

16 Annex - Taxation

**127. RULEBOOK ON THE FORM AND CONTENT OF THE
TAX RETURN FOR DETERMINATION OF CORPORATE
PROFIT TAX**

127. RULEBOOK ON THE FORM AND CONTENT OF THE TAX RETURN FOR
DETERMINATION OF CORPORATE PROFIT TAX

Pursuant to Article 34b paragraph 4 and Article 40 paragraph 4 of the Law on Corporate Profit Tax (Official Gazette of the Republic of Montenegro 65/01 and 80/04 and Official Gazette of Montenegro 40/08), Ministry of Finance hereby issues the following

RULEBOOK
on the form and content of the tax return for determining the
corporate profit tax

(Official Gazette of Montenegro 8/09)

Article 1

This Rulebook shall regulate the form and content of the tax return for determining tax on profit of legal entities (hereinafter referred to as: the return).

Article 2

The return shall be submitted to the competent tax authority on the "PD Form" with Annexes "PG1" and "PG 2", which are printed along with this Rulebook, together with instructions for filing in these forms, and make its integral part.

Article 3

The return shall be submitted to the competent tax authority in which a taxpayer has been enrolled in the register of taxpayers, according to the principal place of business activity, determined in compliance with the Law on Tax Administration (Official Gazette of the Republic of Montenegro 65/01,80/04 and 29/05).

The return shall be submitted in one copy directly or by mailing, and may be submitted on a floppy disk or other form allowing electronic processing of data.

The return shall be signed and certified by the stamp of the taxpayer liable to corporate profit tax or an authorized person.

Article 4

The Rulebook on form and content of tax return for determining corporate profit tax (Official Gazette of the Republic of Montenegro 6/06) shall be repealed on the day of entry into force of this Rulebook.

Article 5

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

MINISTRY OF FINANCE

Number: 04-

MINISTER,

127. RULEBOOK ON THE FORM AND CONTENT OF THE TAX RETURN FOR
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Podgorica, 22nd January 2009.

PhD Igor Lukšić

PD FORM

Montenegro
Tax Administration
Branch unit

CORPORATE PROFIT TAX RETURN

0.1. General	
0.2. Amended	

0.3. Resident	
0.4. Non-Resident	

DATA ON TAXPAYER	
1. Name of Taxpayer	
FIN – Fiscal Identification Number	
2. Address of the principal place of business activity	
Municipality _____	
Street and number: _____	
Phone number _____	

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	day/month/year	day/month/year
3. Tax period	_____	_____
	from	to
4. Bank accounts		
Name of Bank	Account Number	

DETERMINATION OF TAX LIABILITY

Line number	DESCRIPTION	AMOUNT in €
1	2	3
	Business profit and losses	
	<i>Financial result from Profit and Loss Statement</i>	
1.	Profit for the business year	
2.	Loss for the business year	
	<i>Capital gains and losses</i>	
3.	<i>Capital gains</i>	
4.	Capital losses	
	<i>Adjustment of expenses</i>	
5.	Depreciation costs calculated in profit and loss statement	
6.	Depreciation costs that are recognized as costs for taxation purposes	
7.	Expenditures that have not been arisen for the purpose of carrying out business activities	
8.	Expenditures that cannot be documented.	

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9.	Interest for untimely paid taxes and contributions	
10.	Interest paid to non-residents at the rate higher than usual commercial rate	
11.	Administrative costs paid by foreign permanent establishment to the non-resident parent company	
12.	Earnings of employees or other persons resulting from the profit sharing	
13.	Fines and penalties	
14.	Value adjustment of individual claims from persons who are creditors at the same time	
15.	Contributions given to political organizations	
16.	The amount of costs for material and acquisition value of sold goods in excess of the amount calculated by applying the average price method or FIFO method	
17.	Expenses for health, education, scientific, religious, cultural, humanitarian, sport and environmental protection purposes exceeding 3.5% of total revenues	
18.	Entertainment costs exceeding 1% of total revenues	
19.	Membership fees for chambers, unions and associations exceeding 0.1% of total revenues	
20.	Written-off dubious claims that are not recognized for taxation purposes	
21.	Reserves that are not recognized for taxation purposes	
22.	Interest and pertaining costs paid to associated persons in the amount exceeding market costs	
	<i>Adjustment of expenses based on transfer prices between associated persons</i>	
23.	Costs calculated by applying transfer prices	
24.	Costs calculated by applying market prices	
25.	Difference between calculated costs (line 23 – line 24)>0	
	<i>Adjustment of revenues</i>	
26.	The amount of tax withholding for dividends and profit shares paid by non-resident branch office of the resident taxpayer	
27.	The amount of interests between associated persons that are lower than market interests	
	<i>Adjustment of revenues based on transfer prices between associated persons</i>	
28.	Revenues calculated by applying transfer prices	
29.	Revenues calculated by applying market prices	
30.	Difference between calculated revenues (line 29 – line 28)>0	
	<i>Taxable profit</i>	

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31.	Taxable profit (1-3+4+5-6+7 to 22+25+26+27+30) >0 (or the negative amount from the line 32)	
32.	Loss (2+3-4-5+6-7 to 22 -25-26-27-30)>0 (or the negative amount from the line 31)	
33.	The amount of loss stated in tax return from previous years up to the amount of taxable profit	
34.	Remaining taxable profit (line 31- line 33) >0	
	Capital gains and losses	
35.	Total capital gains from the current year (line 3)	
36.	Total capital losses from the current year (line 4)	
37.	Capital gains (line 35 – line 36) >0	
38.	Capital losses (line 36 – line 35) >0	
39.	Capital losses carried forward from previous years up to the amount under the line 37	
40.	Remaining capital gain (line 37 – line 39) ≥0	
	Tax base	
41.	Tax base (line 34+50% from the line 40) >0	
	<i>Reduction of tax base</i>	
42.	Revenues generated on the basis of dividends and profit sharing of resident legal entities	
43.	The amount of salaries paid for newly employed persons	
44.	The amount of investment to long-life fixed assets that are used for energy production from renewable energy sources and energy efficiency in the amount up to 50% of such investment.	
45.	Reduced tax base (ord. number 41-(42+43+44)	
46.	Tax amount (line 45 x 9%)	
	<i>Tax reduction</i>	
47.	The amount of tax on profit generated in developing municipalities	
48.	Determined tax liability (line 46 – line 47)	
49.	The amount of advance paid tax	
50.	The amount of tax paid abroad	
51.	Total paid tax (line 49 + line 50)	

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52.	The amount of tax debt (line 48 – line 51)	
53.	Overpaid tax	
54.	The amount of tax for which a refund of overpaid tax is claimed	
55.	The amount of tax that taxpayer want to use for advance tax payment in the following year	
56.	The amount of monthly advance payment (1/12 of the amount from the line 48)	

<p>I hereby declare, under criminal and material liability, that data stated in the tax return and in the annexes attached to the tax return are accurate.</p> <p>Signature of authorized person.....</p> <p>FIN: / / / / / / / / / / / / / / / / Date:</p>
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Stamp

<p>TO BE FILLED BY TAX ADMINISTRATION</p> <p>Document number:/..... Date of receipt:..... Date of processing:.....</p> <p>Full name of the authorized officer: Signature:</p> <p>.....</p>
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ANNEX PG 1 : CARRYING FORWARD OF OPERATING LOSSES

Line number	DESCRIPTION	AMOUNT in €
1.	The amount of profit as calculated in the line 31 of the Tax Return	
2.	The amount of loss from previous five years: year _____ € _____ year _____ € _____ year _____ € _____ year _____ € _____ year _____ € _____	_____ _____
3.	The amount of loss for covering (enter the lower amount among amounts in the line number 1 or number 2)	

ANNEX PG 2 : CARRYING FORWARD OF CAPITAL LOSSES

Line number:	DESCRIPTION	AMOUNT in €
1.	The amount of capital profit as calculated in the line 37 of the Tax Return	
2.	The amount of loss from previous five years: year _____ € year _____ € year _____ € year _____ € year _____ €	_____ _____
3.	The amount of loss for covering (enter the lower amount among amounts in the line number 1 or number 2)	

INSTRUCTIONS FOR FILLING IN THE TAX RETURN FOR DETERMINING OF THE CORPORATE PROFIT TAX (PD FORM)

General data on taxpayer

Within this part of the tax return, the following data shall be filled in:

Line 0.1: the sign »x« if general tax return is filed;

Line 0.2: the sign »x« if amended tax return is filed;

Line 0.3: the sign »x« if taxpayer is a resident legal entity;

Line 0.4: the sign »x« if taxpayer is a non-resident legal entity;

Line 1: full name of taxpayer and Fiscal Identification Number (FIN) consisted of eight figures;

Line 2: the address of the principal place of business activity, with data including Municipality, street and number, and telephone number;

Line 3: period for which the tax return is filed;

Line 4: the name of the bank with which funds of taxpayer are deposited, with the bank account number.

The tax return is filed for a financial year or a period of a financial year.

Data for determination of tax liability

Within this part of the tax return, the following data shall be filled in:

Line 1: the amount of profit calculated in the Statement of profit and losses for the financial year or a period of the financial year prior to deduction of the profit tax amount, as determined in compliance with international accounting standards;

Line 2: the amount of loss calculated in the Profit and Loss Statement for the financial year or a period of the financial year prior to deduction of the profit tax amount, as determined in compliance with international accounting standards;

Lines 3 and 4: the amount of capital gain and loss and losses calculated in the Profit and Loss Statement;

Line 5: the amount of depreciation costs for long-life fixed assets calculated in the Profit and Loss Statement;

Line 6: the amount of depreciation costs for long-life fixed assets that are recognized for taxation purposes, calculated in compliance with the Rulebook on classification of fixed assets into groups and methods for determination of depreciation (Official Gazette of the Republic of Montenegro 28/02);

Line 7: the amount of expenditures that have not been arisen in respect to performing business activity the taxpayer is registered for (for example: personal expenditures of the employer and employees);

Line 8: the amount of expenditures that cannot be documented or for which there is no valid documentation that could prove the amount, time, arising and purpose of expenditures;

Line 9: the amount of interest paid for untimely payment of taxes and contributions;

Line 10: the amount of interest paid to non-residents at the rate higher than usual commercial interest rate in the state;

Line 11: the amount of administrative costs paid by foreign permanent establishment to the non-resident parent company;

Line 12: the amount of earnings of employees or other persons deriving from the profit sharing;

Line 13: the amount of fines and penalties;

Line 14: value adjustment of individual claims from persons who are creditors at the same time;

Line 15: the amount of contributions given to political organizations;

Line 16: difference between costs of material and acquisition value of sold goods over the amount calculated by applying average price method or FIFO method, in compliance with the law regulating accounting (Article 12 of the Law);

Line 17: Expenditures for health, education, scientific, religious, cultural, humanitarian, sport and environmental protection purposes exceeding 3.5% of total revenues;

Line 18: the amount of entertainment costs exceeding the amount of 1% of total revenues;

Line 19: the amount of membership fees for chambers, unions and associations exceeding the amount of 0.1% of total revenues;

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Line 20: the amount of written-off value of dubious claims that can not be documented, or for which one can not prove that all measures for their collection have been undertaken and for which the taxpayer has not provided necessary evidence regarding their unsuccessful collection (Article 17 of the Law);

Line 21: the amount of reserves exceeding the amount provided for by the Article 18 of the Law;

Line 22: the amount of interest and pertaining costs toward a creditor with the associated person status exceeding the amount of interests on the open market (usual interest rate in the state) if those costs do not exceed the amount actually paid;

Line 23: the amount of calculated costs based on transfer prices, in compliance with Article 38 of the Law;

Line 24: the amount of costs calculated based on market prices ("arm's length" principle), determined in compliance with Article 38 paragraph 5 of the Law;

Line 25: enter the difference between the amounts in lines 23 and 24, if the difference is higher than zero;

Line 26: the amount of withholding tax for dividends and profit sharing paid by the non-resident branch of the parent company;

Line 27: the amount of calculated interests between associated persons that are lower than market interests, in compliance with Article 20 of the Law;

Line 28: the amount of revenues calculated based on transfer prices, in compliance with Article 38 of the Law;

Line 29: the amount of revenues calculated based on market prices ("arm's length" principle), determined in compliance with Article 38 paragraph 5 of the Law;

Line 30: enter the difference between the amounts in lines 29 and 28, if the difference is higher than zero;

Line 31: taxable profit determined by computation (adding and detracting amounts under respective ordinal numbers), and, if this value is negative, it shall be filled as a loss in the line 32;

Line 32: the loss determined by computation (adding and detracting amounts under respective ordinal numbers), and, if this value is negative, it shall be filled as a profit in the line 31;

Line 33: the amount of loss as calculated in the tax return from previous years, which is carried forward at the cost of the profit from the current year and at most up to taxable profit amount, or the amount of carried forward loss from previous five years as calculated in the line 3 within the Annex "PG";

Line 34: remaining taxable profit that makes difference between amounts in the line 31 and the line 33;

Lines 35 and 36: the amount of capital gain and loss as calculated in the profit and loss statement;

Line 39: the amount of capital gains from previous years that may be carried forward at the cost of future capital gains, in compliance with Article 22 paragraph 5 of the Law;

Line 40: remaining capital gain as a difference between amounts in the line 37 and the line 39;

Line 41: the tax base determined by computation (sum of the amounts in the line 34 and 50% of the amount in the line 40);

Line 42: the amount of revenues derived from dividends and shares of the profit of resident legal entities as calculated in the profit and loss statement, which shall not be included in the tax base (Article 9 of the Law);

Line 43: the amount of relief for salaries (gross) paid for newly employed persons, increased for contributions for mandatory social insurance paid by employer;

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Line 44: the amount of tax relief for investment into long-life fixed assets used for energy production from renewable energy sources and energy efficiency in the amount up to 50% of such investment;

Line 45: aggregate amount of the reduced tax base, which is determined by computation (lines 41-(42+43+44));

Line 46: the amount of tax computed as a multiplication of the amount calculated in the line 44 by the prescribed rate (9%);

Line 47: the amount of the tax on the profit that the legal entity has derived by carrying out its production activity in developing municipalities. For establishments carrying out production activity in developing municipalities that are newly established, the tax on profit shall be deduced proportionately to the portion of the profit such derived in the total profit of the taxpayer;

Line 48: the amount of determined tax liability resulting from computation (lines 45-46-47);

Line 49: the amount of advance paid tax on the profit for the tax period;

Line 50: the amount of profit tax paid abroad for foreign sources of revenues up to the amount that would have been paid for such revenues in Montenegro;

Line 51: the amount of total profit tax paid, which makes the sum of amounts calculated in lines 49 and 50;

Line 52: the amount of the profit tax owed, if the amount in the line 48 is higher than the amount in the line 51;

Line 53: the amount of the profit tax overpaid, if the amount in the line 51 is higher than the amount in the line 48;

Line 54: the amount of the overpaid profit tax, for which the refund is claimed;

Line 55: the amount of the overpaid profit tax, which the taxpayer wants to use as advance payment of the profit tax in the following year.

The sum of the amounts entered in lines 54 and 55 can not be higher than the amount calculated in the line 53;

Line 56: the amount of monthly advance payment of the profit tax, calculated by dividing the amount entered in the line 48 by the number 12.