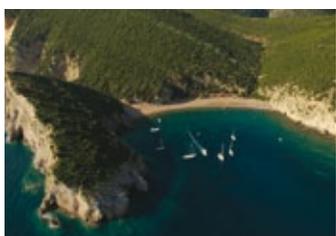


# 11



# Reasons EDITION 2015 to invest In Montenegro





## ***Dear Reader,***

If you come to Montenegro, you will find for yourself many reasons to invest in our country. Montenegro is an open economy, devoted to the improvement of business environment with people who have the knowledge and the capital to invest in the country. We have already proved that we can be a good partner to the credible foreign private or corporate parties. Some of the reasons to invest in Montenegro are:

- Dynamic economic growth and development
- Multi-ethnic harmony and political stability
- Strategic geographic position, with access to the sea
- Qualified human resources
- Favorable tax climate (corporate tax 9%)
- Pro-business Government
- Foreign and domestic investors have the same rights
- Hub for regional business
- Easy business start-up
- Young population with multilingual talent

Montenegro became independent in 2006. Since then, people who came to visit Montenegro found it extremely beautiful and convenient for the developing of their businesses. Here in Montenegro, we are often saying: 'The most important thing for us is that foreign people hear about us and come here. After that, they will see with their own eyes the beauty of Montenegro.' From year to year, more and more people hear about Montenegro. It is predicted that Montenegro will be one of the most tourism hot spot in the following years. Besides tourism, we are strongly presenting our potentials in agriculture, infrastructure and renewable energy.

Government of Montenegro is very eager to attract foreign investments. The same treatment is given to the domestic and foreign investors. Montenegrin Investment Promotion Agency (MIPA) is the Governmental body entitled in attracting foreign investments to the country. MIPA is at your disposal for every question or help you need about the investment possibilities in our country.

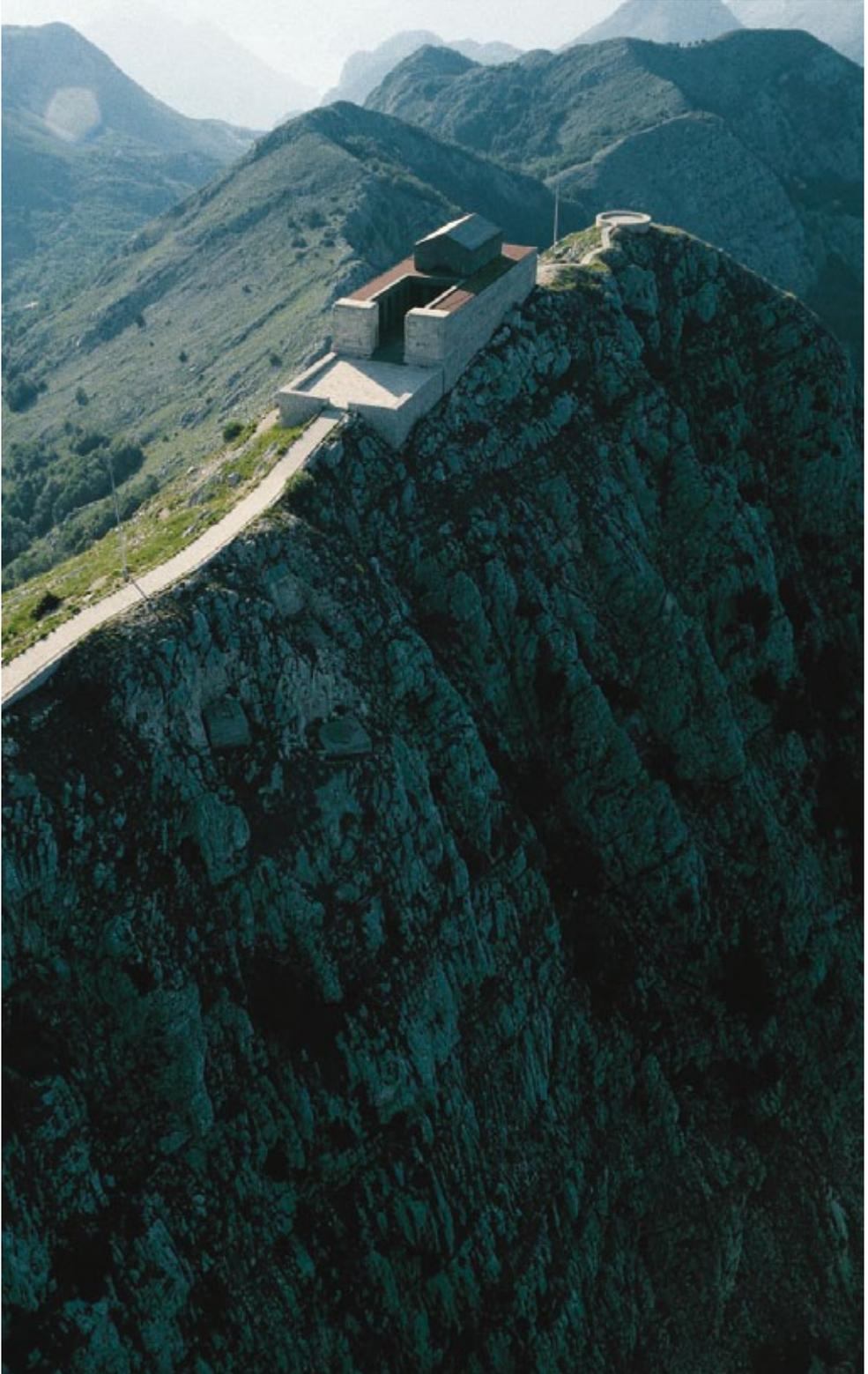
Yours Sincerely,

See you in Montenegro!



Mr Miloš Jovanović

CEO, Montenegrin Investment Promotion Agency



## Facts and figures:

13,812km <sup>2</sup> <b>Area</b>	294km <b>Coastline</b>	2,522m <b>The Highest Peak</b>
621,081 <b>Population</b>	72km <b>Beaches</b>	16.4C <b>Average Annual Temperature (Podgorica)</b>
Euro <b>Currency</b>	720 € <b>Average Wage</b>	68/178 (2014) <sup>1</sup> <b>Economic Freedom Index</b>
3, 327 billion Eur <b>GDP</b>	5.586 Eu <b>GDP per capita</b>	3,3% <b>Real GDP Growth rate</b>
477,41 million € <b>FDI</b>	3,1 % <b>Inflation</b>	13.41% <b>Unemployment rate</b>

### Montenegro is member of:

- The Council of Europe
- The Central European Free Trade Agreement
- NATO's Partnership for Peace program and is an official candidate for full membership in the alliance.
- World Trade Organization
- The Non-Aligned Movement (OBSERVER STATUS)

**On December 17<sup>th</sup> 2010** - the EU Council granted Montenegro the official status of candidate country.

**On October 13<sup>th</sup> 2011** - European Commission called Montenegro to start negotiations for full membership status.

**In June 2012** - Montenegro opened accession negotiations with the EU.

**In June 2013** - The screening process is completed.

**In August 2013** - The Commission recommended the opening of Chapters 23 – Judiciary and Fundamental Rights and 24 – Justice, Freedom and Security.

**In September 2014** - twelve chapters, including chapters 23 and 24, had been opened, two of those twelve chapters, i.e. science and research, and education and culture, have been provisionally closed.

The EU has provided financial assistance to Montenegro under the Instrument for Pre accession Assistance (IPA II) for the period 2014-2020. Montenegro will continue to benefit, with a total indicative allocation of €270.5 million. An indicative strategy paper

<sup>1</sup> Heritage Foundation ([www.heritage.org](http://www.heritage.org))

for the years 2014-2020, drafted in partnership with Montenegro and in consultation with all relevant stakeholders, was adopted by the Commission on 18 August 2014. Over this period, IPA assistance will aim at supporting reform efforts in the areas of the rule of law, democratic governance and competitiveness and growth.

## International Organization Participation:

Council of Europe (CE), Central European Initiative (CEI), **European Association for Palliative Care** (EAPC), European Bank for reconstruction and Development (EBRD), Food and Agriculture Organization (FAO), International Bank for Reconstruction and Development (IBRD), International Civil Aviation Organization (ICAO), **Institute of Certified Records Managers** (ICRM), International Finance Corporation (IFC), International Federation of Red Cross and Red Crescent Societies (IFRCS), International Labor Organization (ILO), International Monetary Fund (IMF), International Maritime Organization (IMO), Interpol, International Olympic Committee (IOC), International Organization for Migration (IOM), Inter-Parliamentary Union (IPU), International Organization for Standardization (ISO) (correspondent), International Telecommunication Union (ITU), **International Trade Union Confederation** (ITUC), **Multilateral Investment Guarantee Agency** (MIGA), **Organization for the Prohibition of Chemical Weapons** (OPCW), Organization for Security and Co-operation in Europe (OSCE), **Permanent Court of Arbitration** (PCA), Partnership for Peace (PFP), United Nations (UN), **United Nations Educational, Scientific and Cultural Organization** (UNESCO), **United Nations Industrial Development Organization** (UNIDO), **United Nations World Tourism Organization** (UNWTO), **Universal Postal Union** (UPU), **World Customs Organization** (WCO), World Health organization (WHO), World Intellectual Property Organization (WIPO), **World Meteorological Organization** (WMO).

### Statements:

*I would like to congratulate the citizens, the political parties and authorities of Montenegro for the free and orderly parliamentary elections held in Montenegro, which largely met all OSCE and Council of Europe commitments.*

**Javier SOLANA, EU High Representative for the CFSP, after referendum for independency (May 2006)**

*I welcome the application for EU membership presented by the Prime Minister of Montenegro to the President of European Council. Today Montenegro has reached a historical milestone marking the country's important engagement to common European values and fundamentals.*

**Olli REHN, Enlargement Commissioner (December 2008)**

*The United States is delighted with the progress that Montenegro has made in the last several years in developing as a state, developing as democracy and developing as a country that is committed to prosperity, peace and stability to its own people.*

**Stuart JONES, Deputy Assistant Secretary of State for European and Eurasian Affairs, U.S. Department of State (September 2009)**

*I welcome today's decision of the European Council to grant Montenegro the status of candidate country, as recommended by the Commission in its Opinion of 9 November 2010. This reflects the recognition by the EU of the progress made by Montenegro in its preparation for future EU membership.*

**Stefan FULE, European Commissioner for Enlargement (December 2010)**

*Trust is the key element that we have and which we want to show to the whole world. The money is invested in its construction of buildings and infrastructure, as well as the creation of a company for the service and repair of yachts in Bijela, all within the aim of opening new jobs and sending a message that credible investors exist, who have not given up but still want to invest its money in projects in Montenegro.*

**(Peter Munk, 2010)**

*Montenegro represents possible one of the most exciting investment opportunities in the Mediterranean. Montenegro's unique geographical positioning enables it to attract visitors and second-home buyers from both east and west; its Mediterranean climate and exceptional coastline, with an abundance of natural and historical features, are acknowledged by developers and hospitality operators alike as fundamental, long term attributes which make Montenegro highly attractive as an investment location today.*

**(Monteverdi Estates, 2011)**



*Head of EU Delegation to Montenegro Mitja Drobnič and EU member states' ambassadors voiced satisfaction with the beginning of the accession talks and confirmed the member states' determination to provide support to Montenegro in its further integration process.*

**(PM Djukanovic meeting with EU member states' ambassadors to Montenegro, 2013)**

PM Djukanovic in parliament of Montenegro

*The opening of accession negotiations with Montenegro was an important signal for the whole region that the EU doors are open. I congratulated Prime Minister Djukanovic on the country's significant progress in 2012 resulting in the opening of the accession negotiations. On regional cooperation, I welcomed Montenegro's positive and constructive role in the region.*

**(Herman Van Rompuy, President of the European Council, New Europe Magazine – online edition, January 2013)**

*After contracting in 2012, GDP rebounded strongly in 2013, to 3.5%, one of the strongest performances in the region. In particular, the economy has benefited from high levels of energy production and a number of new investment projects. Output growth is projected to slow modestly in 2014, to 2.7%, owing to some limits to tourism capacity, but nonetheless we expect this momentum to continue.*

**(Alasdair Scott is a Senior Economist in the World Economic Studies division of the IMF Research Department, working on the World Economic Outlook report, March 2014)**

# 1. Stability and safety

Since regaining its independency in 2006, Montenegro has proved to be a safe, politically stable and economically viable state, which has the potential to grow rapidly. Over the last almost two decades, Montenegro is lead by a stable government and even during the collapse of the former Yugoslavia it was the only republic on which soil there was no war.



Taking charge of its own destiny and responsibility for stability, safety and prosperity led to new priorities: integration to the European Union (EU) and North-Atlantic Treaty Organization (NATO). The process of EU integration emphasized not only market accessibility, but acceptance of new values such as rule of law and property rights protection. Simultaneously, integration into NATO is a safety mechanism in the sense of the collective defense guarantees provided by NATO and its legal system. Montenegro has clearly committed itself to a collective security system as a framework for the accomplishment of its security and defense objectives. In addition, country is taking part at the International Security Assistance Force (ISAF), which is a NATO-led security mission in Afghanistan established by the UN Security Council.

Montenegro has liberalized visa regime with Schengen zone, ratified Stabilization and Association Agreement and received a status of EU candidate country. As for NATO, from the end of 2006 when Montenegro has joined Partnership for Peace (PfP) till the end of 2009 when Montenegro’s application for Membership Action Plan (MAP) has been accepted, tremendous progress in defense reform had been achieved.

Starting negotiations is a success for Montenegro: its authorities, politicians, the whole society. The broad national consensus and reform efforts have paid off. They also confirm that we judge candidates on their own merits. Montenegro already did a lot. But more still needs to be done, stated Commissioner for Enlargement and European Neighborhood Policy Štefan Füle, (Press Release, Brussels, June 2012)

Regardless EU and NATO integration, Montenegro on its own has been improving stability and safety. Institutional design alongside with security and defense services reform gave tremendous results. The share of the foreign direct investments (FDI) in the country’s GDP is set to reach 9.1% in 2014 and will increase to 11.5% of GDP in 2015. According to IMF, Montenegro is the leading country among transitional countries regarding FDI share in GDP (25%), while according to Standard and Poor this percentage is even higher (30%).

## 2. Dynamic economic growth & development

Since the introduction of the German mark in November 1999, and later the euro in February 2002, the country has had significant success in creating a favorable business climate and in attracting reputable foreign investors. Those have played a crucial role in signaling to the others that Montenegro is an attractive investment destination.

During the three years period before the crisis, Montenegro recorded the fastest GDP growth in the region, with average growth rate reaching 9.0%. A key driver of economy growth was an influx of the foreign direct investments (FDI). For five years in a row, the country has attracted increased FDI, becoming a leader in Europe according to the level of FDI *per capita*. Despite the global financial crisis in 2009 Montenegro recorded even higher level FDI than ever before (€1.07 billion), with a somewhat changed structure of investors' preferences compared with previous years and energy sector becoming more interest. In 2010 Montenegro recorded 692 million € of FDI, in 2011 FDI were 534 million €, 633 million € in 2012, in 2013 FDI were 351 million €, and until September 2014 FDI amounted to 609.5 million €.

This was possible due to the overall course of economic reforms relying on: (i) openness, (ii) monetary stability, i.e. the euro as a legal tender, (iii) a low level of business regulation, (iv) a low level of taxation (with corporate income tax amounting 9%, as well as personal income tax, after gradual reduction within last three years); (v) free regime of capital flows; (vi) a high level of economy privatized (90%) or under the process of privatization. In June 2013 Montenegro applied VAT rate of 19%, with the implementation of the rate of 7% and 0% on some categories of products and services, but still remains one of the lowest in the region. Various world rankings prove that the course of the country's economic reforms is a correct one: at the list of *World Economic Forum*, Montenegro improved in five positions (67th position out of 148) and remained leader in the region outperforming even some EU members such as Poland, Italy, Romania and Bulgaria. According to *The Heritage Foundation*, that measures Economic Freedom index, ranked Montenegro as 68<sup>th</sup>, ahead of Croatia (87), Italy (86), Serbia (95), Bosnia and Herzegovina (101) and Greece (119). This score is 1.0 point higher than last year, with notable gains in business freedom and investment freedom outweighing declines in labor freedom, monetary freedom, and freedom from corruption. Montenegro is ranked 31st out of 43 countries in the Europe region, and its overall score is above the world average. According to the *World Bank Doing Business*, Montenegro improved for 15 positions in last three years and now takes 36<sup>th</sup> position. Moody's: Montenegro's Ba3 rating reflects challenges of small domestic economy, and benefits of EU integration.

After several years characterized by high GDP growth, a budget surplus, a record inflow of foreign direct investments, an increase in the number of employed as well as the very dynamic development of the banking system, a period of crisis and recession was experienced in 2009. After the economic recovery in 2010 and achieved real GDP growth of 2.5% in the 2011, in 2012 was recorded decrease of GDP from -2.5%. Negative economic trends characterized most countries of the region; the internal structural weaknesses have resulted in a significant slowing down of Montenegrin economy. Economic growth was recorded in the first half of 2013. According to Monstat real GDP growth in 2013



amounted to 2.9% and 0.30% in the second quarter of 2014. Based on the CPI, annual inflation in 2012 was 4.1%, and was higher by 2.3 percentage points in comparison with 2011. Annual inflation in Montenegro, measured by the harmonized index of consumer prices in June 2013 was 1.5%, and almost at the level of inflation recorded in the Euro zone - only 0.1 percentage points lower. The inflation rate in Montenegro was recorded at -1.10 percent in August of 2014.

Taking into account the periodicity of changes in the labor market, as well as delayed reaction to the crisis, Montenegro experienced positive growth in the labor market in the first half of 2013 (5.1%) in comparison to the same period of the previous year. The number of registered unemployed persons in 2012 declined 2.2% compared to 2011. This trend continued in the first half of 2013 when the number of employees rose by 3.6% in comparison with the same period of previous year.

Unemployment Rate in Montenegro decreased to 13.41 percent in July 2014 from 13.61 percent in June of 2014.

According to data from the Ministry of Finance budget revenues for 2012 in comparison to the previous year are up by 1%, representing the nominal growth by EUR 12, 64 million. In the first six months of 2014, Montenegro's budget recorded EUR 574.7 million of revenues, which is 5.6% more than it was planned. In the source revenues structure, tax revenues accounted for the main share (60.6%), followed by contributions (27.9%), while the remaining 11.5% referred to revenues from duties, fees, other revenues and loan repayment revenues. Total public spending was €1.430,8 million or 43% of GDP. Compared with the previous year, public spending was at a level lower by 2.1%. Several important investment projects are expected in 2014 among which are: construction of the highway, construction of hydro power-plants on river Moraca, first phase of 500 million EUR investment of One and Only resort by Azmont, submarine interconnection power cable between Italy and Montenegro, development of the next stage of Porto Montenegro and Lustica Development, etc. At the moment, more than 90% of the total value of capital in Montenegrin companies is privatized. Around 410,000 citizens hold shares in companies or privatization funds. There is not a single company without private capital in its capital structure.

### 3. Strategic geographic location

About 500km from Rome, 1,500km from Paris, Berlin and about 2,000km from Moscow, Montenegro lies on the Balkan Peninsula in the very heart of Europe.

**Two international airports:** Podgorica and Tivat

**Sea ports:** Bar, Kotor, Zelenika, Tivat

**Ferry boat:** Bar–Bari–Bar, Bar–Ancona–Bar

**Railway:** Bar–Podgorica–Belgrade–Budapest

**Total length of roads:** 5.277 km

**Total length of railway:** 250 km

Montenegro is certainly one of the most interesting spots in the World. Even though it covers solely around 14.000 km<sup>2</sup> and it only has about 630,000 citizens, its contribution to the World cultural heritage is impressive compared to its size. Montenegro is a southern European and a Mediterranean country. It is one of the most southern European states and it comes out on the south part of the Adriatic Sea. Its landscape combination of mountains, deep valleys, natural ice lakes, sand beaches and attractive islands is breathtaking.

Montenegro borders with Italy (on the Adriatic sea), Serbia (to the East), Kosovo (to the East), Bosnia and Hercegovina (to the North), Albania (to the South) and Croatia (to the West). The border length is 614 km, while the coast length is 293 km. Due to its geographic location Montenegro has been and still is the meeting point of East and West. Geographic coordinates of extreme points are: *North* 43° 32' (North latitude-NL) - 18° 58' (East latitude - EL); *South* 42° 50' NL - 19° 22' EL; *East* 42° 53' NL - 20° 21' EL and *West* 42° 29' NL - 18° 26' EL. The country is located in the Middle Mediterranean or South East Europe at the Balkan. Podgorica is the modern capital, while Cetinje is an old, royal capital.

With the access to the Mediterranean Sea and having the Port of Bar as its most important south Adriatic port, this is a location precondition for a prosperous life. Port of Bar may be used as interlinking route to Africa, the Middle East, India, Russia and Asia. Besides the Port of Bar there are three other international ports – Kotor, Risan and Zelenika. Located in the Bay of Kotor, a UNESCO World Heritage site and Europe's most southerly fjord, Porto Montenegro combines a spectacular destination with a world-class marina and services. Complemented by spacious waterside residences, signature restaurants, lovely bars and a wide range of sports, leisure and cultural activities, the marina is an ideal superyacht homeport with berths ranging from 12m to 180m. Air traffic, sea traffic and up to certain extent railroad traffic are good linking networks for the country. An additional impact on the usage of a great location will be the new highway to Serbia as well as Adriatic-Ionic highway that passes through Montenegro.

**In June 2013, Ryanair - Europe's only ultra-low cost carrier (ULCC) launched its first flights to/from Montenegro, which is Ryanair's 29<sup>th</sup> country of operation, with four weekly flights between Podgorica and Brussels. This event enabled first true low cost flights to Montenegro.**

A key question of strategic location isn't the location per se, rather the usage of that location. We are looking at our geographic location as a base for prosperity.

## 4. Hub for regional business

Why can Montenegro be your regional business hub? At very least for the following reasons:

**Currency** - we are using the euro. That means there is no hidden inflation and it is easy to calculate a consolidated balance sheet and income statements for your firms.

**Openness** – perhaps the most important factor of all. This country with its forward-thinking legislation and with straightforward, friendly people is very open to business with you.

**Financial services** – with **12 commercial banks** (Podgoricka banka, Hypo Alpe Adria Montenegro, Komercijalna banka, CKB, Opportunity Bank, NLB, Hipotekarna, Invest bank, Atlas bank, First Financial Bank of Montenegro, Prva banka, Lovcen banka), all of them private, doing business in Montenegro, the region and rest of the world is made easy.

**Telecommunication** – excellent connections with the rest of the world via optical cables, 3G Network and fast Internet-based service represent a good foundation for your business communication.

**Connectivity - Flight connection:** with daily flights to all regional capitals and major cities in Europe, it is easy to travel to Montenegro for business. *Port of Bar:* with favorable geographic position (42°0' north latitude and 19°05' east longitude), together with the railway line Belgrade-Bar and the road network represent a compatible traffic system that enables rational connections of the Port and its surrounding area. Ministry of Transportation launched a tender for the construction of a North-South highway. The bids for the design and construction of highway Bar-Boljari (Smokovac-Uvač-Mateševo.) were reviewed. The first-ranked bidder is the Chinese company for telecommunications and infrastructure CCCC/CRBC which is selected for further negotiations with the goal of implementing this project, and that is supported by Exim Bank. According to this offer, for the construction of the part of the highway is necessary to provide 809.57 million euros, of which 85% relates to loan provided by Exim Bank, and 15% is state participation.



## 5. Young population with multilingual talent

Young people in Montenegro today are facing problems and challenges that require new attitudes, knowledge and skills, a certain willingness to continuously learn and change and a more rational approach to life. According to the Census 2003, out of 620.145 inhabitants, there were 143.338 between 15-29, which makes 23.2% of total population.

The education process of young people, regarding both foreign language learning and other forms of education, is implemented through formal, non-formal and informal education. Basic aspects of language learning for young people are a university education, education within foreign language school and on the basis of young people's mobility, whether it is about educational, cultural or tourist mobility.

Knowledge of the English language is widely spread, but other languages such as French, Russian, Italian and German are studied as well in the high school or at the university level. Beside these, according to the list of licensed education institutions, 15 foreign language schools are currently operating in Montenegro. In 2010 in Tivat Knightsbridge School Montenegro, in partnership with Porto Montenegro, created a unique opportunity for learners in the region. Founded on the principles of global citizenship, KS Montenegro offers the highest standards of an international education and strives to engage learners in building understandings that will enable them to make a positive difference in our ever-changing world is a unique and compelling approach to education in the Adriatic region; modeled on both the successful features of Knightsbridge School in London and international standards expected of schools across the globe.

KS Montenegro belongs to a global network of international schools united through a shared ethos and curriculum.

The mobility of young people is a significant solution in learning foreign language. Cooperation between education institutions and relevant international ones is established at all levels, both on European and world-wide on the basis of bilateral agreements. The scope and diversity of students' mobility is on much higher level today than in past few years. The mobility, primarily of students, and then of other young people was achieved through CEEPUS, TEMPUS, INTERREG, and WUS Austria programs.

Within the activities of Montenegrin Academy of Arts and Science, participation was taken at the following activities ALLEA; EASA, EMAN, IACSEE, ISCU, and CEEN. Planned activities on joint projects and study visits in 22 national Academies of Arts and Science were carried out as well.

A large degree of youth mobility is achieved by virtue of the Association for Democratic Prosperity through short-term and long-term volunteer exchanges. The Forecast Exchange Program also enhances youth mobility in Montenegro. Besides all this, the number of young people who opt for certain kinds of internships and seasonal jobs abroad is growing and one of the famous programs of this kind is "Work and Travel" USA.

In addition, Montenegro is part of Southeastern European Era-Net, a networking project aimed at integrating EU member states and Southeast European countries in the European Research Area by linking research activities within existing national, bilateral and regional RTD programs.

## 6. Qualified human resources

A qualified workforce is a critical prerequisite for the overall economic development of Montenegro. In order to achieve a higher level of development, emphasis in the recent past was given to efficient human resource development and learning society. There are three universities (one state and two private) in Montenegro. The number of students went up 12,903 in school year 2005/06 to 23,442 in the school year 2013/2014. At the same period the number of faculty graduates went up from 1,656 to 2,923. The number of postgraduate students went up from just 106 in 2007 to 2014 in 2014.



UDG ([www.udg.edu.me](http://www.udg.edu.me)) has ten faculties: the Faculty for International Economics, Finance and Business, the Faculty of Legal Science, the Faculty of Information Systems and Technology, the Faculty of Arts, the Faculty of Humanities Studies, the Faculty of Polytechnic, the Faculty for Food Technology, Food Safety and Ecology, the Faculty of Sports Management, the Faculty of Design and Multimedia and the Center for Foreign Languages.



University of Montenegro ([www.ucg.ac.me](http://www.ucg.ac.me)) has 20 faculties: Faculty of Electrical Engineering, Mechanical Engineering, Metallurgy and Technology, Natural Science and Mathematics, Civil Engineering, Architecture, Economics, Law, Political Science, Medicine, Philosophy, Marine Studies, Tourism and Hotel Management, Drama, Fine Arts, Practical Physiotherapy, Sports and Physical Education, Biotechnology, Pharmacy and Music Academy.



University Mediteran ([www.unimediterran.net](http://www.unimediterran.net)) has four faculties: the Faculty of Information Technology, the Faculty of Visual Arts, the Faculty of Foreign Languages and the Faculty of Law, as well as two schools for tourism and business.



Improvements of even general population education structure are visible. Compared to 1991, the percentage of population 15+ of age without an education was reduced to only 1.5%, while percentage of the population with a high school education reached 52%. Almost 17% of those 15+ years of age do have a high school education and faculty degree.

Education of the workforce is oriented towards complying with the demands of modern, democratic and economically developed society and the market economy, the promotion of personal and professional development of students and providing knowledge and skills necessary for further studies, life and work, personal interests and life-long learning, ultimately aiming for the establishment of an education system compatible with other European system. In November 2010, ReSPA's new offices, training facilities and campus in Danilovgrad were officially inaugurated in the presence of Mr. Štefan Füle, European Commissioner for Enlargement.

The improvement of work force qualification is not only evident in terms of the improvement of higher education, but also in terms of other forms of education, additional qualification, etc. The Strategy for Adult Education serves as a good example: it was developed for the purpose of contributing to the growth of competitiveness, employment and entrepreneurship.



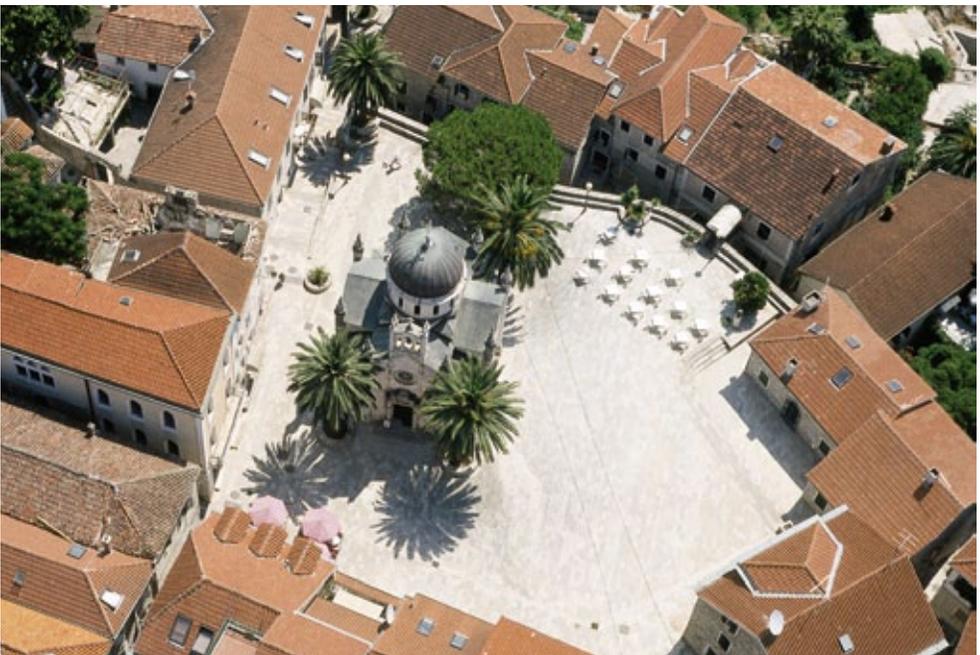
## 7. Favorable Tax Climate

The Montenegrin tax system is flat one. Very few countries in the world have a flat system and that in itself creates a lot of advantages, simplicity above all.

In addition, all major tax rates in Montenegro are very competitive with respect to other countries in the region and in Europe, and in many aspects Montenegro is working to make its tax system even more attractive.

**The Corporate Income Tax**, which is equal to 9%, is the lowest in the region. The **VAT rate** amounts to 19%, with the implementation of the rate of 7% on some categories of products and services. **Personal income tax** is 9% and 15%. The law on personal income tax was amended of February 2013, with temporarily increasing personal income tax on gross monthly salaries of over €720 from 9% to 15%.

All investors are able to remit dividend and interest profit in the full amount, without any restrictions.



## 8. Pro-business government

Strong commitment to a pro-business government is clearly expressed by the improved business climate and progressively increasing FDI. Major progress is recorded over the last four years in the area of market liberalization.

Montenegro joined Central European Free Trade Agreement (CEFTA) in 2007. From January 2008, the country has been implementing the trade-related provisions of the Stabilization and Association Agreement (SAA) with the EU. Montenegro joined the ranks of the World Trade Organisation (WTO) as its 156th member on December 17<sup>th</sup> 2011.

Free-Trade Agreement between Montenegro and members of the European Free Trade Association (EFTA) was signed 14.11.2011. Although four EFTA countries are small, they are the World leaders in several sectors vital to the global economy. Liechtenstein and Switzerland are internationally renowned financial centers and hosts to major companies and multinationals. The two EFTA Nordic countries – Iceland and Norway – stand out in fish production, the metal industry and maritime transport. The EFTA countries are important participants in the field of foreign direct investment and are in 9<sup>th</sup> place in the world in volume of trade.

Subject to negotiations with EFTA was the basic text of the agreement, with accompanying documents, and agreements on agriculture signed between Montenegro and the EFTA member states individually.



The regulatory process in Montenegro is open and transparent. The business community is welcome to provide comments on draft legislation. Laws before the Parliament can be found on the Parliament website. Legislation, once it is passed, is published in an Official Gazette. All national legislation is available via the Internet in the Montenegrin language, while a majority of it is available in English as well. In addition to that, almost all major strategies adopted by the Government of Montenegro are also available in English.

All firms registered in Montenegro are under the Commercial Court's legal authority. The Court maintains computerized registry and provides public access to company information.

A substantial body of laws protects foreign investors. Pursuant to the Foreign Investment Law, foreign investors enjoy



the same legal status and have the same rights and obligations as local investors. A foreign investor may establish a company on the territory of Montenegro or invest in a company's assets in accordance with the same procedures and meeting the same requirements as applied for the residents. According to the Business Organization Law, foreigners can be directors and members of the board within the companies.

In accordance to the Law on Foreign Current and Capital Operations, foreign investors in Montenegro can acquire ownership and are disposed upon means of payment denominations in currency other than euro, and to perform business and payment operations in currency other than euro.

The Labour Law was brought more in line with EU requirements: employment was made more flexible, restrictions on redundancy dismissals were eased, and the notice period for redundancy dismissals was shortened.

Government Agency, Montenegrin Investment Promotion Agency (MIPA) is a promoter of investment projects. Among other things, MIPA assists investors in obtaining permits and licenses; helps investors in locating *greenfield* and *brownfield* site options according to their specific requirements; and also gives initiatives and supports cooperation with domestic supplier companies and other local partners. Ultimately, through economic development, MIPA aims to improve the quality of life of all Montenegrin citizens. Therefore, MIPA promotes business ventures of particular interest to foreign investors and brings such projects to the attention of the international marketplace. So far MIPA has provided many *one-stop-shop* services for potential foreign investors. Moreover, MIPA raises Montenegro profile as a global competitor by facilitating investment from abroad.

## 9. National treatment of foreigners

Foreign investors in Montenegro are guaranteed national treatment by the Law. You can freely set up a new company, invest in it or buy an existing company or share of a company.

Foreign person can have property rights on movable or immovable assets and property, and have inheritance rights same as Montenegrin, as well as free transfer of assets and property to foreign or domestic legal and natural person.

There is no limit on the amount of invested capital. Foreign investors are allowed to invest in any industry, except military industry where foreign investor can invest up to 49%, and freely transfer all financial and other assets, including profits and dividends. All major national and international investment insurance companies insure investment projects in Montenegro.



The only limitations are that foreign person cannot have property rights on: natural wealth, common goods, agricultural land, forest and forest land, cultural monuments and immovable property within 1 km of the border line. However foreign person can have rights for concession, long term rent, BOT arrangement, franchise agreement, public private partnership on the above mentioned categories the same as a domestic person.

### **NO VISA REGIME**

For most of the countries there is no visa regime in Montenegro. The nationals of the Republic of Austria, the Kingdom of Belgium, the Republic of Greece, the Kingdom of Denmark, the Republic of Estonia, the Republic of Italy, the Republic of Ireland, the Republic of Cyprus, the Republic of Lithuania, the Republic of Latvia, the Grand Duchy of Luxembourg, the Republic of Malta, the Republic of Hungary, the Federal Republic of Germany, the Republic of Poland, the Republic of Portugal, Slovak Republic, the Republic of Slovenia, the Republic of Finland, the Republic of France, the Kingdom of the Netherlands, the Czech Republic, the Kingdom of Spain, the Kingdom of Sweden and the United Kingdom of Great Britain and Ireland may enter and stay within the territory of Montenegro up to 90 days and may be in transit over the territory of Montenegro on the basis of a valid travel document. Also citizens from other countries that require visas to enter Montenegro, with valid Schengen or US visa can stay in Montenegro up to seven days. Foreign person can request permission for temporary or permanent residence in Montenegro. Temporary permission is granted with working permit. If the foreign person has temporary residence in Montenegro for longer than five years, he acquires rights to obtain permanent residence status.

## 10. Excellent quality of life

Montenegro is a country of contrasts: from mild Mediterranean to a severe mountainous climate, from fruitful plains and river valleys to high and arid mountains. On its rather small surface area, a cultural heritage originated from the time of creation of the first human communities until the present. It is almost a privilege to be situated on the boundary of two large civilizations (eastern and western), three great religions (Orthodox, Catholic and Islamic), numerous known and unknown builders, painters and carvers, masters of sophisticated crafts, writers, transcribes and typographers, from whom we inherited the masterpieces of their hands and their spirit, sublimated nowadays into a wealthy cultural heritage.

Two UNESCO World Heritage sites are located in Montenegro: the Old town of Kotor as cultural heritage and Durmitor national park as a natural heritage. Cultural life in Montenegro is quite rich. There are nine theaters (seven professional) with over 400 performances per year, 41 radio stations, 19 TV stations and 20 public libraries. Year by year the number of events is increasing, including concerts of well know musicians, fashion shows, Formula One boat races, international music festivals, international movie festival etc. Over 1,000 sports clubs are registreted in Montenegro. The most popular sports are footbal, basketball, handball, valeyball, vaterpool and tennis. The large number of the restarurants, coffee bars and services to support your business needs, together with 240 sunny days at the costal area, offeres a strong fondation for an excellent quality of life.

In economic and social sphere, Montenegro is characterized by a relatively high level of development inherited from the period before the crisis of the nineties of the last century. Especially are important achievements in the area of development (ie. high level of education system and health care system), which are contributed to the fact that now Montenegro has significant potential in the area of human resources and a solid basis for economy recovery. Economic reforms are underway, and European integration which the country prosses, aspires to represent an additional incentive and potential for rapid and sustainable development of economy and society. Especially important is the value of cultural diversity, which also can give a significant contribution to sustainable development.



## 11. Easy business start-up

Registering business in Montenegro is an easy process. All companies need to be registered within the Central Registry of the Commercial Court ([www.crps.me](http://www.crps.me)). All you need is the Founding Act, Bylaw, a copy of the passport (in the case that you are founding a company as a natural person), or a notarized copy of your company Registration Act if you decide to start a business as a legal person from another country. Minimum founding capital is 1€ and fees are 22€. The whole process is complete within 4 days and if you do not receive the registration within that time frame you are considered automatically registered.

All documents regarding registration also can be submitted to Tax Authority, not only in Central Register of Commercial Court.

Registration can be done in the capital Podgorica (eight regional units) or in Bijelo Polje located at the northern part of the country. Online registration is now available on E Government Portal of Montenegro ([www.euprava.me](http://www.euprava.me)) at several steps.

You can choose to establish one of the following types of the companies: Limited Liability Company, Joint Stock Company, General Partnership, Limited Partnership, Investment Fund, Entrepreneur or a branch of a foreign company. Currently there are more than 24,000 companies registered in Montenegro, out of which over 5,200 are with foreign ownership.

After registering at the Commercial Court, next step is registration within the Statistic office. You need 1 day and 5€ fee to finish that process.

A company in Montenegro may be established without physical visit of a manager, but needs a representative in the state to carry on the establishment procedures.

In order to open bank account you can choose among 12 banks operating in Montenegro. The process takes only a couple of minutes. One company can have multiple accounts in different banks.

Montenegro introduced one stop shop system for registration within the Tax authority. With a single document you can obtain your Tax ID and VAT number, as well as regulate your Health Care and Pension contribution.

For obtaining license for specific business activity you need to contact the Secretariat for Economy/Entrepreneurship within the municipality. For most of the activities (such as services, trade, and those that do not have impact on general health or safety), a company need only file a one-page report to the Secretariat, and is considered to be licensed.



# 11 Reasons To Invest In Montenegro

## Edition 2015

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