



Montenegro

A DECADE
OF INDEPENDENCE
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MONTENEGRO
2016



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Instructions about procedure for Value Added Tax (VAT) exemption, for projects financed by the European Union (EU)

VAT exemption procedure for projects financed by EU in decentralized/indirect/shared management

In case of VAT exemption for projects financed by EU in decentralized/indirect/shared management systems, applicable rules are the Rulebook about Value added tax exemption for investors and deliveries of products and services (“Official Gazette of Montenegro”, No 17/15 published on 17.04.2015, 68/15 published on 08.12.2015).

The following table contains overview of programs financed by EU and bodies in charge of procedure for VAT exemption:

Decentralized/Indirect/Shared management		
Programme	Authorized body	
Financial perspective 2007-2013		
IPA component III Operational Programme „Regional Development 2012-2013“	„Regional	Directorate of Public Works
IPA component IV Operational Programme „Human Resources Development 2012-2013“	„Human	Directorate for Finance and Contracting of the EU Assistance Funds (CFCU), Ministry of Finance
IPA Adriatic cross-border programme	cross-border	Directorate General for Coordination of the EU Assistance Programmes, Ministry of Foreign Affairs and European Integration

Decentralized/Indirect/Shared management	
Programme	Authorized body
Financial perspective 2014-2020	
Annual Country Action Programme for Montenegro for the year 2014 (CAP 2014)	Directorate for Finance and Contracting of the EU Assistance Funds (CFCU), Ministry of Finance /Directorate of Public Works ¹
Multi-annual Action Programme for Montenegro on Employment, Education and Social policies (2015-2017)	Directorate for Finance and Contracting of the EU Assistance Funds (CFCU), Ministry of Finance/Directorate of Public Works ²
Bilateral Cross-border Co-operation Programme Montenegro-Albania (2014-2020)	Directorate for Finance and Contracting of the EU Assistance Funds (CFCU), Ministry of Finance
Bilateral Cross-border Co-operation Programme Montenegro-Kosovo (2014-2020)	Directorate for Finance and Contracting of the EU Assistance Funds (CFCU), Ministry of Finance
Bilateral Cross-border Co-operation Programme Serbia-Montenegro (2014-2020)	Directorate General for Coordination of the EU Assistance Programmes, Ministry of Foreign Affairs and European Integration
Cross-border Co-operation Programme Interreg-IPA Croatia-Bosnia and Herzegovina-Montenegro 2014-2020	Directorate General for Coordination of the EU Assistance Programmes, Ministry of Foreign Affairs and European Integration
Cross-border Co-operation Programme Interreg-IPA Italia-Albania-Montenegro 2014-2020	Directorate General for Coordination of the EU Assistance Programmes, Ministry of Foreign Affairs and European Integration
Interreg V-B Adriatic - Ionic co-operation programme 2014-2020 (ADRION)	Directorate General for Coordination of the EU Assistance Programmes, Ministry of Foreign Affairs and European Integration
Danube Transnational Programme 2014-2020	Directorate General for Coordination of the EU Assistance Programmes, Ministry of Foreign Affairs and European Integration
Interreg V – B Mediterranean Co-operation Programme (MED) 2014-2020	Directorate General for Coordination of the EU Assistance Programmes, Ministry of Foreign Affairs and European Integration

¹ For service contracts, supply contracts, grants and twinning contracts, authorized body is Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) and for work contracts authorized body is Directorate of Public Works.

² For service contracts, supply contracts, grants and twinning contracts, authorized body is Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) and for work contracts authorized body is Directorate of Public Works.

VAT exemption procedure for projects financed by EU in centralized/direct management

In case of VAT exemption for projects financed by EU in centralized/direct management systems, which are implemented by the Delegation of the European Union to Montenegro (DEU), VAT exemption procedure will be done in accordance with the Instructions which are available on DEU website, at the link below: <http://www.delmne.ec.europa.eu/code/navigate.php?Id=3589>.

The following table contains overview of programs financed by EU, under the responsibility of DEU Montenegro:

Centralized/ Direct management	Competent body - Delegation of the European Union to Montenegro
Financial perspective 2007-2013	
IPA component I (Transition Assistance and Institution Building)	
Bilateral Cross-border Co-operation Programme Albania-Montenegro	
Bilateral Cross-border Co-operation Programme Bosnia and Herzegovina-Montenegro	
Bilateral Cross-border Co-operation Programme Montenegro-Kosovo	
Bilateral Cross-border Co-operation Programme Croatia-Montenegro	
Bilateral Cross-border Co-operation Programme Serbia-Montenegro	
Financial perspective 2014-2020	
Annual Country Action Programme for Montenegro for the year 2014 (CAP 2014)	
Bilateral Cross-border Co-operation Programme Bosnia and Herzegovina-Montenegro	

Legal basis for VAT exemption procedure

Financial perspective 2007-2013

Decentralized and shared management - according to the Article 26 (Rules on taxes, customs duties and other fiscal charges) of the Law on ratification of Framework agreement between the Government of Montenegro and the Commission of the European Communities on the rules for co-operation concerning EC financial assistance to Montenegro in the framework of the implementation of the assistance under the Instrument for pre-accession assistance (IPA), (*“Official Gazette of Montenegro”, International Agreements 01/08*) Community financed contracts for services, supplies or works carried out by contractors registered in Montenegro or by external contractors shall not be subject in Montenegro to value added tax, i.e. contractors shall be exempted from VAT for services rendered, goods supplied and/or works executed by them under EC contracts.

Financial perspective 2014-2020

Indirect and shared management - according to the Article 28 (Rules on taxes, customs duties and other fiscal charges) of the Law on ratification of Framework agreement between Montenegro represented by the Government of Montenegro and the European Commission on the arrangements for implementation of Union financial assistance to Montenegro under the Instrument for pre-accession assistance (IPA II) (*“Official Gazette of Montenegro”, International agreements 05/15*), Union contractors shall be exempted from VAT for any service rendered and/or goods supplied and/or works executed under the Union contract. Goods supplied or services rendered or works executed by a contractor to the Union contractor shall also be exempted from VAT in so far that they are connected with the objectives and activities under the Union contract.

This possibility which is foreseen by Law on ratification of Framework Agreement between the Government of Montenegro and the Commission of the European Communities on the rules for co-operation concerning EC financial assistance to Montenegro in the framework of the implementation of the assistance under the Instrument for pre-accession assistance (IPA) and Law on ratification of Framework agreement between Montenegro represented by the Government of Montenegro and the European Commission on the arrangements for implementation of Union financial assistance to Montenegro under the Instrument for pre-accession assistance (IPA II) is recognized in national Law about VAT as well. Namely, by provisions of Article 25, paragraph 1, point 12 and Article 28, paragraph 1, point 12. Of the Law about value added tax (*“Official Gazette of the Republic of Montenegro”, No 65/01, 12/02, 38/02, 72/02, 21/03, 76/05, 04/06 and “Official Gazette of Montenegro”, No 16/07, 73/10, 40/11, 29/13, 09/15*), the possibility for VAT exemption is foreseen for delivery of services or supplies when it is stated in international agreement or grant contract that goods are exempted from VAT. Above mentioned provision is elaborated in more details in the Rulebook about Value added tax exemption for investors and deliveries of products and services (*“Official Gazette of Montenegro”, No 17/15 published on 17.04.2015, 68/15 published on 08.12.2015*).

When it comes to contracts financed by EU funds, Directorate for Finance and Contracting of the EU Assistance Funds and Directorate of Public Works acts as Contracting authorities (CAs) under decentralized/indirect management and they are in charge for contracts/projects which are implemented within the relevant programmes. Having this in mind, on one side CAs are in charge for payments to the contractors/grant beneficiaries (in accordance with invoices/payment requests submitted and payment dynamics specified in the contract) and on the other side CAs are in charge of VAT exemption procedure.

In relation to the abovementioned, VAT exemption will be done on the total amount, regardless of source of financing (EU and co-financing). VAT exemption will be done at the level of each invoice, not at the level of contract.

VAT exemption procedure under the responsibility of the Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) and Directorate of Public Works (DPW)

VAT exemption procedure is carried out according to dynamic of contract implementation. In relation to that, the contractor can submit Request for VAT exemption (template is Annex I to this Instructions) for any specific invoice or in case of works for every temporary situation approved by supervisor and Contracting authority.

In case of programs where Contracting authority is located in Montenegro and which are implemented in decentralized/indirect management, authorized bodies for VAT exemption procedure are CFCU or DPW, as Contracting authorities for relevant programs. In relation to that, when contractor/grant beneficiary submits invoice/payment request to the CA, he must submit supporting documentation for costs incurred for certain time period, which are already exempted from VAT.

In case of temporary situations for works, any temporary situation approved by supervisor and Contracting authority will be VAT exempted, and not each specific invoice for period in question, except in special situations when it's necessary to do so before submission of temporary situation.

VAT exemption procedure is performed in a way that the contractor/grant beneficiary must submit together with Request for VAT exemption pro-forma invoice (or invoice when value of services can't be pre-determined because of nature of service). Pro-forma invoice must contain amount for services done/goods delivered without VAT, amount of VAT and the total amount (amount of service done/goods delivered with VAT).

Pro-forma Invoice, besides above mentioned, should contain the following data as well:

- Date of issuing,
- Number,
- Contract name,
- Contract number,
- Contactor's name or name of the issuer of the Pro-forma Invoice/Invoice,
- Contractor's address or Address of the issuer of Pro-forma Invoice/Invoice,
- PIB number of contractor or issuer of pro-forma invoice
- Bank account number of the Contractor or Issuer of the Pro-forma Invoice/Invoice.

Based on submitted Request for VAT exemption, authorized body prepares Certificate for VAT exemption and submits it to the contractor/grant beneficiary and tax administration, within 5 days.

Authorized body is obliged to keep records about issued Certificates, i.e. about deliveries of products, services provided or grants realized on which the tax exemption is applied (type, quantity, amount of products and services).

Also, contractor/grant beneficiary (importer of products/supplier of goods/service rendered or grant beneficiary) is obliged to keep records about deliveries of products, services

provided, or grants realized on which the tax exemption is applied (type, quantity, amount of products and services).

VAT exemption procedure under the responsibility of the of the Directorate General for Coordination of the EU Assistance Programmes (MFAEI)

VAT exemption procedure is carried out according to dynamic of contract implementation. In relation to that, the grant beneficiary can submit Request for VAT exemption (template is Annex I to this Instructions) for any specific invoice or in case of works for every temporary situation approved by supervisor and Contracting authority.

In case of programs where Contracting authority is located outside of Montenegro and which are implemented in shared/indirect management, authorized body for VAT exemption procedure is Directorate General for Coordination of the EU Assistance Programmes. In relation to that, after signing of contract, grant beneficiary must submit request for recording of grant contract to the Directorate General for Consular Affairs in the MFAEI, which is basis for further issuing of Certificates for VAT exemption. Directorate General for Consular Affairs issues verification on recording of contract.

In case of temporary situations for works, any temporary situation approved by supervisor and Contracting authority will be VAT exempted, and not each specific invoice for period in question, except in special situations when it's necessary to do so before submission of temporary situation.

VAT exemption procedure is performed in a way that the grant beneficiary must submit together with Request for VAT exemption pro-forma invoice (or invoice when value of services can't be pre-determined because of nature of service). Pro-forma invoice must contain amount for services done/goods delivered without VAT, amount of VAT and the total amount (amount of service done/goods delivered with VAT).

Pro-forma Invoice, besides above mentioned, should contain the following data as well:

- Date of issuing,
- Number,
- Contract name,
- Contract number,
- Contactor's name or name of the issuer of the Pro-forma Invoice/Invoice,
- Contactor's address or Address of the issuer of Pro-forma Invoice/Invoice,
- PIB number of contractor or issuer of pro-forma invoice
- Bank account number of the Contractor or Issuer of the Pro-forma Invoice/Invoice.

Based on submitted Request for VAT exemption, authorized body prepares Certificate for VAT exemption and submits it to the grant beneficiary and Tax administration, within 5 days.

Authorized body is obliged to keep records about issued Certificates, i.e. about deliveries of products, services provided or grants realized on which the tax exemption is applied (type, quantity, amount of products and services).

Also, grant beneficiary (importer of products/supplier of goods/service rendered or grant beneficiary) is obliged to keep records about deliveries of products, services provided, or grants realized on which the tax exemption is applied (type, quantity, amount of products and services).

Annex 1 - Request for VAT exemption

<AUTHORIZED BODY>

Attn: <XXXXXXXXXXXXXXXXXX>

Programme: <XXXXXX>
Contract name: <XXXXXX>
Contract number: <XXXXXX>
Contractor: <XXXXXX>

Start date of implementation: <Day/Month/Year>
End date of implementation: < Day/Month/Year >

According to the Article 26 (Rules on taxes, customs duties and other fiscal charges) of the Law on ratification of Framework agreement between the Government of Montenegro and the Commission of the European Communities on the rules for co-operation concerning EC financial assistance to Montenegro in the framework of the implementation of the assistance under the Instrument for pre-accession assistance (IPA) (Official Gazette of Montenegro, International Agreements, No 01/08)/Article 28 (Rules on taxes, customs duties and other fiscal charges) of the Law on ratification of Framework agreement between Montenegro represented by the Government of Montenegro and the European Commission on the arrangements for implementation of Union financial assistance to Montenegro under the Instrument for pre-accession assistance (IPA II) (Official Gazette of Montenegro, International Agreements, No 05/15), <leave relevant provision depending on the management mode> <name of the contractor/grant beneficiary> submits:.

REQUEST FOR VAT EXEMPTION

Supplier	Invoice number	Date of Invoice	Brief description	Amount (net)	VAT amount	Total amount
Total						

Place:
Date: < Day/Month/Year >

Signature and stamp

Annex 2 - Certificate for VAT exemption



<AUTHORIZED BODY>

Programme: <xxxxxx>
Contractor: <xxxxxx>
Contract name: <xxxxxx>
Contract number: <xxxxxx>

Start date of implementation: <Day/Month/Year>
End date of implementation: < Day/Month/Year >

Based on the Article 26 (Rules on taxes, customs duties and other fiscal charges) of the Law on ratification of Framework agreement between the Government of Montenegro and the Commission of the European Communities on the rules for co-operation concerning EC financial assistance to Montenegro in the framework of the implementation of the assistance under the Instrument for pre-accession assistance (IPA) (Official Gazette, International Agreements, no 01/08)/Article 28 (Rules on taxes, customs duties and other fiscal charges) of the Law on ratification of Framework agreement between Montenegro represented by the Government of Montenegro and the European Commission on the arrangements for implementation of Union financial assistance to Montenegro under the Instrument for pre-accession assistance (IPA II) (Official Gazette, International Agreements, no 05/15), <leave relevant provision depending on the management mode>, Law about VAT ("Official gazette of Montenegro", No. 65/01, 12/02, 38/02, 72/02, 21/03, 76/05, 04/06 and "Official gazette of Montenegro", No. 16/07, 73/10, 40/11, 29/13, 09/15) and the Rulebook about Value added tax exemption for investors and deliveries of products and services ("Official gazette of Montenegro" no. 17/15 published on 17.04.2015, 68/15 published on 08.12.2015) <Authorized body> issues:

C E R T I F I C A T E F O R V A T E X E M P T I O N

In specific case, services provided/goods delivered under Pro-forma Invoice/s of Company <company name>, <city>, No. <xxxxxx>, from < Day/Month/Year >, amount <xxx,xx €> (net amount) for the <name of contractor/grant beneficiary>, based on the contract <name of contract> (Contract No.: <xxxxxx>), financed by the EU, according to the Article 25, paragraph 1, point 12 and Article 28, paragraph 1, point 12 of the Law on value added tax ("Official Gazette of the Republic of Montenegro", No. 65/01, 12/02, 38/02, 72/02, 21/03, 76/05, 04/06 and "Official Gazette of the Montenegro", No. 16/07, 73/10, 40/11, 29/13, 09/15) and Article 13a

of the Rulebook about Value added tax exemption for investors and deliveries of products and services (“Official gazette of Montenegro”, No.17/15 published on 17.04.2015, 68/15 published on 08.12.2015) VAT exemption is foreseen.

Supplier	Invoice number	Date of Invoice	Brief description	Amount (net)	VAT amount	Total amount
Total						

Number: <xxxxx>
Podgorica, < Day/Month/Year >

<XXXXXXXXXXXXXXXXXX>

Submitted (submitter of request):
- Tax administration
- Archive