport service should be divided in proportion to the number of kilometres of the section in the country (taxable part) and the section in the foreign country (non-taxable part). In case of the international maritime, inland waterways, and air transport of passengers and goods, the sections belonging to the country shall not be determined.

(5) Place of supply of service shall be the place where the service has been actually rendered provided that the services concerned are:

- services in the field of culture, art, science, education, sports, entertainment events and similar services including the services rendered by organizers of such services,
- ancillary transport services such as loading, unloading, transferring, warehousing and other services that are normally related to transport,
- services rendered on movable property including services of delivering an expert opinion, evaluating and assessing those goods.

(6) With respect to the agency services, the place of supply shall be the place where the goods or services are supplied through the agency service. The service is considered as agency service when someone acts in the name and on behalf of the ordering party. Agency services related to supply and usage of immovable property as well as agency services referred to in Article 17 paragraph 3 of the Law are not included here.

(7) Exceptionally from paragraph 1 of this Article, for the following services:

1. transfer, concession and use of royalties, patents, licenses, trademarks, and other intellectual property rights;
2. telecommunications;
3. services in the area of advertising;
4. services of engineers, lawyers, notaries, auditors, accountants, interpreters, translators, and other similar counselling services;
5. electronic data processing and information providing, including the information on business procedures and experiences;
6. banking, insurance and reinsurance;
7. agency services in employment of workforce;
8. rental of movable things, with the exception of means of transport;
9. services related to withdrawal from carrying out business activity;
10. agency services in connection with services referred to in items 1 through 9 of this paragraph, if performed by agents in the name of and on behalf of the ordering party,

the place of supply of service shall be considered to be the place of the seat of the recipient of services. If the services are performed in the business unit, the place of supply of service shall be considered to be the place of the business unit of the recipient of the service. If the recipient of the service has his permanent residence abroad, then the place of supply of services shall be the place of his permanent residence.

V INCEPTION OF OBLIGATION TO ACCOUNT FOR VAT

Article 35

(General rules)

- (1) Value added tax shall be accounted in the moment when goods or services are supplied.
- (2) The goods are considered to have been supplied when it is possible to dispose with such goods, in terms of this Rulebook.
- (3) Goods or services shall be considered supplied at the moment when an invoice is issued, and if the invoice has not been issued, VAT shall be accounted eight days after supply of goods

or services.

(4) Services are supplied in the moment when their usage has been completed. If a service is supplied continuously over several periods, the tax liability shall be incurred after the expiry of each period regardless of whether the service has been accounted or not.

(5) The tax liability shall be incurred in the amount of tax accounted for supplied and charged supplies during the tax period.

(6) If the invoice has been issued, the obligation to account for VAT shall be incurred regardless of the part in which the goods or services have been supplied.

(7) The term of payment, deferment of payment or crediting of the supply shall not affect the inception of the tax liability.

Article 36

(Interim certificate of payment)

The supply of goods referred to in Article 18 paragraph 5 of the Law shall not include the execution of construction services on new or existing construction projects chargeable upon the interim certificate of payment on the basis of the construction contract.

Article 37

(Supply of goods pursuant to Article 4 paragraph 2 item 3 of the Law-lease contract)

As regards the supply of goods by virtue of lease contract referred to in Article 4 paragraph 2 item 3 of the Law, the obligation to account for VAT shall be incurred at the moment of supply of goods.

Article 38

(recipient of goods or services)

(1) Should the VAT taxpayer pursuant to Article 12 items 2 and 3 of the Law be recipient of goods or services, the tax liability shall be incurred in the moment when the goods or services have been supplied.

(2) Goods or services shall be considered as supplied when the recipient of goods or services receives the invoice.

(3) Should the recipient of goods or services fail to receive the invoice, the VAT shall be accounted for eight days after the goods or services have been supplied.

(4) If the payment has been made in part or in whole before the invoice is issued, VAT shall be charged on the payment date, on the amount of paid consideration.

Article 39

(disposable packaging)

When charging the disposable packaging, the tax liability shall be incurred at the moment when the packaging is charged.

Article 40

(Advances)

As regards the advance payments, the tax liability shall be incurred on the day of receipt of advance payment, regardless of whether the actual supply of goods or services has been executed or not. The VAT shall be determined by applying the recalculated rate referred to in Article 56 of this Rulebook.

Article 41

(import of goods)

(1) As regards the import of goods the tax liability shall be incurred at the moment of inception of the obligation to account for the customs debt (customs and other import duties).

(2) As regards goods not subject to import duties, VAT tax shall be accounted for at the moment when obligation to pay customs debt is incurred as if the obligation of accounting for and paying the customs debt must have been incurred.

Article 42

(other cases when tax liability is incurred)

(1) Should the taxpayer indicate on the invoice issued for supplied goods or services the VAT amount exceeding the amount that it is obliged to pay according to the Law, it shall be liable for the higher amount unless it adjusts the invoice issued to the recipient pursuant to Article 20 paragraph 9 of the Law.

(2) In the event referred to in paragraph 1 of this Article the tax liability shall be incurred at the moment when the invoice has been issued.

Article 43

(1) If a person separately indicates VAT in the invoice for supplied goods or services without being authorised to do so, then such person shall be liable for the indicated amount of tax, unless it adjusts the receipt issued to the recipient pursuant to Article 20 paragraph 9 of the Law.

(2) The tax liability referred to in paragraph 1 of this Article shall be incurred at the moment when the invoice has been issued.

Article 44

In the event of exempting goods or usage of services referred to in Article 5,6 and 9 of the Law, the tax liability shall be incurred upon the expiry of the tax period in which the goods have been exempted or services used.

Article 45

When changing conditions relevant for deduction of input tax referred to in Article 39 paragraph 2 of the Law, the tax liability shall be incurred upon the expiry of the tax period within which the conditions for input tax deduction have been changed.

VI TAX BASE

Article 46

(1) VAT tax base shall be the consideration charged for supplied goods or services. The consideration for the purposes of calculation of VAT shall mean everything that the recipient of goods should give or pay for supplied goods or services. The tax base shall also include everything given or paid by some other party, not the recipient of goods or services, to a supplier for executed supplies of goods or services including subsidies directly related to the price of the supply excluding VAT.

(2) The consideration for executed supply of goods, pursuant to paragraph 1 of this Article, shall also include all amounts charged by the seller from a buyer on the basis of a supply such as costs of transport, assembling, dispatching, insurance and the like.

(3) The tax base shall include: excise and other taxes, fees, customs and other import duties excluding VAT calculated into the value of the supply and charged against the buyer.

(4) The tax base shall also include amounts paid voluntarily.

(5) If the buyer is also charged with the deposit for the re-usable packaging in the case of a taxable supply of goods, then this deposit shall not be included in the tax base.

(6) The tax base shall not include price reductions and discount given to the buyer at the time of presenting the invoice.

(7) The tax base shall not include amounts which the taxpayer charges, receives or pays in the name and for the account of another person if recorded by the taxpayer in his accounting on suspense accounts (temporary entries).

(8) The tax base shall not include premiums, subsidies or other incentives from the budget that are not directly related to the price of goods or services.

(9) The tax base shall not include amounts received from the insurance companies on the basis of the damage compensation.

(10) The tax base shall not include amounts received to recover damage caused by natural disaster, or the amounts received for stolen or destroyed objects.

(11) When executing the supply of newly constructed building projects or parts thereof the tax base shall include the value of the supplied project excluding the value of land and the fee for communal development of land pursuant to the regulation of the local government authority.

Article 46 a

(base for financial leasing)

(1) Interest incurred in respect of the sale of goods based on the financial leasing contract that envisages that the transfer of ownership is to be performed no later than upon the payment of the last instalment, shall not be included in that tax base provided that:

1. the payment of interest is made after the delivery of goods – subject of leasing;
2. the interest is separately indicated in the invoice;
3. the interest amount does not exceed the amount of interest normally applied in the Republic for transaction of similar nature.

(2) The interest referred to in paragraph 1 of this Article that is paid before the supply of the goods – subject of leasing shall be included in the tax base.

Article 47

(Usage of goods or services for non business purposes)

(1) When supplying goods in cases referred to in Articles 5 and 6 of the Law the tax base shall include the VAT exclusive the purchase price of relevant goods, or the price of goods at the time and in the place of supply.

(2) When supplying services referred to in Article 9 of the Law the tax base shall be the amount of costs incurred for provided services determined pursuant to accounting regulations.

(3) As regards exemption, i.e. the supply of goods manufactured by a taxpayer the market price shall be its own expenses determined pursuant to accounting regulations.

Article 48

(subsequent adjustment of the tax base)

(1) Should the tax base be changed subsequently due to refund, different types of discounts (rebate and other premium bonus) or inability to pay, the VAT may be adjusted.

(2) In the event referred to in paragraph 1 of this Article the supplier and recipient shall adjust the tax base, i.e. the tax and input tax. The tax base may be reduced by subsequent deductions at the supplier's only after the input tax has been adjusted at the recipient's (buyer's), where the recipient is obliged to inform the supplier thereof in a written form.

(3) Subsequent discounts shall reduce the tax base only if given in a direct mutual relation between the supplier and recipient.

(4) If the supplier is obliged to pay the liquidated damages it shall not reduce the tax base.

Article 49

Tax base referred to in Article 20 paragraph 9 of the Law shall be reduced due to inability to pay only if bankruptcy procedure has been instituted against the recipient and enforced collection has failed, which resulted in the suspension of the procedure by the competent authority.

Article 50

The tax base may be increased when payment made exceeds the agreed one regardless of the reasons for overpayment. Due to increased payment the tax base shall be changed and therefore the VAT tax, i.e. input tax. The deduction of input tax at the recipient's shall be possible provided that the supplier has issued an invoice for such increase, pursuant to Article 32 of the Law.

Article 51

(Tax base in case of exchange)

(1) As regards exchange and other similar events, the tax base shall be the market value of each of the goods or services that are the subject of exchange. Should at the occasion of exchange of goods and services an additional payment be made, it shall be considered as a business transaction similar to exchange. In that case, the consideration shall also include the supplied goods or service and charged (received) amount of money. As regards the participant providing goods or service and money, the consideration shall include only the supplied goods or service.

(2) The consideration for finalization services may include, in addition to agreed monetary compensation, the value of waste material resulting from the work, which is given up/left by the ordering party (client) to the supplier of service. In that case the method envisaged in Article 5 of this Rulebook shall be applied.

Article 52

(Tax base when selling property)

(1) As regards the sale of a company or a part thereof the tax base shall include the consideration for each supplied goods reduced by the value of immovable property provided that it is not considered to be newly constructed, in which case it would be subject to taxation under a special law.

(2) If the VAT charged when buying the company or a part thereof may be deducted entirely as input tax, the VAT shall not be paid and that transfer shall not be considered as taxable.

Article 53

(Tax base at import)

(1) Tax base at import shall be determined according to the value of imported goods established pursuant to customs regulations increased by customs duty, excise tax, fees and other charges paid in the import customs procedure.

(2) Temporary export for processing or refining shall not be considered as an export delivery according to Article 25 of the Law. Should certain goods be temporarily exported for processing or refining, where the right to dispose with those goods shall not be transferred to a foreign person but returned to the domestic ordering party after being processed or refined, the tax base shall be determined pursuant to customs regulations.

VII TAX RATE

Article 54

(Zero rate)

(1) VAT shall not be paid on export of goods and transport and other services that are directly related to export of goods.

(2) Delivery of goods executed outside the custom territory of Montenegro to a foreign ordering party shall be considered as an export delivery.

(3) The foreign ordering party referred to in paragraph 2 of this Article shall be considered to be a person with a seat or permanent or habitual residence abroad. The foreign ordering party shall also be a foreign business unit of a domestic person. A domestic business unit of a foreign person shall not be considered as a foreign ordering party.

(4) The taxpayer shall prove the export of goods by presenting evidence that he himself or other person on his behalf brought goods out of the Montenegrin customs territory.

(5) The evidence referred to in paragraph 4 of this Article shall be export customs declaration (ECD), which shall contain, as a minimum, the following elements:

1. name, address, and tax number of the taxpayer (exporter),
2. trading title and quantity of exported goods,
3. place and date of the export customs procedure,
4. certificate issued by a customs office at the border proving that the goods have departed the customs territory of Montenegro.

(6) Customs declaration for bringing goods into a customs warehouse or free customs zone, in case when the goods are intended for export pursuant to Article 25 paragraph 3 of the Law, shall also be used as evidence referred to in paragraph 4 of this Article. In that case the taxpayer shall be obliged to keep such document together with the export customs declaration accompanying goods at the occasion of their actual departing the customs territory of Montenegro. The export declaration alone may not be used for VAT purposes in that event.

(7) Notwithstanding paragraph 5 of this Article, in the event when the taxpayer sends goods by mail, fast mail or railway, the following shall be used as an evidence of executed delivery:

1. postal declaration, bill of lading or a copy thereof,
2. another document normally used in postal traffic.

(8) The evidence referred to in paragraph 7 of this Article shall contain, as a minimum, the following details:

1. name and address or company and seat of a person that issued the evidence, and date of issuance,
2. name and address or company and seat of taxpayer (exporter) and his tax number,
3. normal commercial name and quantity of goods,
4. place and date of issuance of goods, or the place and date when goods have been dispatched abroad,
5. name and address or company of the recipient of goods abroad,
6. signature and seal of the issuer.

(9) Executed services that are directly related to dispatching of goods for export (e.g. transport, loading, trans-shipping, freight forwarding services etc.) shall be considered as services referred to in Article 25, paragraph 1, item 2) of the Law that are directly related to export or import of goods pursuant to Article 16, paragraph 2 of the Law.

(10) A contract concluded with the exporter or another person acting on behalf of exporter or a bill of lading or another document proving that a service has been rendered in relation to dispatch of goods intended for export shall serve as an evidence that the service referred to in paragraph 9 of this Article is directly related to export of goods.

(11) In case of the transport of goods to be exported abroad, the part of transport carried out in

Montenegro shall not be subject to VAT pursuant to Article 25 paragraph 1 item 2) of the Law.

(12) In the event of transport of customs goods that are imported according to the Customs Law, Article 25 paragraph 1 item 2) of the Law shall be applied envisaging that for transport services VAT shall not be paid separately until the first destination in Montenegro, but the transport expenses shall be included in tax base referred to in Article 22 of the Law instead.

(13) The following shall be considered as services related to the international air traffic: landing, taking off, management of incoming and outgoing passengers, aircrafts and cargo, charging of passenger service, parking of aircrafts, defrosting and protection of aircrafts from freezing, towing aircrafts in and out, cooling and heating of aircrafts, cleaning of aircrafts, and other services directly related to servicing passengers, aircrafts and cargo.

(14) The following shall be considered as services related to international maritime traffic: services of tugging, piloting and mooring vessels, loading, unloading, trans-shipping and warehousing ship cargo in ports, port, warehousing and agency services for ship cargos, disposal of waste, laundry services, and other services directly related to international maritime traffic.

Article 55

Export of goods shall not include:

1. temporary export of goods for refining unless the customs declarant proves that temporarily exported goods stayed outside the customs territory due to changed circumstances,
2. goods temporarily exported with the ATA carnet unless a declarant proves that temporarily exported goods stayed outside the customs territory due to changed circumstances,
3. export of goods intended for re-import, in accordance with the Customs Law, unless a customs declarant proves that temporarily exported goods stayed outside the customs territory due to changed circumstances,
4. export of domestic goods from the customs territory intended for transport to other destinations in Montenegro over a foreign customs territory in conformity with the customs regulations.

Article 56

(recalculated tax rate)

(1) The recalculated tax rate shall be applied when the tax amount must be calculated from the amount of consideration that includes VAT at the rate of 17% or 7%.

(2) The recalculated tax rate for the general rate of VAT shall be calculated in the following way:

$$\begin{aligned} & \text{prescribed VAT tax rate} \times 100 \\ \text{recalculated tax rate} &= \frac{\text{prescribed VAT tax rate} \times 100}{100 + \text{prescribed VAT tax rate}} = \\ & \frac{17 \times 100}{100 + 17} = \frac{1700}{117} = 14.53 \end{aligned}$$

(3) The recalculated tax rate for the reduced rate of VAT shall be calculated in the following way:

$$\text{recalculated tax rate} = \frac{\text{prescribed VAT tax rate} \times 100}{100 + \text{prescribed VAT tax rate}} =$$

$$\frac{7 \times 100}{100 + 7} = \frac{700}{107} = 6.54$$

VIII TAX EXEMPTIONS

1. Exemptions of public interest

Article 57

(postal services)

Public postal services referred to in Article 26 item 1) of the Law shall be considered to be:

1. receipt, transport and delivery of letters and parcels and imprints for the blind in domestic and international traffic,
2. collecting letters and parcels through public mailboxes or postal offices,
3. distribution, transport and delivery of letters and parcels,
4. post office box related services,
5. transfer of telegrams, postal and phone money orders in domestic and international traffic.

Article 58

(health care services)

Health services that are exempt from VAT payment by virtue of Article 26 paragraph 2) of the Law shall in particular include: basic health care activity, dentistry activity, including delivery of products of dental prosthetics and related services, specialist's outpatient department activity, specialist's hospital activity; laboratory services and other diagnostic services; first-aid stations rendering health assistance to patients and injured persons; health services which clinics, institutes and other health care institutions operate either as outpatient departments or hospitals; health activity in spas (preventive care, specialist's clinics and hospital rehabilitation on doctor's order, with accommodation and use of natural healing medicaments) and delivery of blood and organs for implantation.

Article 59

(social welfare services)

(1) Social care services and deliveries of goods that are directly related to the services referred to in Article 26, item 3 of the Law shall be all activities aimed at prevention of social difficulties and problems and that include activities and assistance to individuals, families and groups of citizens as well as activities related to the above mentioned activities pursuant to regulations governing the domain of social welfare.

(2) The activities referred to in paragraph 1 of this Article shall also, among other things, include the activity of humanitarian organizations for disabled persons, unless it is likely that such exemption shall undermine competition.

Article 60

(education services)

(1) Education services referred to in Article 26 item 4) of the Law shall include in particular: services rendered within the prescribed programs in the domain of pre-school education, services which are, within the prescribed programs, intended for acquisition of publicly recognized education and are rendered in the domain of primary education, education of children, minors, young adults with special needs, primary music education, lower and secondary vocational training and education, secondary vocational and technical education, secondary general education, high vocational education, university education, including education and qualification of adults conducted in compliance with study programs prescribed by existing regulations, for which certificates i.e. official documents are issued, as well as education and activity at homes for high school and university students.

(2) Delivery of goods and services directly related to activities referred to in paragraph 1 of this Article shall be exempt from VAT tax.

(3) The deliveries of goods and services directly related to services referred to in paragraph 1 of this Article shall also include activities of school libraries and organized transport and meals provided that they are provided directly to students by education institutions and sold at lower prices.

Article 61

(services in the domain of culture)

(1) Cultural services referred to in Article 26 item 6 of the Law provided by non-profit organizations pursuant to regulations governing that domain shall include in particular the following:

1. theatre and music activity in the domain of culture,
2. activity of museums and galleries,
3. archive activity,

4. activity of restoration and conservation of cultural and natural heritage,
5. activity aimed at protection of historical monuments,
6. activity of libraries.

(2) Deliveries of goods executed by non-profit organizations referred to in paragraph 1 of this Article shall be exempt from the VAT payment provided that they are directly related to services referred to in paragraph 1 of this Article (such as catalogues, posters, costumes, stages).

Article 62

(services related to sport and sports education)

Services related to sport and sport education referred to in Article 26 item 7) of the Law shall be services rendered by non-profit organizations to individuals such as sport associations, mountaineering associations etc.

Article 63

(religious services)

(1) Services and deliveries of goods executed by religious communities referred to in Article 26, item 9 of the Law shall be exempted from the VAT payment if aimed at satisfaction of religious needs, provided they are conducted in conformity with regulations governing such communities.

(2) The satisfaction of religious needs referred to in paragraph 1 of this Article shall not be deemed to mean the conduct of activities referred to in Article 13 paragraph 2 of the Law.

Article 64

(public transport of passengers)

The public transport of passengers and their luggage referred to in Article 24a item 9) of the Law shall mean the transport that is accessible to all users of transport services under the same conditions and that is carried out according to predetermined routes and timetables, and for which the price and general transport conditions are established, pursuant to the Law governing the domain of passengers' transport.

Article 65

(public hygiene services)

The public hygiene services referred to in Article 24a item 10 of the Law shall include the following: collection and transport of garbage, activities of landfills, handling of special waste, sewerage and other services of public hygiene.

Article 66

(funeral services and goods related to such services)

(1) Funeral services shall, pursuant to provisions of Article 24a item 11) of the Law be understood to mean the services of burial and other related services, sale and rental of graves, including maintenance of graveyards.

(2) Goods related to funeral services include: coffins, sarcophaguses, including parts for transport and funerals, urns, boxes for bones, funeral symbols used exclusively for coffins and sarcophaguses, textile for the coffins and sarcophaguses, coverings, bags for the burial of the deceased, mourning books, funeral floristic equipment (wreaths arranged with mourning stripes, bouquets, flower arrangements), funeral candle arrangements.

2. Other exemptions

Article 67

(insurance and reinsurance services)

(1) Insurance and reinsurance services referred to in Article 27 item 1 of the Law shall be the contracting and enforcing of contracts on life and property insurance, reinsurance and coinsurance.

(2) Services rendered by insurance brokers and agents are activities of mediation in insurance with which insurance companies mediate in insurance through other business companies and individuals.

Article 68

(supply of real estate)

(1) Turnover of real estate (excluding newly constructed) exempted from the VAT payment pursuant to Article 27 item 2 of the Law shall be every supply of real estate which is subject to sales tax on real estate in conformity with the law governing the taxation of real estate supply.

(2) If a natural person who is not the VAT payer sells a newly constructed building, it shall not be deemed the first transfer of ownership rights pursuant to Article 27 item 2 of the Law.

Article 69

(lease of residential premises)

(1) Leasing of residential buildings, apartments, i.e. dwelling premises for residential purposes shall be exempted from the VAT payment pursuant to Article 27 item 3 of the Law.

(2) Tax exemption referred to in paragraph 1 of this Article shall not apply to leasing of such residential facilities intended for:

- accommodation shorter than 60 days,
- tourist purposes,
- business purposes.

(3) Any accompanying services and supply of goods and services included in the amount of rent, such as provision of water, electricity, gas, etc., shall be exempt from the VAT payment.

(4) Should any of services and goods referred to in paragraph 3 of this Article be separately charged (e.g. lease of a parking space in a common garage), such services shall be exempt from the VAT payment if connected to the lease for dwelling purposes, provided that the owner of the apartment and the parking space is the same person.

Article 70

(financial services)

- (1) Financial services referred to in Article 27 item 4 of the Law shall not be deemed to mean, among other things, collecting of information on credit ability not related to approval and management of credits, guarantees and other forms of credit security.
- (2) The guarantee referred to in Article 27 item 4 of the Law shall mean any type of guarantee for securing the fulfilment of liabilities.
- (3) The financial services referred to in Article 27 item 4 of the Law shall also imply the services of approving credits for delivery of goods through financial leasing, under the conditions referred to in Article 46a of this Rulebook.

3. Other special exemptions from the VAT

Article 71

Should the customs goods exempted from the VAT payment at import pursuant to Article 30 paragraph 1 item 1 sub-items b) and c) of the Law be the subject of delivery referred to in Articles 4 through 6 of the Law, the VAT shall be chargeable and payable on such deliveries.

IX ISSUANCE OF INVOICES

1. Obligation to issue invoices

Article 72

- (1) The taxpayer shall be obliged to issue a written invoice or other equivalent document for delivered goods or services. The invoice shall be issued in two copies, the original of which shall be given to the purchaser, while the supplier of goods or services shall keep the copy.
- (2) The invoice issued for the VAT purposes shall mean any document, regardless of the form or title it has been issued in, if it contains the data set forth by Article 32 of the Law (e.g. interim certificate of payment in civil engineering).
- (3) The taxpayer may issue and receive an invoice in a non-material form if approved by the tax authority.
- (4) The invoice, in respect of the Rulebook, shall also mean the document in which the delivery goods and services is calculated by the recipient of goods and services if both sides agree that the calculation be carried out in that manner. If the issuer of an invoice is not at the same time the supplier of goods or services, he shall be co-responsible for the issuance of the invoice.

2. Invoices for cash payments

Article 73

- (1) Taxpayers charging in cash for deliveries of goods and services shall be obliged to present their turnover through payment devices (hereinafter: cash register) and to issue a till roll for each supply.
- (2) Invoices for cash transactions referred to in paragraph 1 of this Article, till rolls etc. shall contain at least the following details:

1. number and date of issuance;
2. title (name), address and FIN and VAT number of a taxpayer delivering goods or services, indication of the place of delivery, number of the selling place, business premises, shop;
3. quantity, price and common trade name of delivered goods as well as type, quantity and price of rendered services;
4. total amount of consideration and value added tax, classified by the tax rates;
5. the amount of included VAT.

(3) Taxpayers referred to in paragraph 1 of this Article are obliged to post a notice in a visible place at each selling point saying that issuance and taking of a till roll are mandatory.

(4) The purchasers are obliged to take the invoice and keep it immediately after leaving the shop or other business premises and to present it upon the request of an authorized officer of the tax authority.

(5) The invoices referred to in paragraph 2 of this Article do not have to be issued provided that a greater part of the value (over 50%) of deliveries made in a selling place within the previous calendar year relates to the retail of daily and periodical newspapers, lottery, and postal stamps.

(6) The obligation to issue the invoice shall not apply to the sale of tobacco products and travel tickets and chips in passenger transport (train, bus, cable railway) either.

(7) Notwithstanding paragraph 1 of this Article, taxpayers supplying textbooks, books, monographs and serial publications, which cash registers do not enable the entry of a decimal rate (3.5%), are obliged to indicate turnover through special invoices (cash receipts) and provide special records thereof in their accounting.

Article 73a

(1) Legal persons and entrepreneurs which are not VAT payers, and charge in cash for the goods or services they supply, shall be obliged to record those supplies in the cash registers or using the special invoices, previously validated by the competent tax authority.

(2) Invoices referred to in paragraph 1 of this Article shall include at least the following data:

1. Invoice serial number;
2. Number and date of issuance;
3. Name, address, and FIN of the person who supplied the goods or services, indication of location in which the supply took place, number of selling location, business premises, shop;
4. Quantity, price, and the common commercial name of the supplied goods or service;
5. Sum of the consideration for supplied goods or services.

(3) Invoices referred to in paragraph 1 of this Article shall be issued in two copies, the original of which is to be provided to the purchaser, and the copy retained by the supplier of goods or services. It shall be compulsory to specify on the invoice that the issuer is not in the VAT system.

(4) Copies of the invoices referred to in paragraph 3 of this Article shall be an accounting document used for maintaining of business records of supplies delivered.

(5) Persons referred to in paragraph 1 of this Article shall keep records of their supplies in the cash register in the way provided for by the Rulebook on use of the fiscal cash register and the method of recording of supplies of goods or services in such register (OGRM 25/03).

3. Invoices of taxpayers

Article 74

A VAT taxpayer delivering goods or services to other taxpayers shall be obliged to issue an invoice containing at least the following details:

1. place, date of issuance, and the ordinal (sequence) number of the invoice;
2. name (title) and address of the taxpayer performing supply (seller) and his VAT number;
3. name (title) and address of the recipient of goods or services (purchaser);
4. date of supply;
5. quantity and common trade name of delivered goods or type and quantity of rendered services;
6. the amount of consideration for delivered goods or rendered services without VAT;
7. applied tax rate;
8. amount of calculated VAT according to applied tax rates;
9. total amount of consideration for the supply with VAT included;
10. signature and seal of the issuer of invoice.

Article 75

(1) Taxpayer delivering goods or rendering services exempted from VAT must indicate in the invoice that VAT is not included, referring to the Article of the Law prescribing such an exemption.

(2) The taxpayer delivering goods or rendering services that are not taxable according to the Law shall be obliged to indicate in the invoice that delivered goods or rendered service is not taxable and that the VAT tax has not been included, as well as to indicate the Article of the Law prescribing that.

(3) In case of a delivery of goods or services partly taxable and partly non-taxable (such as transport services referred to in Article 17 paragraph 2 item 2) of the Law), the taxpayer must indicate in the invoice the tax base for charging the VAT on the taxable portion, as well as the provision contained in the Law pursuant to which the part of the delivery is not taxable.

(4) In the event of delivering newly constructed facilities (real estate) and delivery of used cars for which it is not possible to deduct the input tax at the moment of their purchase, where an amount smaller than consideration for these goods is prescribed as the tax base, the tax base shall be indicated separately in the invoice, as well as the part of consideration which is not included in the tax base.

4. Invoices for given and received advance payments

Article 76

(1) For received advance payments i.e. payments made prior to the delivery of goods or services, the taxpayer must issue the invoice in conformity with Article 32 paragraph 1 of the Law.

(2) The received advance payment shall represent the gross payment based on which the VAT is calculated by using the recalculated rate referred to in Article 56 of the Rulebook.

(3) When delivering goods or services, the taxpayer shall issue an invoice charging for the delivery of goods or services, whereas the advance payment invoice shall be cancelled.

(4) if goods or services are delivered within 8 days from the day of receiving the advance payment, the taxpayer may issue only one invoice in accordance with Article 32 of the Law provided that the amount of the advance payment equals to the amount indicated in that invoice.

Article 77

If the goods or services are delivered on the basis of prior payments, such payments shall be regarded as advance payments for which the invoice can be issued on the last day of the period related to the payment.

Article 78

If the taxpayer has been paid for delivered goods or services in whole or just in part by another person and not by the recipient of goods and services (payment by third person), then in the invoice indicated shall be the total amount paid, including the payment by a third person, while the VAT must be charged on the total amount paid.

Article 79

(invoices issued to persons who are not VAT payers)

The invoice issued by a VAT payer to other persons who are not VAT payers need not contain details referred to in Article 74, items 6, 7, and 8 of this Rulebook, but the taxpayer shall be obliged to indicate the total amount of consideration with VAT included, and separately the amount of included VAT.

Article 80

(internal invoices)

Should the taxpayer issue internal invoices for deliveries made between business units, such invoices shall not be considered as invoices in respect of the Law and it shall not affect the establishing of the tax liability and deduction of input tax.

5. Correction of invoices

Article 81

(1) The taxpayer may correct any wrongly indicated tax in the invoice for delivered goods and rendered services if the recipient of goods or services according to that invoice has not yet exercised the right to deduction of the input tax. In that event, the issuer of the invoice must notify in writing the recipient on such a correction, issue a new invoice with reference to the number of official records and maintain the entire documentation.

(2) If the recipient of the invoice referred to in paragraph 1 of this Article has already deducted the input tax prior to correction of the account, correction of the indicated and charged VAT can be made solely under the conditions referred to in Article 20 paragraph 9 of the Law. This provision shall not apply to the correction of an invoice issued to a person not entitled to deduct the input tax.

(3) Should the issuer of the invoice indicate the tax in the amount lower than the prescribed one, he shall be obliged to account for and pay the tax according to the prescribed rate.

6. Invoices of persons who are not VAT payers

Article 82

(1) In the invoices issued by persons referred to in Article 42 of the Law and other persons that are not VAT taxpayers the VAT must not be indicated and they shall be obliged to indicate in the invoice that they are not within the VAT system.

(2) Should the person referred to in paragraph 1 of this Article indicate separately tax for deliveries of goods and rendered services even though he was not authorized to issue the invoice as envisaged in Article 33 of the Law, he shall be obliged to pay the indicated amount of tax. This liability shall not apply to an issuer of invoice who has corrected the invoice, according to Article 20 paragraph 9 of the Law.

Article 83

Taxpayers to which the goods and services have been supplied by agricultural producers who are in possession of approvals for the lump-sum compensation referred to in Article 43 of the Law, shall act in compliance with Article 130 of the Rulebook and they must indicate in the receipt of an agricultural producer i.e. in any other document that represents the basis for purchase, also the rate and the amount of such a lump-sum compensation and write the number and date of approval which is the basis for the lump-sum compensation payment.

X CALCULATION AND PAYMENT OF VALUE ADDED TAX

1. Tax period

Article 84

The taxpayer shall calculate the tax liability within a tax period. The tax period shall be the period from the first to the last day in a month (calendar month).

2. Calculation of value added tax

Article 85

(1) The taxpayer shall calculate the VAT on amounts charged on the taxable deliveries of goods or services in the tax period.

(2) The taxable deliveries of goods or services shall mean the total amount for any tax period on which the VAT is chargeable and payable for such period at rates set forth by Articles 24, 24a and 25 of the Law.

(3) The charged amounts on the taxable deliveries of goods or services referred to in paragraph 1 of this Article shall be the following:

1. Amounts in issued invoices,

2. Amounts of received advance payments pursuant to Article 18 paragraph 4 of the Law;
3. Value of executed deliveries referred to in Articles 5, 6 and 9 of the Law;
4. Amounts in invoices issued by the taxpayer domiciled abroad pursuant to Article 20 paragraph 5 of the Law.

(4) Should the invoices for deliveries of goods or services for the tax period be not issued, the VAT tax shall be charged as if issued and it shall be included in the VAT calculation. Subsequently issued invoices for already executed deliveries of goods or services shall have no impact on the VAT calculation, and the documents on which the tax liability has been assessed shall be enclosed.

(5) The VAT calculation shall also include the amounts of invoices issued within the tax period in respect of which the delivery of goods or services has not yet been made. Subsequently executed deliveries of goods or services for which invoices have been issued in advance, which are included in the VAT account, shall not affect the VAT calculation.

(6) The taxpayer shall be entitled to deduct the input tax pursuant to Article 37 of the Law from the value added tax calculated for deliveries referred to in paragraphs 2 to 5 of this Article.

3. VAT assessment return

Article 86

- (1) The taxpayer shall be obliged to assess the tax liability and indicate it in the monthly return for assessment of VAT (hereinafter: VAT return) on PR PDV-2 form.
- (2) The taxpayer shall submit to a competent tax authority according to his place of seat or permanent or temporary residence no later than 15th day of the following month after the elapse of the tax period.
- (3) The taxpayer shall submit the VAT return for each tax period regardless whether taxable deliveries of goods or services were executed in that period.

4. Payment of value added tax

Article 87

- (1) The taxpayer shall be obliged to pay the VAT calculated for the tax period until the 15th day of the current month for the previous month (tax period).
- (2) The value added tax shall be paid to revenue deposit accounts prescribed by the Ministry of Finance.

5. VAT payable by the recipient of goods or services

Article 88

- (1) The recipient of goods or services who is not the VAT taxpayer and who pays the VAT pursuant to Article 12 items 2) and 3) of the Law, shall be obliged to account for the VAT tax in

conformity with Article 36, paragraph 2 of the Law and pay it by the 15th day of the current month after the elapse of the tax period.

(2) The tax period for the VAT payment referred to in paragraph 1 of this Article shall be the calendar month.

6. Calculation and payment of the value added tax at import

Article 89

(1) The VAT shall be calculated at import by the customs authority that is, according to customs regulations, in charge of calculation of import duties.

(2) The person obliged to pay the VAT when importing the goods shall pay the VAT tax within the time period prescribed by customs regulations for the payment of customs debt.

(3) If the customs debtor, in conformity with customs regulations and the decision passed by the customs authority, is obliged to account for and pay independently the import duties, in that event he shall also be obliged to account for and pay on his own the VAT on import of goods in conformity with the conditions and terms set forth by the customs authority decision.

(4) If the customs authority, in conformity with the customs regulations, requires that the instrument of securing the customs debt payment be submitted, or could require it, provided that "zero" rate is not prescribed for such goods customs, the submitted instrument shall also secure the VAT payment.

Article 90

(subsequent corrections of tax liability at import)

(1) Should the customs authority find out or determine that VAT at import has been calculated either at a higher or lower rate than is the VAT amount prescribed by the law, it shall act in conformity with customs regulation when deciding on the subsequent calculation i.e. refund or forgiving of the overpaid or over-calculated VAT.

(2) The return of the VAT based on the decision passed by the customs authority on the refund of the overpaid VAT, shall be performed only for the part in which the customs debtor who paid the VAT amount (that he was not obliged to pay according to the law) did not exercise the right to deduction of input tax.

Article 91

(regulations governing the calculation of value added tax at import)

(1) The VAT shall be calculated at import in conformity with regulations valid on the date when the obligation to account for the VAT arises.

(2) If it is not possible to determine the exact time when an obligation for VAT calculation has arisen, the regulations valid on the day of establishing the obligation to account for the VAT shall be applied for determining the VAT amount.

7. Payment of the VAT by persons who are not VAT payers

Article 92

- (1) Should someone indicate the VAT for delivered goods or services separately on the invoice without being authorized, he shall be obliged to pay the tax pursuant to Article 31, paragraph 5 of the Law, unless he corrects the invoice issued to a recipient in accordance with Article 20 paragraph 9 of the Law.
- (2) The VAT taxpayer referred to in paragraph 1 of this Article shall be obliged to pay the tax by the 15th day in the current month after the elapse of the month when the unauthorized invoice with the VAT indicated separately was issued.

XI DEDUCTION OF INPUT TAX

1. Right to deduct the input tax

Article 93

- (1) The input tax shall represent the value added tax which is, pursuant to Article 32 of the Law, separately indicated in the invoices for delivered goods and services in favour of a taxpayer by other taxpayers.
- (2) The input tax shall also mean the amount of VAT accounted for and collected by the customs authority at import, pursuant to Article 36 of the Law, unless the amount of VAT paid at import has been partially or completely refunded or the payment forgiven by the decision of the customs authority.
- (3) The input tax shall also imply the amount of VAT that the taxpayer, as the recipient of services, paid in conformity with Article 12 item 2 and 3 of the Law.
- (4) The input tax shall also be the amount of VAT accounted for by the taxpayer pursuant to Article 6 item 1) of the Law on the tax base in conformity with Article 20 paragraph 6 of the Law.
- (5) The input tax shall imply the amount of the lump-sum compensation which the taxpayer, as the recipient of goods or services for which the agricultural producer is entitled to the lump-sum compensation, has indicated in the invoices pursuant to Article 43, paragraph 3 of the Law.

2. Taxpayers entitled to deduction of input tax

Article 94

- (1) Taxpayers delivering taxable goods and services for which the Law recognizes the right to deduction of the input tax are entitled to deduction of input tax.
- (2) The right to deduction of input tax referred to in paragraph 1 of this Article shall be recognized if the following requirements are satisfied:
1. invoices for the supplied goods and rendered services contain all particulars set forth by Article 32 paragraph 1 of the Law,
 2. the delivery of goods or services was executed by (received from) another VAT taxpayer,
 3. the right to deduction of the input tax is not excluded for the received goods or services, pursuant to Article 37 of the Law,

4. the received goods or services are intended for the conduct of business activity of the taxpayer.

(3) Should the goods or services be received in one and the invoice in another tax period, deduction of the input tax shall be carried out in the tax period in which both of these requirements have been satisfied.

(4) The right to deduction of the input VAT for imported goods is recognized if the taxpayer referred to in paragraph 1 of this Article has the customs declaration for releasing goods into free circulation or the procedure of a temporary import of goods with the partial exemption from the payment of customs duties or the decision passed by the customs authority containing the charged VAT.

3. Persons not entitled to input tax deduction

Article 95

(1) The persons referred to in Article 42 of the Law (small taxpayers) as well as other persons who are not taxpayers shall not be entitled to deduction of the input tax.

(2) Persons delivering goods and services for which the exemption of VAT payment is prescribed are not entitled to deduction of the input tax, save in the cases prescribed by the Law.

4. Input tax calculating for delivery of passenger cars

Article 96

(1) Passenger cars referred to in Article 37 paragraph 5 of the Law are the motor vehicles designed specifically for the transport of passengers, including motor vehicles for combined transport of passengers and goods (for example, "van", "pickup truck" and the like) and racing cars.

(2) The motor vehicle that is derived from the vehicle referred to in paragraph 1 of this Article and that serves as a freight vehicle shall not be considered as a passenger car.

5. Calculation of the input tax for temporary financial services

Article 97

(1) The calculation of the deductible input tax pursuant to Article 38 paragraph 4 item 2) of the Law, included shall not include the amount of financial services, provided that they are rendered periodically.

(2) It shall be deemed that the financial services are rendered on a temporary basis if the following requirements are met:

1. financial services represent a supplementary activity of a taxpayer and
2. revenues from financial services do not exceed 5% of the annual turnover of the taxpayer (VAT inclusive).

6. Calculation of the deductible part of the input tax

Article 98

- (1) The taxpayer who makes partial deliveries of goods and services exempted from the VAT payment, and partially taxable deliveries, shall be entitled to deduction of the input tax in the part related to the taxable deliveries.
- (2) Should the taxpayer be unable to provide the data on the input tax related to the taxable deliveries or the deliveries exempted from the VAT payment, the pertaining amount of the input tax shall be determined pursuant to Article 38 of the Law.
- (3) Dividing of the input tax to the portion that can be deducted and the portion that cannot be deducted, has to be carried out by the taxpayer prior to submitting the VAT return.
- 4) The provisions of this Article shall also be applied to the sale of goods through the financial leasing, where interest is exempt from VAT payment.

7. Deduction of input tax for advance payments

Article 99

- (1) For given advance payments, the input tax can be deducted within the tax period in which the advance payment has been effectuated, if for such advance payment the recipient has issued and the payer has received the invoice pursuant to Article 32 of the Law, regardless of the fact that goods have not been delivered or services not rendered.
- (2) If upon the advance payment, the goods or services are not delivered, and the advance payment is refunded to the payer, he shall lose the right to deduct the input tax, and the invoice with the charged VAT tax shall be corrected. This provision shall be applied regardless of whether the advance payment has been refunded or not.

8. Deduction of input tax for services provided by the taxpayer domiciled abroad

Article 100

- (1) The taxpayer who accounts for the VAT pursuant to Article 17 paragraph 3 of the Law, shall be entitled to deduction of that tax as an input tax, if:
1. all requirements referred to Article 37 of the Law have been met,
 2. the invoice has been issued by a taxpayer domiciled outside the territory of Montenegro,
 3. the VAT has been paid.
- (2) It shall be deemed that the VAT referred to in paragraph 3 item 1 has been paid when indicated in the VAT calculation.

9. Deduction of input tax when commencing with the conduct of a taxable business activity

Article 101

(1) The person referred to in Article 40 paragraph 1 of the Law who commences the conduct of a business activity shall submit to the tax authority a request for the input tax deduction for goods held at stock. He has to indicate separately in the request the goods on which the VAT has been paid at supply or import, as well as on the used goods.

(2) Deduction of input VAT shall be calculated in the following manner:

1. Inventories shall be estimated at the book value (with VAT included) or at the market value if it is lower,

2. The value of any goods for which no invoice has been received yet i.e. if the invoice shall be received after the taxpayer registration, shall be deducted from the value of inventories of goods,

3. The amount of input tax shall be equal to the VAT tax that would have been accounted for if the goods had been purchased a day prior to the date of registration for payment (VAT included).

(3) Inventories of goods referred to in paragraph 2 of this Article shall not be deemed to be the equipment for the conduct of business activities and real estates.

(4) The taxpayer referred to in paragraph 1 of this Article may deduct the input tax contained in stocks in proportion to executed deliveries when he cannot use that as grounds for refund of input tax.

10. Correction of input tax deduction

Article 102

(1) Should the tax basis (payment) be subsequently changed due to various kinds of discounts or inability of payment by virtue of Article 20 paragraph 9 of the Law, the taxpayer who has delivered goods or rendered services may correct the VAT amount only after the input tax deduction is corrected and a notification thereof submitted to the supplier by the taxpayer to whom the goods have been delivered or services rendered.

(2) Corrections referred to in paragraph 1 of this Article shall be made within the tax period in which a notification in writing is received i.e. the tax basis changed.

(3) If the input tax deduction has to be corrected on the basis of a decision passed by the customs authority, such a correction shall be made in calculation of the VAT for the tax period in which the decision of the tax authority has become effective.

11. Change of conditions relevant for taxation

Article 103

(1) Should the taxpayer, within the period of 5 years from the calendar year of commencement of equipment utilization, make a transition from the taxable business activity to exempted business activity and vice versa (change of conditions on the basis of which he was or was not entitled to the input tax deduction for that equipment), the VAT tax shall be changed for the period after such a change. When it concerns real estates, instead of the 5-year period, the period of 20 years shall be applied.

(2) The commencement of equipment or real estate utilization (hereinafter: capital assets) shall mean the tax period in which the input tax has or has not been deducted.

(3) The time of utilization is indicated in tax periods also covering every commenced tax period of utilization.

(4) When correcting the input tax, the starting point shall be the total amount of input tax related to the supplied or manufactured capital assets. The correction of the input tax shall be performed for the period after the change of conditions relevant for input tax deduction.

(5) In the event of a subsequent correction of the input tax that could not be deducted during the period of supply, solely the amounts of the input tax that meet the requirements referred to in Article 37 of the Law shall be allowed to be deducted. The correction of the input tax that could have not been deducted since there had been no invoice referred to in Article 32 of the Law or customs declaration shall not be permitted.

(6) Increase or decrease of input tax that resulted from correction of the input tax according to Article 39 paragraph 2 of the Law shall represent business revenues or expenditures of the taxpayer within the tax period. The correction of the input tax shall not affect the amount of expenses for supplying or manufacturing capital assets when making an inventory of capital assets of the taxpayer.

(7) Procedure for correction of the input tax shall be carried out if the input tax that is to be corrected exceeds EUR 30 per capital asset.

12. Period for correction of the input tax

Article 104

(1) Period for correction of the input tax concerning the real estates shall be 20 years, i.e. 240 accounting periods whereas for other capital assets it shall be 5 years, i.e. 60 accounting periods starting from the commencement of utilization when those capital assets have been supplied or manufactured and the input tax deducted. The correction of the input tax shall be carried out at once for the period starting as of the change of conditions until the completion of a delivery period.

(2) If a particular capital asset becomes unusable before the expiry of the period for correction of the input tax, the period for correction of input tax shall be completed at the moment when capital assets becomes unusable.

(3) Provisions contained in paragraphs 1 and 2 of this Article shall also apply to subsequent long-term investments.

(4) Should any subsequent investment into capital goods not change essentially the time period of their utilization, the input tax correction for such an investment shall be carried out within the period of input tax correction for the capital goods.

(5) Should any subsequent investment change essentially the time period of utilization of capital goods or should it represent a separate whole, such as extra work on an already constructed building, a new period for the input tax correction shall be determined for such an investment.

(6) The amount of correction of the input tax shall be determined in the following manner:

the time of utilization of capital goods

before the change of business conditions

input tax - (minus) input tax x (times) -----

period of correction of the input VAT.

(7) The period of utilization is indicated in accounting periods. The period of utilization of capital goods also covers every commenced accounting period of utilization.

(8) In the event of sale of a company (as a whole or a plant), the period of input tax correction shall not be interrupted for the buyer.

13. Correction of deduction of input VAT due to changes in the conditions relevant for taxation

Article 105

(1) Change of conditions of relevance for taxation pursuant to Article 39 paragraph 2 of the Law, shall be deemed to mean the change of conditions that were relevant for deduction of input tax at the beginning of utilization of equipment i.e. real estates, when the subsequent change of such conditions causes larger or minor deduction of input tax in comparison to the initial state.

(2) Should the taxpayer who was regularly taxed make a transition to the taxation referred to in Article 42 of the Law, he shall be obliged to make a correction of input tax for the equipment and real estates if the period of input tax correction has not yet been finished for them, according to Article 103 of this Rulebook.

(3) Should the taxpayer referred to in Article 42 of the Law make a transition to regular taxation, that shall not mean the change of conditions relevant for deduction of input tax for the purpose of Article 42 paragraph 2 of the Law, and he shall not be entitled to the subsequent deduction of input VAT.

14. Deduction of input VAT on the supply of used motor vehicles

Article 106

(1) The taxpayer referred to in Article 41 paragraph 1 of the Law must not deduct as input VAT the amount determined at the recalculated VAT rate on the purchase price of the used motor vehicles, if he is in possession of the document evidencing the rate at which the tax on turnover of products was calculated and paid at the occasion of purchasing a motor vehicle.

(2) The taxpayer who purchases a motor vehicle from a reseller who is entitled to deduction of the residual tax for that vehicle, pursuant to Article 41 paragraph 5 of the Law, cannot exercise the right to deduction of input VAT.

15. Deduction of input VAT on the supply of property

Article 107

(1) Where a property, or a part of property, is transferred and the transferee may deduct the whole amount of VAT charged from him as input tax, such a supply is not regarded as a taxable supply.

(2) Where the transferee referred to in paragraph 1 of this Article is not entitled to deduction of input VAT, the above mentioned supply shall be regarded as a taxable supply.

(3) Where the transferee referred to in paragraph 1 of this Article performs partly taxable and partly exempt supplies of goods and services, input VAT shall be divided in accordance with Article 38 of the Law.

(4) Where the transfer of a property referred to in paragraph 1 of this Article is carried out by a person exempt from VAT, or by a person referred to in Article 42 of the Law, VAT shall not be charged and, consequently, the transferee may not exercise the right to deduction.

(5) Where, upon the transfer of a property referred to in paragraph 1, changes occur in the conditions, which were decisive for the deduction of input VAT, in accordance with Article 39 paragraph 2 of the Law, the transferee shall be obliged to make a correction of the input VAT as if VAT had been charged from him on the transfer of such property.

16. Supplies for which input VAT may not be deducted

Article 108

(1) Taxable persons may not deduct input VAT included in the invoices for received goods and services used for supply of goods and services:

1. on which VAT exemption is prescribed in the country;
2. outside Montenegro, under the condition that the right to deduct input VAT would not have been recognized if the activity had been performed in Montenegro;
3. without consideration, which would be exempt from VAT.

(2) Where the goods and services on which VAT exemption is prescribed in the country are supplied outside Montenegro, the right to deduction of related input VAT shall not be exercised.

(3) Where the taxable person supplies goods and services without consideration, he shall not be entitled to deduct input VAT if those supplies are exempt from VAT.

(4) In respect of the exports referred to in Article 25 of the Law, the taxable person shall have the right to deduction of input VAT shown on the invoices for received goods and services relating to exporting transactions.

XII VAT REFUND

Refund of VAT based on tax return

Article 109

(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 credit for the following tax period and may be refunded at the taxpayer's request within 60 after the submission of the VAT return.

(2) Taxpayers who mainly export goods, and taxpayers who declare a surplus of input VAT in three or more successive VAT returns, may be refunded the difference in VAT within 30 days after the submission of the VAT return.

(3) The taxable person who mainly exports goods and services referred to in paragraph 2 of this Article shall be deemed a taxable person whose revenues generated abroad exceed 51% of his total income.

(4) The taxable person referred to in paragraph 2 of this Article shall submit to the responsible tax authority a request for obtaining the status of the taxable person who mainly exports goods and services, in which he shall include:

- the firm, i.e. its name and the seat, or the place of permanent residence;
- VAT number;
- information on exports referred to in paragraph 3 of this Article, stating the documents from which the above mentioned information originates.

(5) If the deadline has expired for taxable persons to pay other taxes, VAT difference shall be reduced by the amount of the tax debt.

XIII REFUND OF VAT TO TAXABLE PERSONS WHO HAVE NOT ESTABLISHED THEIR BUSINESS IN MONTENEGRO

Article 110

(1) Foreign person who performs a business activity through a business unit, as well as foreign person who has appointed a tax representative for the purpose of performing a business activity in Montenegro, shall not have the right to VAT refund pursuant to Article 51 of the Law, but shall have the right to deduction of input VAT if he meets the conditions referred to in Article 37 of the Law.

(2) The foreign person referred to in paragraph 1 of this Article who does not appoint a tax representative shall not have the right to the refund of input VAT, pursuant to Article 51 of the Law.

(3) Provisions of paragraph 2 of this Article shall not apply to the foreign person who performs services referred to in Article 17 paragraph 3 of the Law to a person who is a VAT taxable person in accordance with the Law and this Rulebook.

Article 111

(claimant for VAT refund)

(1) A person that has no seat in Montenegro, and has the right to refund of input VAT pursuant to Article 51 of the Law, shall submit a claim for refund to the responsible tax authority in Podgorica (branch office in Podgorica).

(2) The tax authority referred to in paragraph 1 of this Article shall make a decision on the VAT refund on the basis of the submitted claim.

(3) The claim for VAT refund shall be submitted on ZP-PDV-S form that is enclosed with this Rulebook and makes its integral part.

(4) When submitting the first claim for VAT refund, the foreign taxable person shall make a statement on the issue in the place designated for this purpose in the ZP-PDV-S form.

(5) When his first claim for VAT refund is being processed, the taxable person shall be issued the number under which his record will be kept by the responsible tax authority.

(6) The taxable person, or his tax representative, shall enter the issued number in the place designated for that purpose when submitting a claim for VAT refund on the ZP-PDV-S form.

(7) On the back of the claim, the claimant himself shall specify the invoices on the basis of which he claims VAT refund.

(8) The claim for VAT refund may be submitted by the representative of the taxable person in his stead, with the enclosed authorization issued by the taxable person.

(9) The representative of the taxable person must be a domestic taxable person.

Article 112

(claim for refund)

(1) The claimant for VAT refund shall have the right to refund of input VAT that he has been charged on the basis of the supply of goods or services performed by taxable persons in Montenegro, or which was charged upon the import of goods to Montenegro. The claimant may submit the claim for VAT refund covering not less than six months and not more than a calendar year.

(2) Notwithstanding the previous paragraph, the claim for a VAT refund may be submitted for a period less than six months if the period in question covers remaining months of a calendar year (e.g. months of November and December).

(3) Enclosed with the filled in claim, the claimant must submit: invoices and the originals of the relevant documentation on imports as well as a confirmation note issued by the foreign tax authority stating that the taxable person concerned is a VAT taxable person in the relevant foreign country (the confirmation note may not be older than six months).

(4) The claimant must confirm in his claim that:

1. in Montenegro, in the period covered by the claim, he has not carried out any taxable transactions in goods or services, apart from services in relation to the import of goods in connection with item 2 of the second paragraph of Article 22 of the Law, services in relation to imports in accordance with Article 25 of the Law and imports in accordance with Article 30 of the Law, as well as services on which VAT must be paid by the person for whom the services were performed;
2. the given information is true;
3. he shall return any amount of VAT received by mistake.

(5) The claim for a VAT refund shall be submitted to the responsible tax authority (Branch Office in Podgorica) not later than six months of the end of the calendar year in which VAT was calculated.

Article 113

(refund limitation)

1) The claim for a VAT refund may be submitted only for the amounts exceeding €300, except for the case referred to in Article 112 paragraph 2 of this Rulebook, where the amount may not be less than €100.

2) Enclosed with the claim, original invoices containing all the information referred to in Article 32 of the Law shall be submitted.

3) Having granted the right to VAT refund, the tax authority shall annul original invoices by the seal with the inscription "The right to VAT refund exercised" and return them to the taxable person.

Article 114

(deadlines for refund)

1) The tax authority shall issue a certificate and remit the claimed amount to the taxable person in his non-resident account opened with the bank established in Montenegro and licensed to deal with foreign countries, whereas the amount concerned shall be the one specified in the claim by the taxable person or his representative, or it shall be remitted in the account of the representative in Montenegro, within 45 days of the receipt of the claim for the refund.

2) Expenses for the remitted amount of VAT incurred by the payment system shall be covered by the taxable person.

3) If the tax authority disputes the claim in whole or in part, it shall issue a decision on rejecting the claim for a refund, or a decision on newly determined amount of VAT to be refunded.

4) If the amount of VAT is refunded and it turns out that the information given in the claim is incorrect, the claimant shall be obliged to return the amount refunded to him.

XIV Refund of VAT in respect of passenger transport

Article 115

(requirements for VAT refund)

(1) A person without a permanent or temporary residence in Montenegro that takes out of Montenegro the goods that he purchases in Montenegro as a part of the personal passenger transport, including the spare parts installed in motor vehicles, vessels and aircraft registered outside the tax territory due to repair or maintenance work, shall have the right to request refund of VAT paid on goods taken out of Montenegro in accordance with Article 52 of the Law and this Rulebook.

(2) In respect of the refund referred to in the paragraph 1 of this Article, the following conditions must be fulfilled:

1. the value of purchased goods on one invoice, or several invoices issued on the same day by the same seller, is higher than €100;
2. the taxable person – the seller – issued a filled in PDV-PP form for the goods he sold, or some other document corresponding to this form. The invoice, or invoices, referred to in item 1 of this paragraph must be enclosed to the form;
3. the purchaser took the goods out of Montenegro within three months from the purchase date. Taking the goods out of Montenegro shall also be deemed sending the goods by mail or in some other relevant manner, providing that the purchased goods leave the customs territory of Montenegro;
4. the purchased goods were presented to the customs authorities who, after examining them and carrying out the customs procedure, shall certify the PDV – PP form and

enclosed invoices with a seal, and enter the date of the goods crossing the border of Montenegro.

(3) In respect of purchasing vessels and goods installed in them, which remain berthed in Montenegro, VAT paid may be refunded without taking the goods out of the country, providing that export – import clearance has been conducted, in accordance with the Law on Trade.

(4) The right to refund of VAT under this Article shall not apply to mineral oils, alcohol and alcohol beverages and tobacco products.

(5) The form and the content of the PDV – PP form is enclosed to this Rulebook and makes its integral part.

Article 116

(obligations of the seller)

(1) At the request of the purchaser referred to in Article 115 of this Rulebook, the seller shall issue the PDV – PP form. The PDV – PP form shall be filled in in three copies of which the original and one copy shall be given to the purchaser, whereas the second copy shall be kept by the seller as a part of his documentation.

(2) On the PDV – PP form, the seller shall show the whole amount paid, the amount of consideration not including VAT, VAT rate, the amount of VAT and the total amount to be refunded to the purchaser, and he shall enter the number of that form corresponding to its number in the register of issued PDV – PP forms. The number of the PDV – PP form shall be entered in the first line, next to the title of the form.

(3) The seller shall charge the purchaser the total price of the goods inclusive of VAT. The value added tax included in the value of the sold goods may be calculated by the seller by way of applying the recalculated tax rate to the selling price of those goods.

(4) The seller shall pay the VAT included in the goods sold to the purchasers referred to in Article 52 of the Law together with the VAT on other supplies of goods and services in the manner set forth in Article 36 of the Law.

(5) The seller shall be obliged to keep a separate record of the issued PDV – PP forms and the VAT refund to the purchasers referred to in Article 52 of the Law on the PDV – E form.

(6) The PDV – E form shall contain the following information:

1. the number and the date of the invoice referred to in the PDV – PP form;
2. the price of the goods (the amount of consideration) not including VAT;
3. the amount of VAT included in the value of the sold goods;
4. the amount of VAT refunded;
5. the date of VAT refund.

(7) The PDV – E form is enclosed with this Rulebook and makes its integral part.

Article 117

(VAT refunding)

(1) The VAT paid shall be refunded to the purchaser or the claimant if he submits the original PDV – PP form certified by the seal to the seller he purchased the goods from within six months from

invoice issuance. The original PDV - PP form certified by the seal shall be the claim for VAT refund.

(2) If the original PDV - PP form certified by the seal is sent by post, the purchaser or the claimant shall submit to the seller the number of the account in which the VAT refund shall be deposited.

(3) On the basis of the original PDV - PP form certified by the seal, the seller shall refund the VAT paid to the purchaser or the claimant, after checking whether the claim submitted fulfils the conditions for VAT refund.

(4) The VAT paid shall be refunded in euros, in cash, or by a deposit in the account given by the purchaser or the claimant. If the refund is in cash, the seller shall be obliged to refund VAT without any delay, if it is to be remitted into the account of the purchaser, or the claimant, then the payment shall be made within 15 days of receiving the claim for the invoice specified by the purchaser in the claim.

(5) The purchaser, or the claimant, shall confirm the receipt of VAT refund in cash by signing the PDV – PP form.

(6) The original PDV - PP form certified by the seal, with the signature of the purchaser, or the claimant, confirming the receipt of VAT refund in cash, shall serve to the seller as a proof for decreasing his tax liability.

(7) On his leaving Montenegro, the purchaser who wishes to exercise the right to VAT refund shall be obliged to present the purchased goods and invoices to the customs authorities and have the original PDV - PP form certified by the seal.

(8) The invoices presented as enclosed to the PDV – PP form must contain the minimum of information relating to the invoices for cash transactions.

Article 118

(customs supervision)

(1) The customs authorities shall be obliged to establish, before certifying a filled in PDV – PP form:

1. whether the information contained in the passport are identical to those given in the PDV – PP form;
2. whether the presented goods are identical to the goods specified in the PDV – PP form and in the enclosed invoices;
3. whether the amount in the PDV – PP form exceeds €100;
4. whether the purchased goods have been used in Montenegro and whether they have been presented to the customs authorities within three months of their being purchased in Montenegro;
5. whether the original PDV – PP form has been certified by the seal and signed by the seller.

(2) If the conditions referred to in paragraph 1 of this Article have been fulfilled, the customs authorities shall certify the original PDV – PP form by a signature and a seal, and enter the date of the goods being taken out of the customs territory of Montenegro. The original invoices and PDV – PP form shall be returned to the purchaser, and one copy shall be kept for the purpose of subsequent control over the goods being taken out of Montenegro.

Article 119

(VAT refund by tax authority)

- (1) The taxable person shall exercise the right to VAT refund by the tax authority on the basis of a submitted PDV – PP form, after, in accordance with the conditions referred to in Article 117 of this Article, he has refunded to the purchaser the VAT paid on the goods that the purchaser purchased from him and took out of Montenegro.
- (2) The taxable person referred to in paragraph 1 of this Article shall submit the claim for VAT refund to the competent tax authority.
- (3) The tax authority shall make a decision on VAT refund on the basis of the submitted PDV – PP forms and invoices certified by the customs authorities, PDV – E form and the evidence of refunding the VAT to the purchaser.
- (4) The claim for a refund may be submitted after the elapse of the month in which the seller refunded the VAT to the purchaser.

XV ACCOUNTING RECORDS FOR VALUE ADDED TAX

Article 120

- (1) Taxable persons shall be obliged to record in their accounts all information required for the accurate and timely calculation and payment of VAT.
- (2) The basis for accounting records of VAT relevant events, transactions and facts is also made of such documents as: invoices issued and received, record of imports and exports, record of payments made and received, as well as all other documents relevant for calculation and payment of VAT and exercising the right to the deduction of input VAT.
- (3) Accounts of the taxable person and books of issued and received invoices shall be kept in accordance with accounting regulations and other regulations governing the bookkeeping of a taxable person.

Article 121

- (1) The taxable person must ensure that all information required for payment of VAT is recorded in his accounts, and in particular, information on:
 1. the total amount of consideration for the supply of goods or services inclusive of VAT, by tax rates (general and reduced); the amount of consideration for the supply of goods or services not subject to taxation; the amount of consideration for the supply of goods or services prescribed as exempt from VAT; the amount of consideration for the supply of goods or services taxable at the rate of 0% irrespective of the person they were supplied to;
 2. VAT charged and levied according to invoices issued for supply of goods or services;
 3. the total amount of consideration for goods or services received; the amount of consideration for goods or services received inclusive of VAT; the amount of consideration for goods or services received exclusive of VAT;
 4. VAT charged and levied on invoices for goods and services received;
 5. liabilities to pay VAT and paid VAT;
 6. claims for refund of input VAT and its payment.
- (2) Taxable persons who record stocks of goods at sales price including VAT shall be obliged to provide information on input VAT and information on tax bases classified according to tax rates.

(3) In order to provide the information on issued and received invoices and the tax included in those invoices, taxable persons shall be obliged to keep separately a book of issued invoices (I-RAC form) and a book of received invoices (U-RAC form).

(4) In order to provide the information on the invoices issued for received advance payments and the information on issued advance payments, taxable persons shall be obliged to keep separately a book of issued invoices and a book of received invoices of the same contents as those of the books prescribed in paragraph 3 of this Article.

(5) Taxable persons shall be obliged to keep separately a book of received invoices and a book of issued invoices of the contents identical to those of the books referred to in paragraph 3 of this Article for the supply of goods and services used for non-business purposes of the taxable person.

(6) In order to provide the information on input VAT paid on imports, taxable persons (importers) shall be obliged to keep a separate record of imports.

(7) The form and the contents of the I-RAC and U-RAC forms referred to in paragraph 3 of this Article are enclosed to this Rulebook and make its integral part.

Book of issued invoices

Article 122

(1) In the book of issued invoices, the information shall be entered as follows:

1. Column 1 – Ordinal number;
2. Column 2 – Date of invoice book entry;
3. Column 3 – Number of the invoice;
4. Column 4 – Date of issuing the invoice;
5. Column 5 – Trade name of the purchaser (recipient of goods or services), if it is a legal person, or name, if the purchaser is a natural person, and the seat, permanent residence or habitual residence;
6. Column 6 – purchaser's VAT number
7. Column 7 - value of the supply of goods and services exempted from VAT payment;
8. Column 8 -value of the taxable supply of goods and services to foreign purchasers (export);
9. Column 9 - value of the taxable supply of goods and services to VAT taxable persons, without VAT;
10. Column 10 - value of the taxable supply of goods and services to end users, without VAT;
11. In columns 11, 12 and 13 – the amount of VAT is entered that is calculated at the rates of (0%, 7% and 17%), which is obtained by multiplying the value of taxable supply from the columns 8, 9 and 10 by prescribed rates;
12. Column 14 – total value of taxable supply is entered, which includes the value of taxable supply without VAT (columns 8, 9 and 10) and the amount of calculated VAT (columns 12, 13 and 14).

(2) In the book of issued invoices, the following shall also be entered:

1. daily cash flow. In that case, in column 3, numbers of invoices for the cash flow shall be entered (from ___ to ___, according to the specification from ___ to ___ etc.), in column 4, the date shall be entered, in column 5, an indication shall be entered that the invoices concerned have been issued for payments in cash, such as: "payment in cash to the cash desk no. ___" and the like, column 6 shall not be filled out, and the amounts given in those invoices (issued for cash payments) shall be entered in columns 10 and 15. In this column, on the basis of the documents on daily turnover, the taxable person may enter a single amount of the cash flow for the whole accounting period.
2. cash flow without invoices. In respect of the cash flow referred to in Article 32, paragraph 6 of the Law, in column 3 designation of the sales outlet (a newsstand, etc.) shall be entered, in column 4 the date shall be entered, whereas other information shall be entered in the manner set out in item 1 of this paragraph.
3. invoices for supplies without consideration, or at the personal discount.
4. invoices for services provided by foreign persons whose place of taxation is in Montenegro (Article 17 of the Law);
5. subsequent adjustments of invoices.

(3) After an invoice has been issued for a supply of goods or services, for which an advance payment was received and an invoice was issued, the invoice for the advance payment in the Book of issued invoices for advance payments shall be annulled (invalidated), and the invoice issued for the supply of goods, or services rendered, shall be entered in the book of invoices issued for the supply of goods and services rendered.

Book of received invoices

Article 123

(1) In the book of issued invoices, the information shall be entered as follows:

- 1) Column 1 – ordinal number
- 2) Column 2 – date of receiving the invoice;
- 3) Column 3 – book entry date;
- 4) Column 4 - number of the invoice;
- 5) Column 5 – date of issuing the invoice
- 6) Column 6 – trade name and name of the supplier of goods and services, and seat, i.e. permanent or habitual residence;
- 7) Column 7 – VAT number of the supplier of goods or services;
- 8) Column 8 – value of supply that is exempt from VAT payment;
- 9) Column 9 - total amount of taxable supplies including VAT;
- 10) Column 10 – total amount of input VAT;
- 11) Column 11 – VAT amount on domestic supplies calculated at the rate of 7%;
- 12) Column 12 – VAT amount on domestic supplies calculated at the rate of 17%;
- 13) Column 13 - VAT amount on services supplied by foreign persons at the rate of 7% (Article 17 of the Law)

14) Column 14 - VAT amount on services supplied by foreign persons at the rate of 17% (Article 17 of the Law)

15) Column 15 – amount of lump-sum compensation paid to farmers at the rate of 5% (Article 43 of the Law).

(2) After an invoice has been received for a supply of goods, or services delivered, for which an advance payment has been made, the invoice for the given advance payment in the book of received invoices shall be annulled (invalidated) with all the information included in it, and the invoice received for the supply of goods, or services delivered, shall be entered appropriately in the book of invoices received for the supply of goods and services performed.

(3) Within the meaning of Article 20 paragraph 9 of the Law, the information on subsequent corrections of input VAT deduction shall also be entered in the book of received invoices.

(4) The information from the invoices issued for services delivered by foreign persons, whose place of taxation is in Montenegro (Article 17 of the Law), shall also be entered in the book of received invoices.

Article 124

(1) The book of issued invoices and the book of received invoices shall be closed after the elapse of each calendar year, or after the cessation of a business activity.

(2) During the year, for each tax period, the amounts entered in the books referred to in paragraph 1 of this Article shall be added up and used for the completion of tax returns.

(3) In the book of received invoices and the book issued invoices, the cumulative amount of tax for the accounting period shall also be entered.

Article 125

The forms and the books that are included in this Rulebook may be adjusted to electronic data processing system, provided that the minimum of required information is ensured.

Storage of documentation

Article 126

The documentation referred to in Article 54 of the Law may be stored by the taxpayer on a microfilm or some other media in such a manner so as to be able to display them on a screen or print them out at any time.

XVI SPECIAL TAX PROCEDURES

1. Small entrepreneurs

Article 127

(1) Persons whose value of supply of goods or services in the past 12 months does not exceed or is unlikely to exceed the amount of EUR (€)18 000 are not considered VAT taxable persons.

(2) The value of the supply referred to in paragraph 1 of this Article shall be deemed the amount on which VAT would have been charged and paid for that period if the supply had not been exempted from VAT.

(3) Persons referred to in paragraph 1 of this Article must not calculate VAT or state it in their accounts. They shall not have the right to deduct input VAT and will not keep books for VAT purposes.

(4) When moving from the regular taxation procedure to taxation pursuant to Article 42 of the Law and vice versa, for the tax liability and deduction of the input VAT relevant shall be the manner of taxation in the 12-month period in which the supply is made or received.

(5) If the person referred to in Article 42 of the Law, before transition to the regular taxation procedure, received advance payments for supplies made prior to the transition to the general taxation procedure, the received advance payments shall be taxable in whole in the tax period in which the supply took place.

(6) When making transition from the general taxation procedure to the manner referred to in Article 42, paragraph 1 of the Law, supplies made prior to the transition shall not be taxable after the transition.

(7) In respect of the transition from the regular taxation procedure to the manner referred to in Article 42 of the Law and vice versa, attention has to be paid so as not to let certain supplies avoid taxation, or expose them to double taxation.

(8) Provisions of this Article shall not apply to taxable persons who do not have a registered seat in Montenegro.

2. Farmers

Article 128

(1) The farmer (who is not considered a taxable person) who supplies agricultural and forestry goods and services to VAT taxable persons shall be entitled to a lump-sum compensation on those supplies.

(2) Lump-sum compensation shall be granted only to those farmers who perform the supply of agricultural and forestry goods and services specified in Annex A that makes an integral part of this Rulebook.

(3) VAT taxable persons referred to in paragraph 1 of this Article, for which the supply of agricultural and forestry goods and services was performed by farmers, shall have the right to deduct the lump-sum compensation as the input VAT when they pay their tax liability.

(4) The farmer referred to in paragraph 1 of this Article shall be deemed a person who cumulatively fulfils the following conditions:

1. agriculture is his primary activity;
2. he possesses or uses under a lease at least:
 - 1 hectare of land for crop production;
 - 4 hectares for stock farming;
 - 5 hectares for forestry.

(5) Agriculture as the business activity referred to in paragraph 4 of this Article shall comprise: crop production, growing of fruit and of vegetables, stock farming, agricultural services, fisheries and forestry.

Article 129

(application submission)

- (1) The application for issuance of the lump-sum compensation approval may be submitted solely by one member of the household as its representative.
- (2) The application referred to in paragraph 1 of this Article shall be submitted to the responsible tax authority on the PAN form that is enclosed to this Rulebook and makes its integral part.
- (3) The applicant must indicate in his application groups of agricultural products and services for which he would like to exercise the right to a lump-sum compensation and submit additional evidence on fulfilment of the conditions referred to in Article 128 of this Rulebook.
- (4) The tax authority shall maintain a separate register of persons entitled to lump-sum compensation.
- (5) The household referred to in paragraph 1 of this Article shall be deemed a community of people who use their revenues jointly for the satisfaction of the basic living needs, and who have joint permanent place of residence on the same address.

Article 130

(right to lump-sum compensation)

- (1) The approval referred to in Article 129 of this Rulebook shall be issued in the name of the household's representative and shall be valid from the date of its issuance until the expiration of the calendar year it has been issued for.
- (2) The right to a lump-sum compensation may be exercised solely by the person in whose name the lump-sum compensation approval has been issued.
- (3) The tax base for the calculation of the lump-sum compensation shall be the purchase value of the agricultural goods or services.
- (4) When supplying the goods and services to a buyer who is a VAT taxable person, holders of approvals must, if they wish to exercise the right to a lump-sum compensation, submit the copy of such an approval which the buyer has to keep together with the invoice.
- (5) Without a copy of the above approval, the VAT taxable person shall not be entitled to deduct the lump-sum compensation as the input VAT.
- (6) An invoice for the supply of goods or services shall be issued by the buyer. It has to contain the data prescribed in Article 32 of Law, where as the ordinal number shall be indicated the ordinal number from the records of the person who issued the invoice. The lump-sum compensation shall be shown in the invoice in the same manner as the input tax.
- (7) The holder of the approval must keep the invoices on the basis of which he has exercised the right to the lump-sum compensation, pursuant to Article 54 of the Law and make them available at request of the tax authority.
- (8) The holder of the approval must, on the basis of the received invoices for the period of validity of the approval, draw up the accounting of the lump-sum compensation and present it to the tax authority by 31 January of the next year.

XVII REGISTRATION OF TAXPAYERS

1.Acquiring the status of a VAT taxable person

Article 131

- (1) A legal and a natural person shall acquire the status of VAT taxable persons on the day of his/her entry into the Register of VAT taxable persons, on which the tax authority shall decide by means of a Decision.
- (2) If the person referred to in paragraph 1 of this Article does not submit the registration application in prescribed time, tax authority shall register this person ex officio by submitting the application referred to in paragraph 2 of this Article on that person's behalf.
- (3) The application for registration shall not be submitted by legal persons who make only VAT exempt supplies.

2.Certificate of registration

Article 132

- (1) The tax authority shall issue to each taxable person a certificate of entering the register of VAT taxable persons.
- (2) Legal and natural persons shall become VAT taxable persons on the day determined in the certificate of entering the register referred to in paragraph 1 of this Article.
- (3) The tax authority shall issue the certificate referred to in paragraph 1 of this Article within 15 days of the receipt of an application.
- (4) If the tax authority issues a certificate of registration at the request referred to in Article 42, paragraph 2 of the Law, the applicant shall be a VAT taxable person for the period of minimum three years.

3. Cessation of VAT registration

Article 133

Legal and natural persons shall lose the status of taxable persons on the basis of notification of permanent cessation of their business activities and deletion from the register with the tax authority. Prior to the notification of cessation of the business activity, those persons shall be obliged to settle all their tax liabilities.

Article 134

The tax authorities may, at the request of a taxable person who in the period of the last twelve months has failed to achieve turnover in the amount of €18,000, issue a decision on the cessation of registration for VAT.

XVIII TRANSITIONAL AND FINAL PROVISIONS

1. Customs goods imported prior to 31 March 2003 that the sales tax was not paid on

Article 135

(1) In respect of the goods brought into the customs territory prior to 31 March 2003, for which the first customs-approved treatment or use has been assigned after 31 March 2003, VAT shall be accounted for and paid at import, in accordance with the Law and this Rulebook.

(2) In respect of the goods brought into the customs territory prior to 31 March 2003, for which no customs-approved treatment or use were initiated prior to 31 March 2003, other than release for free circulation, whereas the sales tax was not paid, VAT shall be accounted for and paid at import in accordance with the Law and this Rulebook.

(3) In respect of the goods for which a temporary import procedure with partial exemption from payment of import duties began on or before 31 March 2003 and on which the sales tax was partly paid, VAT shall be accounted for and paid in accordance with the Law and this Rulebook relating to partial liabilities arisen after 1 April 2003.

2. Stock inventory

Article 136

Persons having the status of taxpayers for sales tax on supplies of goods and services on 31 March 2003 shall be obliged to draw up a list of unpaid issued invoices and advance payments which include the sales tax that has not been paid and submit it to the responsible tax authority by 30 April 2003.

Article 137

(1) On 31 March 2003, suppliers of immovable property shall calculate the value of constructed immovable property that has not been supplied to purchasers, as well as the value of immovable property paid by 31 March 2003, that is subject to the tax on sales of immovable property within the meaning of the law that governs the taxation of sales of immovable property.

(2) If after 1 April 2003, an account is to be made in which the total value of the supplied immovable property is to be shown, the VAT base shall be the value charged after 1 April 2003.

(3) In respect of the immovable property (completed or not), for which purchasers are not known on 31 March 2003, suppliers shall make an inventory recording the value of immovable property the construction of which has or has not been completed on 31 March 2003, as to ensure the information on the tax base relating to the tax on sales of immovable property and VAT. On the supply of the above immovable property, the part that was, according to the inventory, constructed by 31 March 2003, shall be subject to the tax on sales of immovable property, whereas the VAT base shall be the value charged after 1 April 2003, within the meaning of the provisions of Article 46 paragraph 11 of this Rulebook.

Article 138

Taxable persons who make an inventory of goods in stock recorded according to the sales prices, inclusive of tax, when the tax is increased, decreased or abolished, shall be obliged to make an inventory of goods in stock and determine prices inclusive of tax according to new rates on the day of the introduction of a new regulation.

Article 139

This Rulebook shall enter into force on the following day after its publication in the "Official Gazette of the Republic of Montenegro" and shall be applied from 1 January 2003.

MINISTER,

In Podgorica,

Miroslav Ivanišević

Number: 04-3601/1 of 18 November 2002

Number: 04-3601/2 of 27 February 2003

Number: 04-3601/3 of 13 September 2004

Number: 04-8444/1 of 22 December 2005

Number: 04 - 309/1 of 02 March 2006

PROVISIONS
OF THE RULEBOOK ON AMENDMENTS TO THE RULEBOOK ON
IMPLEMENTATION OF THE VALUE ADDED TAX LAW (OFFICIAL GAZETTE OF THE
REPUBLIC OF MOTNENEGRO 79/05) NOT INCLUDED IN THE CONSOLIDATED TEXT OF
THE RULEBOOK

Article 46

This Rulebook shall enter into force on the day following the day of its publication in the Official Gazette of the Republic of Montenegro, and shall be applied from 1 January 2006.

PROVISIONS
OF THE RULEBOOK ON AMENDMENTS TO THE RULEBOOK ON
IMPLEMENTATION OF THE VALUE ADDED TAX LAW (OFFICIAL GAZETTE OF THE
REPUBLIC OF MOTNENEGRO 16/06) NOT INCLUDED IN THE CONSOLIDATED TEXT OF
THE RULEBOOKODREDBE

Article 13

This Rulebook shall enter into force on the day following the day of its publication in the Official Gazette of the Republic of Montenegro.

Annex A:

The lump-sum compensation, according to Article 128 of this Rulebook, may be applied to the following agricultural and forestry products, or services:

1. Agricultural and forestry products:

- 1.1. Live stock (tariff number 0101; 0102; 0103; 0104 and 0105);
- 1.2. Milk and dairy products, poultry and bird eggs, natural honey (tariff number 0401; 0402; 0406; 0407 and 0409);
- 1.3. Cereals (tariff number 1001; 1002; 1003; 1004; 1005 and 1008);
- 1.4. Oil seeds and fruits, various seeds and fruits; industrial and medical herbs; straw and livestock fodder (tariff number 1210; 1211 and 1214);
- 1.5. Edible vegetables, roots and bulbs (tariff number 0701; 0702; 0703; 0704; 0705; 0706; 0707; 0708 and 0709);
- 1.6. Edible fruits (tariff number 0802; 0804; 0805; 0806; 0807; 0808; 0809 and 0810);

- 1.7. Fish, crustaceans, molluscs and other water invertebrates (tariff number 0301; 0302; 0305; 0306 and 0307);
- 1.8. Beverages, alcohol and vinegar (tariff number 2204; 2206, 2208 and 2209);
- 1.9. Fertilizers (tariff number 3101);
- 1.10. Wood and wood products (tariff number 4401 and 4403);
- 1.11. Live trees and other plants; bulbs, roots and the like; cut flowers and decorative leaves (tariff number 0601; 0602 and 0603).

Agricultural and forestry services:

- 2.1 Agricultural services (groups 0111, 0112, 0113, 0121, 0122, 0123, 0124, activity classification 8);
- 2.2 Forestry services (group 0202).

Form ZP-PDV-S

Foregin taxpayer number

____/____/____

Receipt date:

If this is the first claim Tax Administration MNE – Podgorica Branch

enter "x" _____

CLAIM FOR REFUND OF VAT TO TAXPAYER NOT SEATED IN MONTENEGRO

1.	Taxpayer's name	
2.	Street and number	
3.	Postal number, city, country	
4.	Activity type	
5.	Tax department and reference number of the applicant in the country of his seat or residence	
6.	Period for tax refund	
7.	Total amount of tax refund	
8.	Tax is to be refunded to the account – name of bank	
9.	Number of enclosed documents	

10.	<p><i>TAXPAYER HEREBY DECLARES:</i></p> <p>a) that goods and services for which the refund is claimed have been supplied for business purposes,</p> <p>b) that in the period for which the claim is submitted for tax refund, he did not have a seat, residence, company's headquarters, affiliate or business unit in the territory of the Republic of Montenegro,</p> <p>c) under material and criminal responsibility that the statements in the applicaiton are true.</p> <p>d) taxpayer is obliged to return any illegally received amount.</p>
-----	--

Place and date

Taxpayer signature and seal

Claimnant's representative

Address, phone number

Back of the form ZP-PDV-S

Inventory of individual invoices for which the tax refund is claimed				
Or. numbe r	Supplies of goods and services	Name and tax number of supplier	Invoice date and number	Value added tax

121. RULEBOOK ON IMPLEMENTATION OF THE LAW ON VALUE ADDED TAX

TOTAL:				

Note: Tax authority shall refund the VAT in the amount of paid VAT that the supplier of the service – domestic taxpayer has paid to the State Budget.

Form PDV-E					
R E C O R D S					
OF INVOICES ON SOLD GOODS FOR REFUND OF VALUE ADDED TAX IN TRANSPORT OF PASSENGERS					
NUMBER:..... DATE:.....					
Or. number	Number and date of invoices from the form PDV-PP	Price without VAT	Amount of tax	REFUNDED TAX	
				Amount	Date
1	2	3	4	5	6
TOTAL					

Paid in respect of value added tax refund:€.....

In words.....

L.S.

121. RULEBOOK ON IMPLEMENTATION OF THE LAW ON VALUE ADDED TAX

Date:.....

.....
(authorized person signature)

Form PAN

Household representative Tax number _____

(Date of receipt-to be filled by tax authority)

Name and surname: _____ Birth date: _____

Tax Administration MNE- Podgorica Branch

Address: _____

APPLICATION FOR APPROVAL OF THE RIGHT TO LUMP-SUM COMPENSATION

I hereby ask for the approval for lump-sum compensation for below given groups of agricultural and forestry products and agricultural and forestry services.

TO BE FILLED IN BY THE APPLICANT			TO BE FILLED IN BY TAX AUTHORITY	
Ordinal number	Type of product or service	Tariff number	Requested areas of land according to tax authority information (circle)	The areas of land shall be calculated based on the enclosed documentation (enter the document)
			Yes No	
			Yes No	
			Yes No	
			Yes No	
			Yes No	
			Yes No	
			Yes No	
			Yes No	
			Yes No	

(Responsible person signature)

I hereby declare that I will use the right to lump-sum compensation only for products that result from the activity of the household which representative I am and for services delivered within the activity of the same household or through agricultural machinery to another agricultural household.

The compensations for supplied goods and services shall be paid in the account:

no. _____ opened with _____
(enter the bank's name)

In _____, date _____
(Applicant's signature)

TAXPAYER

(name/name and surname)

(address: municipality, street and number)

BOOK OF RECEIVED INVOICES

(FIN - IDNo)

(VAT number)

Ordinal number	Date		INVOICE		Supplier of goods or services (Supplier)		Value of supply exempted from VAT	Value of taxable supply	TOTAL AMOUNT OF VAT (11 to 15)	INPUT VAT STRUCTURE				
			Number	Issue date						VAT on domestic supplies		VAT on services by foreign persons		Lump sum compensation
	Invoice receipt	Book entry of invoice			at the rate of 7%	at the rate of 17%				at the rate of 7%	at the rate of 17%	at the rate of 5%		
1	2	3	4	5	6 Name/ name and surname, seat	7 VAT number	8	9	10	11	12	13	14	15

121. RULEBOOK ON IMPLEMENTATION OF THE LAW ON VALUE ADDED TAX

TAXPAYER

 (name/name and surname)

 (address: municipality, street and number)

BOOK OF ISSUED INVOICES

 (FIN - IDNo)

 (VAT number)

Ordinal number	Invoice book entry date	INVOICE		Buyer (recipient) of goods or services		Value of exempted supply	Value of taxable supply without VAT			AMOUNT OF CALCULATED VATE AT THE RATES OF			Total value of taxable supply with VAT (8-13)
		Number	Issuance date	Name/ name and surname, seat	VAT number		Export	VAT taxable persons	End consumption	0 %	7 %	17 %	
1	2	3	4	5	6	7	8	9	10	11	12	13	14

121. RULEBOOK ON IMPLEMENTATION OF THE LAW ON VALUE ADDED TAX

--	--	--	--	--	--	--	--	--	--	--	--	--	--