

PORTO MONTENEGRO
**INVESTMENT
GUIDE**



MONTENEGRO'S

ECONOMIC OVERVIEW



SIGNIFICANT ECONOMIC GROWTH

The last few years have seen Montenegro's economic performance improve dramatically through the adoption of the Euro as the legal tender, restructuring of the banking sector, privatisation of more than 85% of state-owned companies, significant investment in infrastructure and disciplined government spending.

YOUNG, STABLE DEMOCRACY WITH AN OPEN ECONOMY

Montenegro's unspoiled natural beauty and favourable economic and political climate have allowed the small country of 672,000 citizens to emerge as one of the most attractive tourist destinations in Europe. The overall economic activity has been growing strongly with the tourism industry as the major vehicle, propelling investments in other sectors of the economy, creating €3.2 billion in total planned additional investment along the Montenegrin coast.

A BUSINESS-FRIENDLY ENVIRONMENT

Montenegro has one of the lowest corporate and capital gains tax rates in Europe (9%), low barriers to entry for new businesses, property rights, and a price-competitive, educated young labour force. It became a full member of the World Bank, IMF and EBRD in 2007, and progress towards NATO, WTO and EU membership will further guarantee political and economic stability.

“FLUSH WITH
NEWFOUND
FREEDOM, TINY
MONTENEGRO HAS
MONACO-STYLE
AMBITIONS”

— MONOCLE

MONTENEGRO LEADS THE WORLD IN TOURISM GROWTH

According to the World Travel & Tourism Council and Oxford Economics (2014), Montenegro is likely to be the fastest-growing travel and tourism economy in the world over the next decade, surpassing Brazil, Russia, India and China. Montenegro has recently experienced an upsurge in the popularity it once enjoyed in the 1960s, then a haven for the European elite and film stars such as Sophia Loren, Elizabeth Taylor and Kirk Douglas.

MAJOR GOVERNMENTAL SPENDING IN INFRASTRUCTURE

International bodies such as the World Bank, the European Investment Bank and the EBRD have partnered with the Government of Montenegro and foreign engineering firms to improve the country's infrastructure.

PORTO MONTENEGRO PROPERTY ACQUISITION PROCESS

UNIT RESERVATION & SALE AND PURCHASE AGREEMENT

Buyers may secure a unit with a non-refundable reservation deposit of €10,000 or €20,000 (dependent on unit price) and by submitting a signed Reservation Agreement. Upon receipt of the reservation deposit, the unit is reserved in the buyer's name and the buyer will be sent a Sale and Purchase Agreement detailing the purchase conditions which will also have attached:

- Plan of the Property
- Condominium and village rules
- Building Permit
- Payment Schedule
- Technical Specification

The buyer must sign and return one original of the Sale and Purchase Agreement within 21 days of reservation, at which point the reservation deposit is credited to the first instalment. At handover, the Montenegrin notarised translation of the Sale and Purchase Agreement is executed at the local cadaster office, either in person or via Power of Attorney.

INSTALLMENTS

- | | |
|---|--|
| <p>1 Stage
25% (including VAT)
on signature of Sale and
Purchase Agreement</p> | <p>2 Stage
25% (including VAT)
on completion of building
core and shell</p> |
| <p>3 Stage
25% (including VAT)
on completion of
water tight</p> | <p>4 Stage
25% (including VAT)
on building completion</p> |

BUYER

There are no restrictions on foreign ownership of real estate in Montenegro. Individuals may purchase apartments in their own name, in the name of a foreign or domestic company, or in a trust. VAT at the rate of 19% is applicable to the purchase of new real estate and 7% on new berths (included in published prices). If the property is purchased by a company registered in Montenegro for use in an active business (i.e. rental of the property), it is possible to file for a refund of the VAT paid. Other fees include a notary charge (approximately 0.1% of the purchase price) for notarisation of the Sale and Purchase Agreement, 0.5% annual property tax and 3.0% resale tax. Purchasers are recommended to contract contents and third-party liability insurance from one of the respectable local insurance companies or from a foreign insurance company formally involving a local insurance company; Lovcen (bought by Slovenian insurance company; used to be Zoil Lovcen - Podgorica), Uniqa (subsidiary of Uniqa Group Austria), and Montenegro Osiguranje (subsidiary of Ekos Osiguranje Beograd).



LEGAL SPECIALISTS

While Adriatic Marinas' internal legal counsel will facilitate the acquisition process, for outside legal advice and assistance with setting up an ownership structure including registration of local companies, the following law firms based in Montenegro may provide valuable advice and speak English and several other languages: *Prelevic law firm* - dp@prelevic.com, *Cejovic law firm* - cejovic@t-com.me, *Kordic law firm* - skordic@t-com.me, or *Bulatovic law firm* - brankobulatovic@t-com.me.

FURNITURE PACKAGE

MonteVera Design is the exclusive interior design coordinator for Porto Montenegro, liaising buyers with world-renowned interior designers to coordinate and deliver high-quality interior design and furniture solutions. MonteVera is currently representing three international interior designers - Mlinaric Henry & Zervudachi, A2Zen, and Alchemy Interiors - based in Paris, Bangkok and Italy/ Montenegro respectively, bringing an experienced, diverse and professional approach to the offering. Working with Adriatic Marinas and the interior designers, MonteVera expedites the process of procuring, shipping, importing, delivering and installing furniture while minimising the cost and hassle. MonteVera Design - pia@monteveradesign.com.

PROPERTY MANAGEMENT

FACILITIES MANAGEMENT - Adriatic Marinas manages the marina village, providing first-class services to yachts, residents, retail tenants and their guests. A service charge to cover these costs is levied on the residents (commercial and residential). The service charge is based on the areas occupied in proportion to the total area. Outside of the service provision, a sinking fund has also been established for any future repairs. The service charge is between €45 and €80/m²/year for property owners and is subject to adjustments based on the actual cost.

ESTATE MANAGEMENT - Apartment Lease-back Programme: If an owner chooses to rent out his or her apartment, Adriatic Marinas will manage this for a fee. Owners have the option of renting out their units for short-term or long-term periods. Adriatic Marinas also assists with the payment of property taxes and insurance as well as the management of unoccupied units. Leasing back an apartment (not occupied by the owner) allows the reclamation of the 19% VAT (included in the published price), if it is purchased through a locally set-up company.

INTERNATIONAL TAX



INVESTMENT BASICS

- Currency – Euro (EUR), even though Montenegro is not part of EU.
- Foreign Exchange Control – No
- Accounting principles/financial statements - International Accounting standards are applied. Financial statements must be filed annually.
- Principal business entities – these are the joint stock company, limited liability company, partnership, and brand of a foreign corporation.

CORPORATE TAXATION

- Residence – a company that is registered in Montenegro or that has its management and control there is deemed to be resident for tax purposes.
- Basis – resident companies are taxed on worldwide income; nonresidents are taxed only on Montenegro-source income.
- Capital gains – capital gains are included in taxable income and are subject to the normal corporate tax rate of 9%. Capital gains are calculated in accordance with the tax rules and may be offset only against capital losses.
- Rate – the main rate of 9% applies to both domestic and foreign companies.

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, unless the rate is reduced under a tax treaty.

OTHER TAXES ON CORPORATIONS:

- Real Property tax – property tax is levied on the ownership/use of property at rates ranging from 0.1% to 1%.
- Transfer tax – a transfer tax of 3% is levied on the transfer of immovable property.

PERSONAL TAXATION:

- Inheritance/estate tax – a 3% tax is levied on the inheritance of real estate. An exemption is available for the transfer of property as a gift or inheritance to children, parents or a spouse.

VALUE ADDED TAX:

- Rates – the standard rate is 19%. A reduced rate of 7% is levied on the supply of certain goods and services. Exports are zero-rated and exemptions exist for financial services, the sale of land and others.

— *Source: Deloitte, International Tax. Montenegro Highlights 2014 —

IMPORTANT NOTE: Whilst every care has been taken to ensure accuracy, the contents of this literature do not form part of or constitute a representation or warranty, and should be treated as a guide only. For accurate details the interested party is advised to consult the selling agent and/or satisfy themselves by inspection. This brochure and the description therein does not form any part of a contract, and while every effort has been made to ensure accuracy, this cannot be guaranteed.

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