

The **Montenegro tax** system is among the **best of the best for investors**. The primary taxes in Montenegro are:

Income tax: 9-11 %

Corporate tax: 9 %

VAT: 21 %, and 7 %, and 0 % for tourism and some basic products

Withholding tax: 9 % on dividends, capital gains, rental income, royalties, and such

Social security contributions: 33.8 %

That's among the best of the best in Europe. Likewise, the system is quite **simple**. There are no complicated conditions or deductions. If you ask for a particular tax in Montenegro, it'll likely be 9 %, and that's it. That means the system isn't only stellar for its incredibly low rates, but because it's simple and allows for stable tax planning.

Add that to the fact that only your Montenegrin-**sourced income** is taxable and the country isn't part of the CRS, and... We have a winner.

The **tax optimization** that Montenegro offers is practically **unparalleled** in Europe.

First, it is fair to ask if Montenegro is a **tax haven**. Groups such as Oxfam have said Montenegro behaves like one. But that's far from true. What Montenegro has is a transparent tax system, with simplified rules, and low rates. That's it.

Taxable income includes:

Personal earnings from salaries and bonuses

Self-employment income

Real estate income

**Capital income**

**Capital gain income**

Lottery prizes

### **What revenues are tax-exempt?**

Travel allowances up to the amount of actual expenses, including accommodation, travel, food, and commuting

For business trips abroad, travel stipends up to the limit for public employees

Allowances to use vehicles for business purposes

Pension severance payments up to €1k

Funeral costs up to €1.5k

Seminar fees of the company's interest

Regarding the **income tax rate**, people pay 9 %. Income above the national average (€750 per month) has an 11 % levy. So, if you earn, say, €2,000 per month, you'll pay 9 % on your

first €750 (€67.5), and 11 % on the remaining €1,250 (€137.5), for a total of €205 in taxes per month.

Municipalities charge a surtax of 15 % of what you paid in income tax to the national government. Following the example above, you'd pay a municipal surtax of €30.75 per month.

**Capital** gains and **investment** income is taxed at 9 %, save for the exemptions mentioned above. Capital income in Montenegro includes:

Interest revenues

Shares and money revenue on a profit-sharing scheme

Income from company properties or services by owners of co-owners for their personal purposes

Dividends and profit shares

Income from shares received by directors and other employees

**Dividends** and **interests** are withheld and paid by the payer of the **revenue**. It is important to note that **non-residents** pay a 5 % tax rate on interests, instead of 9 %. **Rental income** also has a 9 % tax rate. The tax base is calculated deducting the costs of the income or deducting 40 % of the gross income, of which the remainder is the tax base. In the given case the rental is for tourist purposes, the deduction can be 50 % or 70 % if the contract is concluded with a tourist agency.

The government doesn't offer any tax deduction or credits on personal income. However, there is **tax relief for foreigners**. If the country isn't one of the 44 countries Montenegro has signed a tax treaty with, Montenegro offers a relief up to the amount of tax paid in another country from income generated in that country. The relief is equal to the tax paid in that other country but cannot exceed the tax that would be paid in Montenegro. Let's say a simple example. Imagine that you have a €100,000 yearly foreign income, and you live in Montenegro, but your home country doesn't have a double tax treaty. The income tax rate of your home country is 25 %, meaning that you must pay €25,000 in taxes (let's not complicate the example with deductions and such). However, as Montenegro tax rate is 9 % on your first €9,000 (the national average) and 11 % from that amount, your tax relief will be as follows:

9 % tax on your first €9,000 = €810

11 % tax on the remaining €91,000 = €10,010

That's total tax relief of €10,820. That means that from a €25,000 you should pay in taxes in your home country, you'll get a relief that will lower your tax payments to €14,180.

Aside from the above-mentioned 9 % withholding tax on certain income, non-residents pay a 5 % tax on interest income, instead of the usual 9 %. However, you should note that there is no inheritance or gift tax, and payments from life insurance and property insurance are

entirely tax-free.

People are also usually interested in Montenegro's [corporate tax rates](#). As was said before, it is 9 %, which also applies to capital gains, interest income, and such. The average Montenegrin company has a 22 % overall tax burden, which compares favorably to the US (44 %) or Germany (49 %).

What other company taxes will you need to pay? First, there's a payroll tax on employee salaries. It varies from municipality to municipality, but the capital, Podgorica, and Cetinje levy it at 15 %. Most of the rest of the municipalities collect it at 13 % of gross salaries. A 0.2 % fee on gross wages supports a labor fund.

The government offers tax incentives for companies in Montenegro. For example, there's an eight-year, €200k corporate tax exemption for companies that exclusively operate in the northern region of Montenegro.

Likewise, the following are real estate taxes in force:

Transfer tax on acquired land: 3 % on the buyer. This is significantly low than in most of Europe. The tax rate is 6.5 % in Portugal, just to name an example.

VAT on new buildings or transfer tax on previously sold buildings: The VAT is 21 %.

[Capital gains tax on real estate you sell](#)

Taxes on rental income: As with most income, it's 9 %. You can calculate the taxable income in two ways: deducting the actual expenses regarding the rental or deducting a flat 40 % of your gross income, and that's it.

Annual property tax: Between 0.25 and 1 % of the market value of the property. In most EU countries, this tax is usually twice as much.

The VAT was recently increased to 21 % from 19 %. That's a negative turn, especially considering it had already been increased from 17 %. Still, it's lower than in Croatia (25 %) but higher than in Germany or France. However, essential goods such as milk, bread, and medicines, have a reduced 7 % rate. Likewise, you must pay VAT in Montenegro if you buy a brand-new home, but not when you buy a previously owned residential real estate.

As you may see, Montenegro is far from a tax haven. Also, instead of offering particular exemptions and credits for foreigners, the strategy that Malta and Cyprus have followed, Montenegro has preferred to keep an attractive system by itself. In conclusion,

**Montenegro is an ideal option for tax [optimization](#).**

Now, how can I obtain a tax residence in Montenegro? First of all, you should note that getting the Montenegrin citizenship by investment doesn't automatically give you tax residence. To obtain it, you must live in Montenegro for at least 183 days per calendar year and have a residence permit or be a Montenegrin national.