

16 Annex - Taxation

131. RULEBOOK ON AMOUNT OF EXPENDITURES FOR WHICH THE VALUE ADDED TAX SHALL NOT BE PAID

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Pursuant to Article 64 of the Law on Valued Added Tax (Official Gazette of the Republic of Montenegro 65/01, 38/02, 72/02, 21/03, 76/05), the Ministry of Finance hereby issues the

RULEBOOK

on Amount of Expenditures for which the Value Added Tax Shall Not Be Paid

(Official Gazette of the Republic of Montenegro 74/06 from 4 December 2006)

Article 1

This Rulebook shall lay down the amount of expenditures arising in relation to ullage, spillage, spoilage and breakage (hereinafter referred to as the "expenditures"), for which the value added tax shall not be paid, unless that quantity has been determined by an act of a professional association.

Article 2

Expenditure is deemed to be losses arising while handling with products, as a consequence of production impact of a technological process and as a consequence of undertaking necessary actions in the procedure of production, storage and transport of products.

Article 3

VAT taxpayer shall determine expenditures immediately after the incurrance of individual expenditure or in regular or unscheduled inventory in the storage, warehouse, magazine, shop, production plant and other similar facility.

The inventory commission or the person assigned by the taxpayer shall perform determination of the height of expenditures. The minute on the performed inventory shall be made, which is deemed to be an accounting document.

Article 4

VAT shall not be paid on expenditures up to the amount determined according to the Standards for determination of expenditures for which the VAT shall not be paid (hereinafter referred to as the "Standards for expenditures"), which are printed together with this Rulebook and makes its integral part.

The amount of expenditures for products that are not included by the Standards for expenditures referred to in paragraph 1 hereof shall be determined according to the Standards of the taxpayer, if the competent tax authority does not determine some other quantity.

Article 5

Within the meaning of this Rulebook, expenditures are deemed to be losses on products due to natural disasters (flood, fire, etc) and burglaries up to the amount determined by the act of the competent authority for the damage assessment.

Article 6

Expenditures arisen as technological shortfall in the production process shall be recognized up to the height determined by the Standards for expenditures according to the type of activity, and according to acts determined by the professional association or the taxpayer. If these Standards for expenditures are missing, the expenditures shall be determined by the tax authority through an

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assessment based on correlation between revenues and expenditures using the standards of consumption of material, energy and other production factors.

Article 7

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

Number: 04-6888/3

Podgorica, 27 November 2006

Minister

Igor Lukšić, PhD, m.p.

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**THE STANDARDS FOR DETERMINATION OF EXPENDITURES FOR WHICH THE VAT SHALL
NOT BE PAID**

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Line Item Rate %

1 2 3

PRODUCTION

Production of ethyl alcohol

1. Ethyl alcohol 0.30

Production of alcoholic beverages

1. Ethyl alcohol 0.30
2. Whisky and other distillates 0.50
3. Bulk wine 3.00
4. Bulk brandy 3.00
5. Packing (glass bottles) 1.00
6. Other packing 0.50
7. Final products 1.00

Production of refreshing non-alcoholic beverages

1. Raw and reproduction material 0.50
2. Packing 0.30
3. Final products 0.30

Production and sale of mineral oils

1. Special petrol for engine 0.15
2. Motor, airplane and other petrol 0.425
3. Diesel fuels 0.325
4. Heating oil 0.325
5. Other derivatives, except motor and mineral oils 0.06

Production of pharmaceuticals

1. Homogenization 1.00
2. Tablets production 4.00
3. Capsulation 4.00
4. Filling of syrups 2.00

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Production of solvents

5. Dozing, filtration and filling 2.00

6. Droppers and labels 3.00

7. Closures and small bottles 2.00

Infusion department - packing

8. Glass bottles 5.00

9. Rubber caps 2.00

RETAIL

1. Fruits

Citrus fruits (orange, lemon, bananas, 4.00

mandarins, pineapple, etc)

Nut, almond, hazelnut, chestnut, carob 2.00

Berry fruits, fresh figs 4.00

Apples, pears, plums, quinces, watermelons 3.00

Pit fruit: Apricot, peach, cherries 4.00

Dried fruit - plums 1.00

Dried fruit – figs and other 1.00

Exotic fruit 3.00

Other fruit 2.00

2. Vegetable

Bulk sauerkraut 4.00

Cabbage, kale, chard, fresh lettuce 4.00

Beans, peas, paprika, pepper and pumpkin 3.00

Potato and early carrot, celery and parsley 3.00

Frozen fruit and vegetable - packed 0.50

Potato, carrot, onion 1.50

Beans 1.00

Mushrooms, fresh champignon 4.00

Other vegetable 1.00

3. Flower

Fresh flower (cut) 4.00

Other flower 2.50

4. Cereals

Wheat, barley, oat, corn and other cereals 0.25

5. Other food products

Flour (maize and wheat) and bulk rice 1.00

Flour (maize and wheat) and rice packed 0.50

Poppy seed and wheat spelt 0.80

Breadstuff of all kind 0.50

Industrial cake 1.00

Products made of flour (rusks, bread crumbs, biscuits) 0.50

Ice-cream, cream 1.00

Fresh eggs 1.50

Honey 0.20

Alcoholic, wine and fruit vinegar 1.00

Sugar (refined crystalline, in powder and cube) 1.00

Common salt (sea salt, rock salt and vacuumed) 1.00

Prepared and semi-prepared meals 0.30

Candies and other sugar products 0.30

Chocolate and other chocolate and cocoa products 1.00

Coffee of all kind - packed 0.80

Original spices and teas 0.80

Edible fat 1.00

Edible oil, bottled 1.00

Other 0.50

6. Beverages – alcoholic and non-alcoholic

In bottles and other packing 0.70

7. Meat, dried meat products and fish

Fresh meat 1.80

Fresh fish 4.00

Frozen fish 1.00

Fresh bacon, suet, pig fat, edible fat (melted) 0.80

Dried-meat products and vacuumed meat 1.50

Other 2.00

8. Livestock feed 2.00

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9. Chemical products

Varnish, paints and lacquers, putty 1.00

Laundry detergent 1.50

Cleansers 1.00

Cosmetics and hygienic products 1.00

Other chemical products 1.00

10. Building material

Cement, gypsum 2.00

Marble sheets 1.50

Panel plates and pipes 2.00

Sand, gravel 3.00

Insulating compound 1.00

Insulating material (glass and rock wool) 2.00

Roof tar-board 1.50

Tile, brick, assembly blocks, beams 2.00

Concrete products (pipes, plates, squares) 1.00

Lumber and wooden sheets 1.50

11. Fuel

Bulk wooden coal 3.00

Coal in bags 0.50

Bulk lignite 2.00

Other coal 1.00

Firewood 1.50

12. Other

Furniture 0.50

Glass, flat and hollow 1.50

Optical glass 3.00

Ceramics and porcelain 1.00

Cordage 0.20

Metal dishware (enamelled and non-enamelled) 0.50

Dishware of glass, porcelain and ceramics 1.50

Plumbing fixtures made of ceramics 1.00

Toys, various 0.50

Platters, casket tapes and sound boxes 1.00

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Videotapes, photographic films 1.00
Fabric, in piece 2.00
Hosiery for women, men, children and sport 1.50
Other textile goods 1.50
Footwear 1.50
Bulbs 2.00
Battery cartridges 2.00
Office material 1.00
Cigarettes and other tobacco manufactured products 1.00
Seeds 1.50
Bulk fertilizers 4.00
Fertilizers packed 1.00
Other non-mentioned 0.50

WHOLESALE

All products listed for retail sale 50% out of percentage for retail sale
