

GLOBAL  
EMPLOYER  
GUIDE

**MONTENEGRO**





## Basic Country Facts

### Full Name

- Montenegro

### Capital

- Podgorica

### Main Languages

- Montenegrin
- Bosnian
- Croatian
- Serbian
- Albanian

### Population

- 622,359

### Monetary Unit

- Euro

### Internet domain

- .me

### International Dialing Code

- +382

### Currency

- Euro

# STATUTORY LABOR REQUIREMENTS

## Probation Period

- Probationary period shall not exceed six months, except in case of a crew member of deep-sea merchant marine where a probationary period may be negotiated for a longer period, i.e. until the return of the ship into the main harbor.

## Annual Leave

- Minimum statutory annual leave is 20 working days for regular jobs and 30 working days for jobs with severe conditions where full-time work hours are reduced from 40 to 36 hours per week.
- Employees who have a six-day long work week are entitled to a minimum of 24 working days of annual leave.

## Public Holidays

- New Year's Day (1st January)
- Eastern Orthodox Christmas Eve (6th January)
- Orthodox Christmas Day (7th January)
- 2nd Day of Christmas (Eastern) (8th January)
- Good Friday (Eastern) (17th April)
- Orthodox Easter Monday (20th April)
- Labor Day (1st May)
- Independence Day (in Montenegro) (21st to 22nd May)
- Statehood Day (13th to 14th July)



### Maternity Leave

- Female employees are entitled to up to 365 days of maternity leave, which can start up to 45 days before the birth and not later than 28 days before the birth. She may not return to work until at least 45 days after the birth.

### Paternity Leave

- There is no paternity leave

### Sick Leave

- Employees are eligible for at least 5 paid sick days per year.

### Work Hours

- The statutory weekly working time is 40 hours.

### Overtime

- The total work time, including overtime work, cannot exceed 48 work hours per week on average within a four-month period, with the maximum total work time being 50 work hours per week.
- Under the Labor Act, overtime work can be determined in collective bargaining agreements up to a maximum of 250 hours annually.

### Notice Period

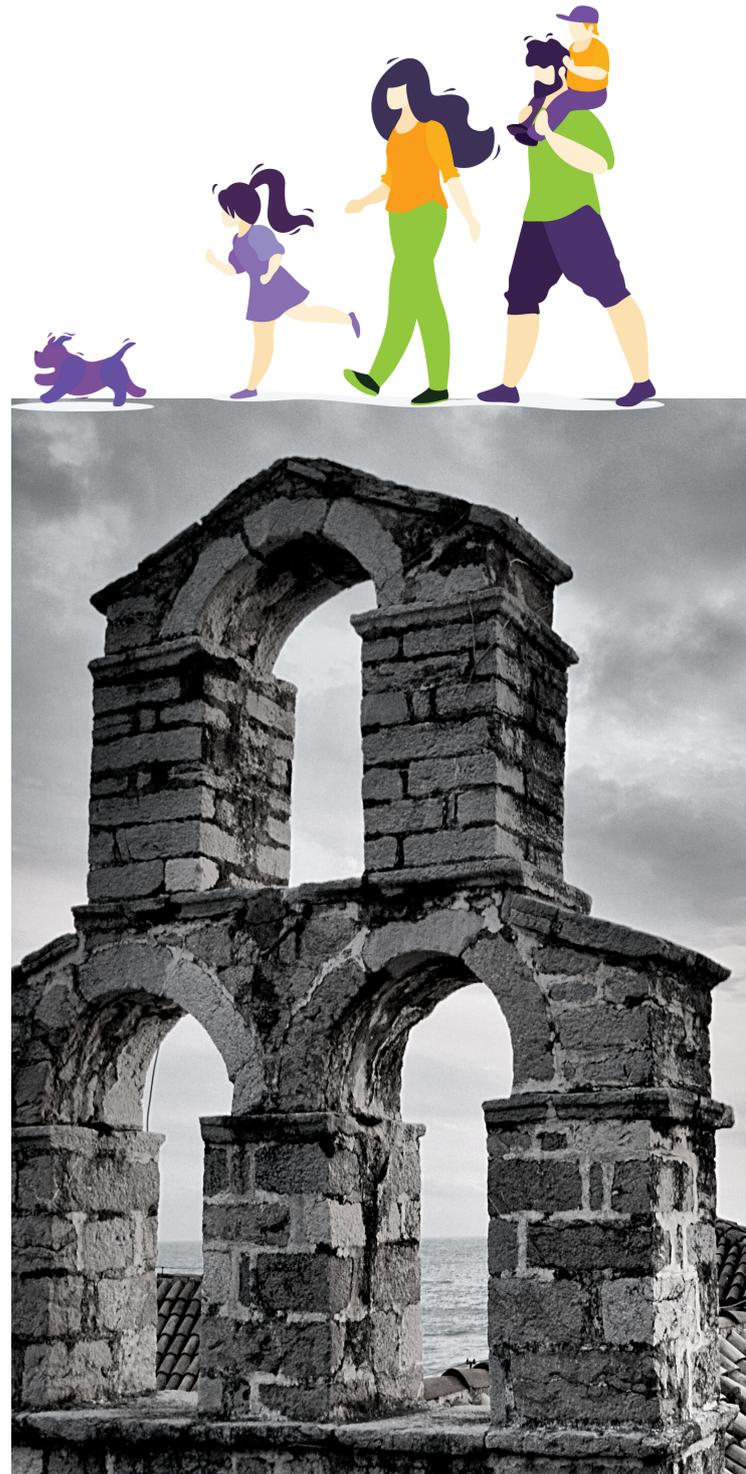
- Employees may be terminated for just cause and must provide written notice of at least 30 days.
- The employee has 5 days to respond.

### 13th Month

- 13th month pay is not mandatory

### Severance

- Employees are generally eligible for severance pay of at least 1/3 of their monthly pay in the last six months for each year of employment, with a minimum of the equivalent 3 months' of the employee's pay or average Montenegrin pay, whichever is more favorable to the employee.



## Income Tax

- Taxation of individuals' income in Montenegro is based on their residence status.
- Residents are subject to tax on their worldwide income from any source.
- Non-residents are taxed on income related to a fixed base/permanent establishment (PE) in Montenegro and royalties, interest, and rental income from immovable property in Montenegro.
- Personal income tax (PIT) of 9% is levied on salaries, property-related income, and investment income (interest income earned by non-residents is subject to a 5% PIT).
- In January 2016, the Montenegrin government increased the PIT rate from 9% to 11% for gross salaries exceeding average monthly salary (where the higher rate applies only on part of the salary exceeding the amount of average salary).
- Although the increase of the tax rate was announced as a temporary measure, it is still applicable.
- Local surtax exists in addition to PIT and is paid to the municipality where the taxpayer is domiciled.
- Surtax of 13% is applicable in all municipalities with the exception of Podgorica and Cetinje, where the rate is 15%.
- The surtax base is the amount of PIT assessed



Income Tax	
Flat Standard Rate	9%
Higher Rate	11%*
*Applicable on the gross salaries exceeding average monthly salary	

## Social Security

- An employee who pays Montenegrin social security contributions is entitled to various benefits, including health insurance for the employee and dependent family members, disability and professional illness insurance, unemployment allowances, pension payments and other benefits.
- Social security contributions for pension and disability insurance, health insurance, and unemployment insurance are calculated and withheld by an employer from the salary paid to an employee.
- Unlike the other two types of social security contributions, pension and disability insurance contributions are subject to a specific annual cap (53,302 euros [EUR] for 2018).
- Social security contributions are payable by the employer and employee at different rates.
  - The amount borne by the employer is treated as an operating cost while the portion payable by the employee is taken from the gross salary.
- The rates paid by the employer are as follows:
  - Pension and disability insurance 5.5%.
  - Health insurance 2.3%.
  - Unemployment insurance 0.5%.
- The rates paid by the employee are as follows:
  - Pension and disability insurance 15%.
  - Health insurance 8.5%.
  - Unemployment insurance 0.5%.

Contribution	Employer	Employee
Pension and disability insurance	5.5%	15%
Health insurance	2.3%	8.5%
Unemployment insurance	0.5%	0.5%



## Deductible Expenses

- In the assessment of annual taxable income in Montenegro, no deductions apply.
- However, the following benefits are not included in taxable income in Montenegro:
  - travel allowances up to the amount of actual expenses (includes accommodation, food expenses and commuting costs);
  - In case of a business trip abroad, travel allowances up to the limit set for state employees;
  - allowances for the use of a private car for business purposes;
  - pension severance payment up to EUR1,000;
  - death and funeral costs compensation up to EUR1,500;
  - fees paid for training and seminars of interest to the company's business etc.



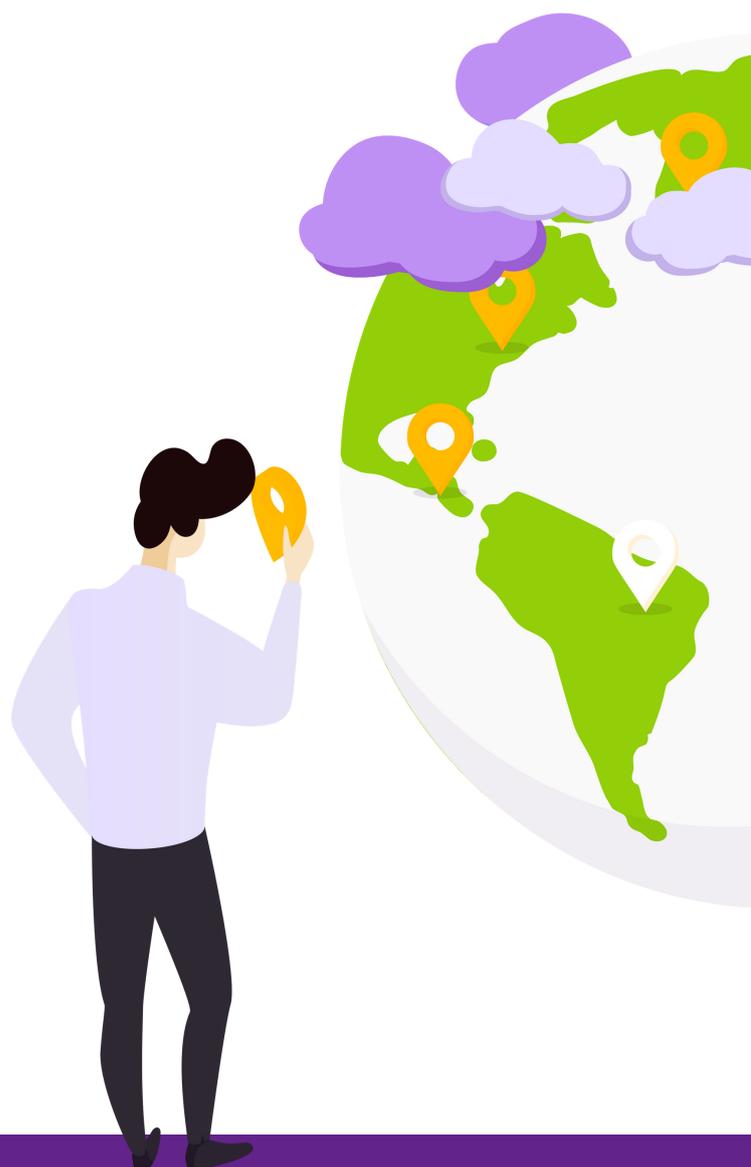
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## Immigration

- Work permit is a permit with the pre-determined duration of work, according to which an employer makes a labor contract with a foreigner, i.e. foreigner with a legal entity with headquarters in Montenegro or organizational unit of a foreign company, registered in Montenegro, delivering services or other form of work, on the basis of civil law contracts.
- This permit could be for:
  - Seasonal work of foreigners
  - Work with the addressed foreigners (cross-border services, further training and education, movement of persons within a foreign company)
  - Training and education of foreigners and
  - The provision of contractual services
- Permits are issued for a limited time, for a period of three months to one year, extendable to two more years, depending on the type of permit.
- The Employment Bureau shall be obliged to decide on the request within 30 days from the day of submitting the request.
- The Government of Montenegro, upon the proposal of the ministry in charge of the work, having previously obtained the opinion of the ministries in charge for some activities for which quotas are determined and opinion of the Social Council, in accordance with the migration policy and consideration of the labor market, establish an annual quota of work permits.
- Temporary residence permit (privremeni boravak):
  - To stay longer than 90 days you need one of these permits.
  - Generally, they last a year or as long as you meet the underlying condition (e.g., employment or studying.)
  - They can be renewed for subsequent one-year terms.
- Permanent residence permission (stalni boravak):
  - These last for five years and can be renewed.
  - This grants all the privileges of Montenegrin citizenship, except voting and carrying a Montenegrin passport.

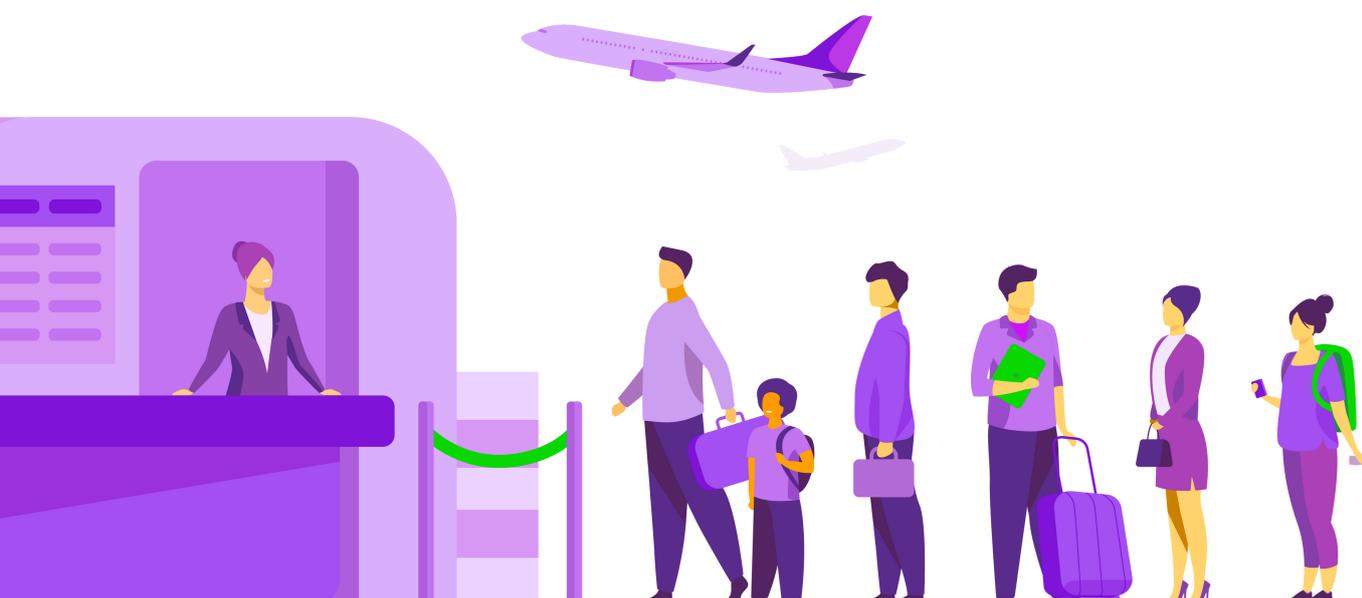


Type of Visa	Documentation	Validity	Eligibility
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<p><b>Work Permit</b></p>	<ul style="list-style-type: none"> <li>• passport</li> <li>• marriage certificate (for spouse)</li> <li>• birth certificate (for children)</li> <li>• health insurance</li> <li>• criminal record check from country of origin</li> <li>• criminal record check from Montenegro</li> <li>• proof of accommodation in Montenegro (Montenegrin title deed, rental agreement or statement from the landlord)</li> <li>• medical certificate issued in Montenegro</li> <li>• bank statement from a Montenegrin bank confirming sufficient funds to remain in Montenegro (3,650 per year) or proof of *salary exceeding 350 per month issued by the employer. This document is required for each applicant including children (bank statements must be from parents account)</li> <li>• confirmation of employability issued by the Employment Office</li> <li>• university degree nostrification (certificate of equivalence) for employment applications</li> <li>• employment offer in writing with employment terms</li> <li>• registration documents (for companies and self-employed entrepreneurs)</li> </ul>	<ul style="list-style-type: none"> <li>• 3 months to 1 year (extendable to two more years)</li> </ul>	<ul style="list-style-type: none"> <li>• This permit could be for: <ul style="list-style-type: none"> <li>◦ Seasonal work of foreigners</li> <li>◦ Work with the addressed foreigners (cross-border services, further training and education, movement of persons within a foreign company)</li> <li>◦ Training and education of foreigners and</li> <li>◦ The provision of contractual services</li> </ul> </li> </ul>
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Type of Visa	Documentation	Validity	Eligibility
<b>Temporary Residence Permit</b>	<ul style="list-style-type: none"> <li>• A copy of your valid passport that does not expire before the permit would</li> <li>• Proof of education</li> <li>• Proof of a clean criminal record. This applies for all applicants who are 16 or older and must have been issued within the past six months</li> <li>• Proof of solvency in the form of demonstrating that you have €3,650 deposited in a Montenegrin bank account. Or proof from your employer that your salary is at least €350 per month. For family applications, these numbers are multiplied by the total number of family members</li> <li>• Marriage certificate if you're applying as a family</li> <li>• Birth certificate for minor children</li> <li>• Proof you have somewhere to live (list nepokretnosti) and note that this applies both if you own your home and if you rent</li> <li>• The proof of employment requirements varies between different municipalities</li> <li>• Proof you have enrolled in a health insurance program</li> </ul>	<ul style="list-style-type: none"> <li>• 1 year (can be renewed)</li> </ul>	<ul style="list-style-type: none"> <li>• Temporary residence permits can be issued to individuals staying in Montenegro for a period longer than 90 days for the purpose of studying, employment etc.</li> </ul>



## Value Added Tax (VAT)

- The main principles of the Montenegrin VAT are in line with the European Union (EU) Sixth Directive guidelines.
- Taxable supplies are subject to a general 21% VAT rate
- However, certain supplies are taxed at a reduced 7% rate (e.g. bread, milk, books, medicines) and 0% rate (e.g. export of goods, supply of gasoline for vessels in international traffic).

Sales and Use tax	
Standard Rate	21%
Reduced Rate	7%
Zero Rate	0%

## Withholding Tax

### Dividends

- A 9% withholding tax is levied on dividends paid to a nonresident (unless the rate is reduced under a tax treaty) and on dividends paid to a resident

### Interest

- A 9% withholding tax is levied on interest paid to a nonresident entity (a 5% rate applies to interest paid to a nonresident individual), unless the rate is reduced under a tax treaty

### Royalties

- Royalties paid to a nonresident are subject to withholding tax of 9%, unless the rate is reduced under a tax treaty

### Fees for technical services

- Service fees paid to a nonresident for market research, advisory, and audit services are subject to a 9% withholding tax

Type of Payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	9%	9%	9%	9%
Interest	0%	0%	9%	5%
Royalties	0%	0%	9%	9%
Technical Service Fee	0%	0%	9%	9%



## Termination

- In case of termination of employment by mutual agreement, the exact date of termination must be determined in the agreement.
- The mutual agreement is legally effective only after it has been certified by a notary, court or municipal authorities.
- If the employee initiates the termination, the notice of termination must be delivered to the employer at least 30 days prior to the day stated as the day of termination.
- The collective layoff procedure is applied in case of the planned layoff of at least 20 employees within 90 days.
- A new ground for dismissal is introduced: breach of work discipline.
- The new Labor Law also specifies the obligation of the employer to issue to the employee a written notification stating the grounds for termination and allow no less than 5 working days for the employee's response.
- Employees are generally eligible for severance pay of at least 1/3 of their monthly pay in the last six months for each year of employment, with a minimum of the equivalent 3 months' of the employee's pay or average Montenegrin pay, whichever is more favorable to the employee.

## Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, overtime pay, and severance pay.
- Statutory benefits also include social security benefits

### Statutory Benefits

**Probationary Period**

**Annual Leave**

**Public Holidays**

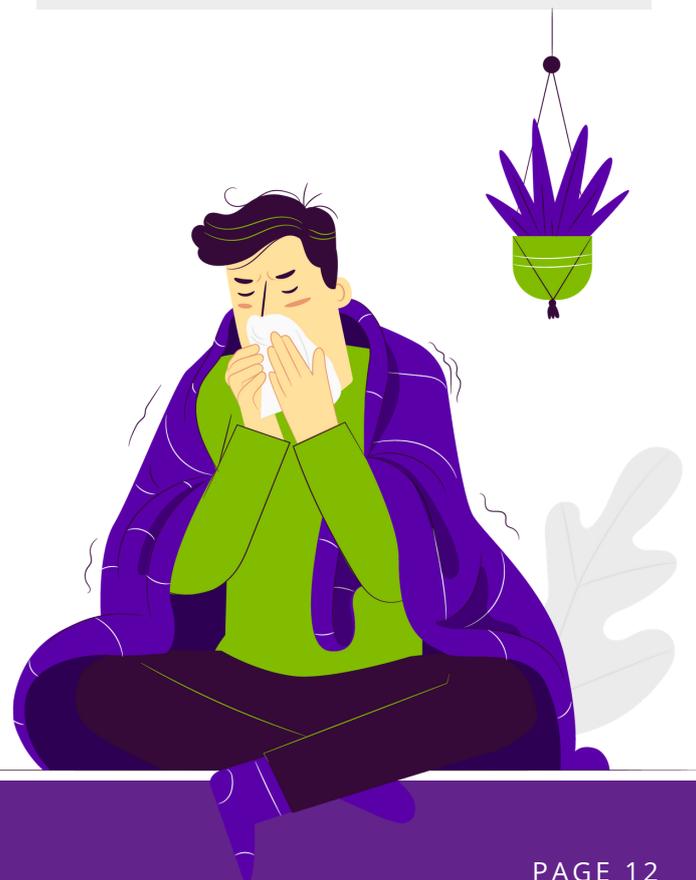
**Maternity Leave**

**Sick pay**

**Overtime Pay**

**Severance pay**

**Social security benefits**

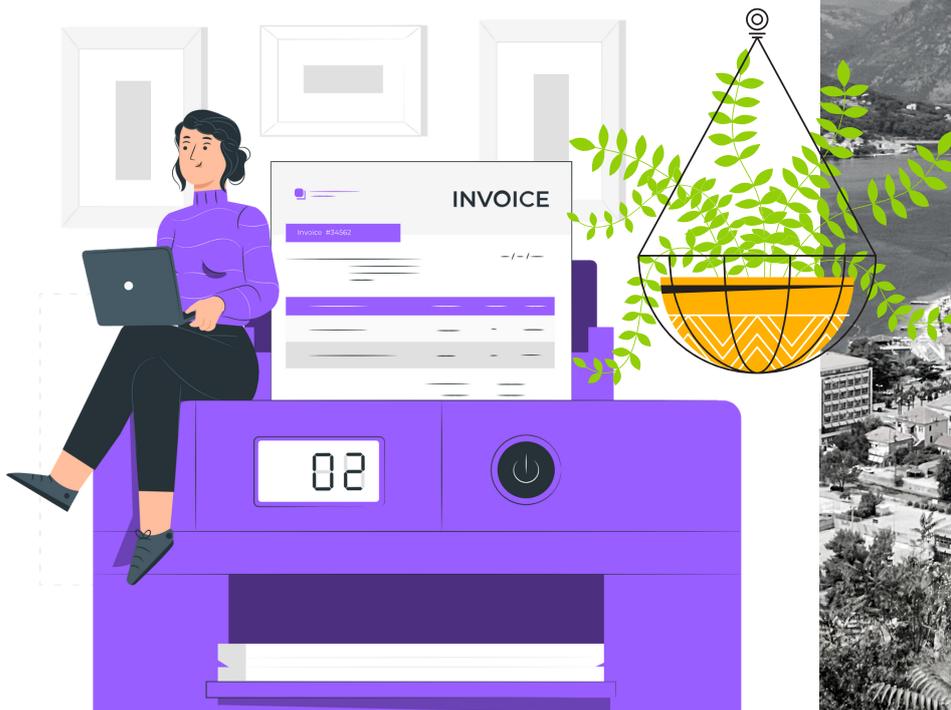


## Payments and Invoicing

- The tax year in Montenegro is the calendar year.
- Generally, taxpayers are obligated to submit an annual tax return at the end of April for income generated in the previous calendar year, except taxpayers that have only employment income or have only investment income.
- Tax on employment income, income from capital, income from self-employment that is not the primary activity of the self-employer, and property-related income is withheld at source by the payer of income.
- A self-employed taxpayer is entitled to lump-sum taxation unless one's total turnover for the year preceding the year for which the tax is assessed exceeds EUR 18,000.
- This option is excluded for certain professions (e.g. lawyers, auditors).

## Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Montenegro ranked 50th in the World in 2019 in terms of ease of doing business.



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