

Government of Montenegro

Ministry of Finance

Questionnaire

Information requested by the European Commission to the Government of Montenegro for the preparation of the Opinion on the application of Montenegro for membership of the European Union

33 Financial and budgetary provisions

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**CHAPTERS OF THE ACQUIS – ABILITY TO ASSUME THE
OBLIGATIONS OF MEMBERSHIP**

Chapter 33: Financial and budgetary provisions

I. TRADITIONAL OWN RESOURCES

1 Which departments are responsible for levying import duties (customs duties and agricultural duties) and possible other charges levied on goods entering your country?

Customs rates included in the Customs Tariffs are prescribed by the Law on Customs Tariff (Official Gazette of the Republic of Montenegro 75/05, 17/07), adopted by the Parliament of Montenegro, at the proposal of the Government of Montenegro.

The Ministry of Agriculture, Forestry and Water Management proposes to the Government of Montenegro the customs rates for agricultural and food products (Chapter 1 to Chapter 24 of the Customs Tariffs), and other competent ministries propose customs rates for other goods.

In Montenegro, there are no other fees imposed on goods imported to Montenegro.

a) The general organisation set-up (central departments and external services);

The organizational scheme of the Customs Administration is submitted in the answer to the question no. 29, Chapter 29, about customs union.

b) Collecting, accounting and control procedures.

In accordance with the regulations, the customs service is competent for the collection of customs and customs duties, value added tax, excise tax on imported goods, administrative fees.

In accordance with Article 218 of the Customs Law (Official Gazette of the Republic of Montenegro, 7/02, 38/02, 72/02, 21/03, 31/03, 29/05, 66/06, and Official Gazette of Montenegro 21/08), a competent customs body calculates and records customs debt as soon as it gets the necessary data.

Customs debt is payable within the deadline determined by the Customs Law, to the transitory account of the Customs Administration and territorial units of customs offices, from which the funds are transferred to the State Treasury on a daily basis.

The calculation and collection of the customs debt is controlled by a competent customs branch office and customs office - Customs Branch Office for Financial, Material and General Affairs, and the Customs Administration through its activities and controlling units: Internal Audit Department, External Audit Division, Internal Control Department.

In case when a customs debtor fails to pay his debts within the deadline stipulated by law, the Customs Administration, the Division for Revenue Collection and Handling of Customs Goods, commences the collection of customs debt secured by a bank guarantee of the customs debtor, by foreclosure of the bank guarantee.

In case of matured but unpaid customs debts that are not secured by a bank guarantee (occurred based on a customs procedure, customs administrative or misdemeanour procedure), the collection is enforced in accordance with the Law on Enforcement Procedure (Official Gazette of the Republic of Montenegro 23/04) by submission of the enforcement decision to the Central Bank of Montenegro. The Central Bank of Montenegro immediately orders commercial banks where the judgment debtor has his accounts opened to block all accounts, and then orders the collection of debts using the funds from these accounts for the benefit of the prescribed accounts of the Customs Administration.

2 Are there separate accounts to distinguish recovered debts and outstanding debts?

Recovered debts and outstanding debts (customs debt status) are analytically separately kept in the customs information system.

3 What was the revenue from import duties for the year 2008? Please provide a breakdown of the total yield by your country's imports originating from the Union's current Member States (EU-27) and the rest of the world.

Calculated revenue in 2008 on the basis of import, per type of income, is given in the tables below:

CALCULATED REVENUES FROM IMPORT DUTIES(EU) 2008							
	State	Customs duty	Seasonal customs duty	VAT	Excise tax	Other duties*	Sum per countries
1	AUSTRIA	2 705 278.69	1 269 977.15	14 685 740.52	396 437.16	70 180.00	19 127 613.52
2	BELGIUM	209 479.51	24 435.24	1 428 435.26	952.87	10 598.00	1 673 900.88
3	BULGARIA	274 951.98	0.00	2 025 939.30	78 400.00	14 933.00	2 394 224.28
4	DENMARK	181 764.10	28 646.73	341 512.22	0.00	2 869.00	554 792.05
5	ESTONIA	138.60	0.00	2 381.97	0.00	15.00	2 535.57
6	FINLAND	53 150.58	0.00	330 487.11	0.00	1 449.00	385 086.69
7	FRANCE	584 171.81	8 735.25	4 857 420.92	1 238 067.20	27 560.00	6 715 955.18
8	GREECE	2 275 194.68	409.50	46 667 894.00	2 141 542.78	366 980.00	51 452 020.96
9	HOLLAND	1 589 688.83	940 997.69	3 834 159.64	239 174.52	38 088.00	6 642 108.68
10	IRELAND	7 238.98	0.00	115 317.99	0.00	956.00	123 512.97
11	ITALY	6 526 421.18	200 543.87	33 096 440.51	741 747.88	419 563.00	40 984 716.44
12	CYPRUS	77 233.01	9 947.32	294 498.56	118 466.15	1 718.00	501 863.04
13	LATVIA	22 966.70	0.00	49 219.36	0.00	389.00	72 575.06
14	LITHUANIA	40 707.94	0.00	65 599.25	0.00	233.00	106 540.19
15	LUXEMBURG	29 953.97	0.00	132 204.36	0.00	1 667.00	163 825.33
16	MALTA	60 909.40	0.00	137 797.59	0.00	439.00	199 145.99
17	HUNGARY	1 815 164.05	59 969.95	9 167 301.26	15 690.60	67 762.00	11 125 887.86
18	GERMANY	3 969 885.12	380 334.00	23 602 880.63	671 413.09	133 348.00	28 757 860.84
19	POLAND	372 336.17	7 302.16	2 067 960.28	0.00	9 122.00	2 456 720.61
20	PORTUGAL	3 258.15	0.00	10 938.27	0.00	117.00	14 313.42
21	ROMANIA	756 542.52	0.00	4 173 703.12	0.00	70 987.00	5 001 232.64
22	SLOVAKIA	182 680.89	0.00	1 011 543.09	0.00	3 751.00	1 197 974.98
23	SLOVENIA	6 695 001.56	277 380.64	26 273 759.87	1 214 264.18	173 418.00	34 633 824.25

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24	GREAT BRITAIN	221 339.14	3.97	945 461.44	9 797.33	19 123.00	1 195 724.88
25	SPAIN	600 811.98	43 340.37	3 297 598.09	3 517.86	34 789.00	3 980 057.30
26	SWEDEN	231 093.63	0.00	4 152 146.07	0.00	7 876.00	4 391 115.70
27	CHECK REPUBLIC	683 371.88	2 449.25	4 962 584.40	10 776.70	32 193.00	5 691 375.23

European Union	30 170 735.05	3 254 473.09	187 730 925.08	6 880 248.32	1 510 123.00	229 546 504.54
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CALCULATED REVENUES FROM IMPORT DUTIES (OUTSIDE EU) 2008						
States	Customs	Seasonal customs	VAT	Excise tax	Other duties*	Sum per countries
ANDORRA	314.56	0.00	1 125.19	0.00	13.00	1 452.75
UNITED ARAB EMIRATES	95 918.14	0.00	312 166.81	0.00	2 160.00	410 244.95
ALBANIA	235 273.71	4 474.60	3 604 631.75	153 152.08	159 398.00	4 156 930.14
ARGENTINA	44 380.01	0.00	98 812.48	0.00	1 095.00	144 287.49
AUSTRALIA	3 315.06	0.00	6 684.97	0.00	144.00	10 144.03
BOSNIA AND HERZEGOVINA	2 480 409.68	50 981.85	28 799 922.05	2 270 975.89	474 718.00	34 077 007.47
BRAZIL	84 896.97	18 765.51	679 262.45	0.00	26 134.00	809 058.93
BAHAMAS	6 947.95	0.00	12 047.13	0.00	168.00	19 163.08
BELIZE	13 467.20	0.00	87 275.55	60 957.36	929.00	162 629.11
CANADA	53 902.16	0.00	188 599.92	0.00	1 881.00	244 383.08
SWITZERLAND	290 644.14	761.31	18 244 985.36	0.00	1 187 105.00	19 723 495.81
CHINA	2 176 673.05	0.00	7 421 137.31	0.00	67 950.00	9 665 760.36
ECUADOR	239 786.48	0.00	313 275.33	0.00	4 433.00	557 494.81
EGYPT	45 463.37	0.00	137 949.13	0.00	4 174.00	187 586.50
ETHIOPIA	0.00	0.00	0.00	0.00	15.00	15.00
GAMBIA	264.30	0.00	3 483.68	0.00	16.00	3 763.98
HONG KONG	134 828.02	0.00	379 420.30	0.00	3 595.00	517 843.32
CROATIA	4 744 210.87	122 636.84	29 526 229.38	5 925 879.48	583 171.00	40 902 127.57
INDONESIA	36 713.65	0.00	95 792.21	0.00	843.00	133 348.86
ISRAEL	41 942.92	0.00	428 991.30	0.00	1 361.00	472 295.22
INDIA	51 543.39	0.00	150 209.69	0.00	1 610.00	203 363.08
IRAN	1 631.11	0.00	4 259.23	0.00	41.00	5 931.34
ISLAND	1 286.04	0.00	14 364.19	0.00	59.00	15 709.23

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JAMAICA	1 519.90	0.00	5 377.66	0.00	133.00	7 030.56
JAPAN	54 454.89	0.00	239 680.95	0.00	1 969.00	296 104.84
KIRGIZIA	2 749.28	0.00	2 810.39	0.00	36.00	5 595.67
NORTH KOREA	353.10	0.00	1 193.58	0.00	8.00	1 554.68
SOUTH KOREA	44 775.46	0.00	172 633.81	0.00	828.00	218 237.27
KUWAIT	9 092.76	0.00	24 726.57	0.00	135.00	33 954.33
LEBANON	3 243.44	0.00	22 135.41	0.00	42.00	25 420.85
LIECHTENSTEIN	20 409.27	0.00	165 007.59	0.00	1 424.00	186 840.86
SRI LANKA	146.66	0.00	530.74	0.00	15.00	692.40
MOROCCO	835.70	0.00	1 094.12	0.00	29.00	1 958.82
MONACO	503.64	0.00	2 474.47	0.00	29.00	3 007.11
MOLDAVIA	0.00	0.00	4 427.90	0.00	47.00	4 474.90
MADAGASCAR	239.65	0.00	4 117.96	0.00	19.00	4 376.61
MARSHALL ISLANDS	2 191.75	0.00	9 887.76	0.00	75.00	12 154.51
MACEDONIA	204 110.21	11 226.80	4 575 605.33	291 654.07	63 264.00	5 145 860.41
MEXICO	390.59	0.00	1 396.96	0.00	15.00	1 802.55
MALAYSIA	14 155.18	0.00	28 501.64	0.00	248.00	42 904.82
NORWAY	15 596.70	0.00	170 286.55	0.00	428.00	186 311.25
NEPAL	691.86	0.00	1 233.89	0.00	54.00	1 979.75
NEW ZEALAND	347.80	0.00	1 246.07	0.00	26.00	1 619.87
PANAMA	14 239.16	0.00	70 056.18	0.00	1 570.00	85 865.34
PHILIPPINES	301.18	0.00	11 603.04	0.00	126.00	12 030.22
PAKISTAN	6 926.98	0.00	12 958.74	0.00	31.00	19 916.72
PARAGUAY	2 149.92	0.00	12 560.09	0.00	69.00	14 779.01
QATAR	7 017.33	0.00	25 077.32	0.00	150.00	32 244.65
REUNION	808.26	0.00	2 594.15	0.00	16.00	3 418.41
SERBIA	15 087 358.16	331 180.60	126 739 105.92	13 781 639.46	2 270 106.00	158 209 390.14
RUSSIA	38 255.91	0.00	511 523.99	0.00	7 902.00	557 681.90
SAUDI ARABIA	10 158.46	0.00	39 898.56	0.00	396.00	50 453.02
SINGAPORE	4 324.09	0.00	18 075.04	0.00	193.00	22 592.13
SAN MARINO	11 125.57	0.00	45 535.51	0.00	322.00	56 983.08
SENEGAL	1 640.84	0.00	6 034.43	0.00	79.00	7 754.27
SYRIA	6 807.97	0.00	21 989.67	0.00	113.00	28 910.64

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SWAZILAND	550.64	0.00	3 222.20	0.00	49.00	3 821.84
THAILAND	72 773.01	0.00	147 525.19	0.00	845.00	221 143.20
TUNIS	1 530.76	0.00	2 888.69	0.00	74.00	4 493.45
TURKEY	1 492 815.32	21 042.40	4 930 160.09	0.00	31 664.00	6 475 681.81
TAIVAN	33 104.89	0.00	170 458.94	0.00	1 537.00	205 100.83
UKRAINE	43 305.79	0.00	1 307 238.66	278 310.00	18 538.00	1 647 392.45
SAD	1 419 093.64	0.00	5 723 052.38	0.00	25 714.00	7 167 860.02
URUGUAY	9 227.26	0.00	17 266.88	0.00	70.00	26 564.14
VIRGIN ISLANDS	20 326.12	0.00	66 058.57	0.00	344.00	86 728.69
VIETNAM	21 719.89	0.00	52 665.52	0.00	995.00	75 380.41
UNMIK/KOSOVO	81 036.31	0.00	580 899.64	93 981.03	22 401.00	778 317.98
SOUTH AFRICA	5 407.37	1.80	20 974.17	0.00	538.00	26 921.34

States outside EU	29 551 625.45	561 071.71	236 484 418.33	22 856 549.37	4 973 679.00	294 427 343.86
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II. VAT RESOURCE

4 Is there a value-added tax system applicable in your country? If so, please provide a summarised description thereof. Reference to the response given under the Taxation Chapter (16) may be done, if applicable.

Value added tax represents a key part of the tax reform, and thus a very important part of the overall economic reform being implemented in Montenegro.

The Law on Value Added Tax has been applied in Montenegro since 1 April 2003, and relevant secondary regulations have been adopted on the basis of this Law specifying its application. Value added taxation of products and services in Montenegro is done based on the place of consumption, in accordance with the principle of destination. Such a solution envisages that the export is exempted from VAT payment, and that the import of products is taxed and has the same treatment as domestic products that appear in the market. VAT obligation is determined based on the method of deduction, i.e. based on the invoicing method, which means that every registered VAT taxpayer is entitled to deduction of the previous VAT stated in the invoice by the supplier, and the right to deduction refers only to transaction that is VAT taxable.

Taxpayers determine themselves the VAT obligation, by deducting the amount of accounted for, i.e. paid tax when procuring products and services or when importing products, from the total tax obligation based on a realized turnover of products and services within the calculation period that is one month in Montenegro. A VAT taxpayer is every legal entity, entrepreneur or natural person that independently performs a business activity that is VAT taxable, and a person who trades in products and services taxable under this Law. A person is a VAT taxpayer if he has a turnover exceeding 18,000 euro within the last 12 months (not a calendar year), so that the persons who do not generate the abovementioned turnover or it is not certain that they would generate it, are not VAT taxpayers, unless they voluntarily submit an application for VAT payment, in which case they must remain in VAT system for at least three years. When a tax authority determines that, it has the authorizations to register a taxpayer for VAT ex officio, when such a person generates a turnover exceeding 18,000 euro, if the person did not do so by himself. State bodies and organizations are not VAT obligors with respect to the activities financed from taxes and other public duties, and if the aforementioned bodies perform taxable activity considered to be competition and that is taxable when performed by other taxpayers, they are obliged to register for and pay VAT.

The basic legislative provision introduced in Montenegro the unique tax rate of 17% for all products and services; however at the end of 2005, the amendments to the Law on VAT have introduced a reduced rate of 7% for a certain number of products and services (milk, bread, fat, oil, sugar, fodder, medications, books, passenger transportation services, accommodation of guests in hotels, public hygiene services, and a small number of other products and services) that were VAT exempted and not entitled to deduction of input VAT in accordance with former legal solutions.

Zero rate (0%) applies only to the export of products and transactions directly related to the export, then to products and services used in international air and maritime transportation (including also fuel), medications and medical devices issued at the expense of the Health Insurance Fund, delivery of products and services on the basis of donations when envisaged so by international agreement, and a small number of other products and services.

Tax exemptions envisaged by the Law on VAT are maximally reduced, and they mostly refer to public services, insurance and re-insurance services, banking and financial services, games of chance services, products imported for the needs of state bodies and charitable humanitarian organizations, products intended for official needs of diplomatic and consular offices and international organizations, passenger vehicles adjusted to disabled persons' transportation, products especially made for education, training or employment of handicapped persons, if they are acquired free of charge and imported by the institutions dealing with it, or are obtained from donors and not having commercial purpose, and with the opinion of the competent ministry, plus to a very small number of other products and services.

The Law on VAT envisages a lump sum fee in the amount of 5% that registered agricultural producers are obliged to account for when selling their products, and that can be deducted by registered VAT taxpayers as input VAT.

The Law on VAT envisages the refund of value added tax, and the deadline for refund is 60 days from the day of submitting a VAT return for calculation, or in case of a taxpayer who mainly exports goods, the deadline for refund is 30 days. There is also the possibility, if a taxpayer agrees with it, that the Tax Administration in his name pays due customs debt, according to VAT. The Law also envisages the possibility to refund VAT to taxpayers who do not have a registered office in Montenegro, as well as the possibility to refund VAT in passenger transportation.

5 For the relevant departments (Ministry of Finance, tax administration, statistical office ...) please give details of:

a) The general organisational set-up

In accordance with Article 2 of the Rulebook on Internal Organization and Job Descriptions of the Ministry of Finance, the organizational units of the Ministry are as follows:

1) BUDGET DEPARTMENT

- a) Budget Operations, Policy and Procedures Division;*
- b) Macroeconomic Analysis and International Cooperation Division;*
- c) Planning of Public Investments Division;*
- d) Budgets of Local Self-Governments Division;*
- e) Public Companies Division*

2) ECONOMIC POLICY AND DEVELOPMENT DEPARTMENT

3) STATE TREASURY DEPARTMENT

- a) Accounting Services, Budget Execution and Payroll Division;*
- b) Accounting Policy, Recording of State Property and Training Division;*
- c) Debt Management, Indebtedness Analysis, Cash Management and Foreign Relations Division;*
- d) Information Technology Division, and*
- e) National Fund Division.*

4) FINANCING AND CONTRACTING OF THE EU ASSISTANCE FUNDS DEPARTMENT

- a) Contracting of EU Assistance Funds Division;*
- b) Financing of EU Assistance Funds Division;*

5) DEPARTMENT FOR INTERNATIONAL ECONOMIC COOPERATION, STRUCTURAL REFORMS AND IMPROVING OF BUSINESS ENVIRONMENT

- a) Financial System Division;*
- b) International Economic Cooperation Division;*
- c) EU Integration Division;*
- d) Structural Reforms, Accounting and Auditing Division;*
- e) Division for Keeping the Registry of Companies Funded under Special Conditions;*

f) Improving Business Environment Division.

6) TAX AND CUSTOMS SYSTEM DEPARTMENT

- a) Direct Tax and Elimination of International Double Taxation Division;*
- b) Indirect Tax Division;*
- c) System of Local Self-Government Financing Division;*
- d) Customs System and Customs Policy Division, and*
- e) Second Instance Tax and Customs Procedure Division.*

7) DEPARTMENT FOR CENTRAL HARMONIZATION OF FINANCIAL MANAGEMENT AND CONTROL AND INTERNAL AUDIT IN THE PUBLIC SECTOR

- a) Harmonization of Financial Management and Control Division, and*
- b) Harmonization of Internal Audit Division.*

8) PROPERTY AFFAIRS DEPARTMENT

- a) Property Affairs Division;*
- b) Legislative Affairs Division, and*
- c) Second Instance Administrative Procedure Division.*

9) INTERNAL AUDIT DEPARTMENT

10) PREPARATION OF STATE ASSISTANCE DEPARTMENT

11) PUBLIC PROCUREMENT OFFICE

12) PROGRAMMING OFFICE

13) CABINET OF MINISTER

14) SERVICE FOR COMMON, HUMAN RESOURCES AND FINANCIAL AFFAIRS

In accordance with Article 3 of the aforementioned Rulebook, outside the organizational units, the systematization includes a job of Secretary of the Ministry and Adviser to Minister of Finance.

As far as the Tax Administration is in question, outside organizational units, the activities are carried out in the Cabinet of the Tax Administration Director and Correspondence and Reporting Desk.

Organizational units of the Administration are:

Taxpayer Service and Registration Department;
Return Receipt and Processing, Revenue Accounting and Information System Department;
Compliance with Tax Regulations, Inspection Supervision and Administrative Procedure Department;
Collection Enforcement Department;
Monitoring the Effects of Control and Collection and Personnel Development Section;
Internal Audit Section;
Economic and Financial Affairs Service;
Personnel, Legal, Technical and General Affairs Service;
Territorial units (Podgorica, Nikšić, Bar, Budva, Herceg Novi, Bijelo Polje, Berane and Pljevlja).

Within the Taxpayer Service and Registration Department, the following is organized:

Taxpayer Service and Assistance Division, with the groups:
Group for assistance and provision of services to taxpayers,
Group for provision of services in Call Centre.
Public Education Division;
- Registration Division;

Within the Returns Receipt and Processing, Revenue Accounting and Information System Department, the following is organized:

Reporting and Management Services Division;

Revenue Accounting Division;
Returns Receipt and Processing Division;
Operational Planning and Control Division;
Information System Development Division.

Within the Compliance with Tax Regulations, Inspection Supervision and Administrative Procedure Department, the following is organized:

Inspection Supervision Division;
- Group for planning of inspection controls and risk assessment;
- Group for operational planning and control;
- Group for organization and technique of inspection control;
Compliance with Tax Regulations and Administrative Procedure Division;

Within the Collection Enforcement Department the following is organized:

Delinquent Tax Accounts Division, with a group:
- Group for Collection in Call Collection Centre;
Delinquent Tax Return Division;
Work Load Planning and Operational Supervision Division;

Within the Economic and Financial Affairs Service, the following is organized:

Public Procurement Office
Excise Tax Stamps Office

Within the Personnel, Legal, Technical and General Affairs Service, the following is organized: (Intake office, dactylographic bureau and vehicle pool).

Within the Territorial unit, there are: Affiliation, office, branch office.

Organizational units formed within the Departments and Services do not have heads as separate institute, but they are managed at the level of Deputy Director of the Department and Heads of Services.

This proved to be a good and rational solution, since it has increased the number of employees carrying out the control of taxpayers.

Please see Chapter 18 – Statistics for the organizational structure of the Statistical Office.

b) VAT collection, accounting, control procedures, and statistical infrastructure

Control of all taxes, including the value added tax, is primarily carried out on the basis of the General Control Plan, approved by the Director of Tax Administration.

As far as VAT control is concerned, it should be noted that the information system of the Tax Administration still has limited possibilities for the selection of criteria for the development of the Annual General Control Plan, although the development of the sub-system for the support to inspection controls is in its final stage, and it is expected that it would be applied in practice soon. The information system currently enables the use of data on the total determined and collected tax obligations, whereas the options for inter-connection of certain indicators for some structures of taxpayers (business activity, size and capacity of taxpayer, amount of generated revenue, amount of incurred costs, and similar) are still not fully automated. The Tax Administration applied for the further upgrading of the information system, and it has obtained the funds through the EU funded IPA project.

The Tax Administration aims to improve its work and to establish the automatic system for risk assessment in the area of tax control, especially VAT control, as well as for monitoring of delinquent debt within the Collection Department. Within the Tax Administration of Montenegro, the Control Department adopts the Annual General Control Plan implemented by inspectors

categorized in 8 territorial units in Montenegro. For a quality control, a necessary precondition is to have a risk assessment previously done. In territorial units, risk assessment and selection of taxpayers for control are done by inspectors-classifiers, who refer taxpayers selected for control to supervisors, who further refer them to tax inspectors who are performing onsite or offsite controls, assessing complexity of control and professional capacities of inspectors themselves, making sure that the most complex controls are assigned to the most experienced and most capable inspectors.

In some cases, when it is assessed that there is a high degree of risk of losing revenues and when there is a possibility of VAT frauds, selection of taxpayers and assignment of control orders are done by the Department itself, and operational control plans are adopted, which specify all necessary details.

By rule, VAT inspection control includes the last year of taxation that VAT returns are submitted for, and the control may be expanded, in exceptional cases, to cover the previous period, if facts and circumstances are determined indicating that the control could significantly change the amount of tax obligation.

Special attention, as far as value added tax controls are concerned, is dedicated to the submitted requests for tax refund, when, by rule, control of merits of refund request is done, except in cases of "familiar" taxpayers, who are mainly exporters, which are as such recognized and registered with the tax authority.

Number of VAT controls in 2008 is 1417, or when compared to the total number of controls (2969), it represents 47.73 %; out of the aforementioned number of controls, irregularities were found during 1110 controls, representing 78.33 %. On the basis of VAT controls, the total of determined corrections was in the amount of €26,454,564.

As far as verifications of merits of VAT refund requests are concerned, in 2008 there were 598 verifications, and taxpayers' refund requests were corrected (meaning the refund was not approved) for the total of €550,066.00.

Based on the data of the Tax Administration of Montenegro, there are currently 21075 registered VAT taxpayers, out of which 18903 relate to legal entities, and 2172 to physical persons. Out of the total registered number of VAT taxpayers, in accordance with the Tax Administration Records, 93% of them are submitting monthly tax returns.

As far as **VAT** calculation and **collection** are concerned, the Tax Administration has a functional organization. Eight territorial units of the Tax Administration have eight organized Collection Affiliations within them.

VAT system, as well as other tax forms, is based on the self-taxation principle, i.e. taxpayer himself calculates his tax obligation, completes a tax return, submits it within the deadline prescribed by the law, i.e. until the 15th in a month for the previous month, and pays his tax obligation at the same time. Thus, a taxpayer himself determines the base and calculates his tax obligation.

By risk analysis method, the Tax Administration - Collection Enforcement Department selects taxpayers that are not compliant with regulations based on indications from entered data in the tax return. Collection Enforcement Department gives a proposal to the Control Department for offsite verification of data and/or supervision. Coordination between the sectors is very expedient and efficient.

6 What were the gross receipts of VAT and VAT refunds for the year 2008? If possible provide a breakdown of the total VAT receipts by VAT receipts levied on importation and VAT receipts levied within the country.

DESCRIPTION		Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
1(2+3)	Gross VAT collection	34.76	44.04	43.59	54.75	52.46	57.55	64.61	55.65	57.52	45.70	52.37	48.06	611.07
2	Gross internal VAT	14.82	15.90	11.87	19.16	17.53	16.04	22.45	20.41	18.75	12.55	26.06	19.20	214.75
3	Gross import VAT	19.93	28.14	31.73	35.59	34.93	41.51	42.16	35.24	38.77	33.15	26.31	28.86	396.32
4(1-5)	Total VAT refund	10.70	18.63	7.44	19.23	15.01	16.27	19.79	11.15	10.58	4.34	24.19	13.68	171.00
5(6+7)	Net collected VAT	24.05	25.41	36.16	35.52	37.45	41.28	44.82	44.50	46.94	41.36	28.18	34.38	440.06
6	Net internal VAT	9.78	6.22	5.89	8.43	8.39	8.86	9.32	12.73	13.30	9.58	8.02	9.38	109.90
7	Net import VAT	14.27	19.19	30.27	27.09	29.06	32.43	35.50	31.77	33.65	31.79	20.16	24.99	330.17

Source: Customs Administration

In 2008, the total collected value added tax was 611.07 mil euro. The total import VAT was 396.32 mil euro, while the total collected internal VAT was 214.75 mil euro. Net collected VAT, in 2008, was 440.06 mil euro, out of which net internal VAT was 109.90 mil euro, and net import VAT was 330.17 mil euro.

The total VAT refund, in 2008, was 171.00 mil euro.

III. GNI RESOURCE

7 Are National Accounts and the compilation of GNI (Gross National Income) based on the definitions and accounting rules of the European System of National and Regional Accounts 1995 (ESA 95)? If not, please give details of the system currently applied.

MONSTAT still does not calculate Gross National Income (GNI). For the time being, we are calculating Gross Domestic Product in accordance with ESA95 methodology.

We are currently working on defining the sources of data necessary for GNI calculation as envisaged by the MONSTAT four-year development plan.

8 Are National Accounts adjusted to cover the non-observed economy? What is the impact of these adjustments on the level of GNI?

The Statistical Office (MONSTAT) assessed the uncovered economy with respect to legal activities, included in the GDP calculation. Illegal activities such as: narcotics, prostitution, human trafficking, illegal trade in CDs, video cassettes, illegal use of software, sale of arms, are not assessed and not included in the calculation.

See Chapter 16, question 33.

III. ADMINISTRATIVE INFRASTRUCTURE

9 Which Ministry and departments will have overall responsibility for financial and budgetary issues in your country?

The Government of Montenegro is responsible for financial and budgetary issues in Montenegro, whereas the Ministry of Finance of Montenegro is the line ministry in charge of these issues. Financial and budgetary issues are defined by the "organic" Budget Law, annual Budget Laws, as well as by other secondary regulations proposed by the Ministry of Finance, and adopted by the Government of Montenegro.

The following institutions are under the competences of the Ministry of Finance of Montenegro:

- Tax Administration
- Customs Administration
- Statistical Office (MONSTAT)
- Games of Chance Administration
- Anti-Corruption Initiative Administration
- Administration for Prevention of Money Laundering and Financing of Terrorism
- Public Procurement Control Commission
- Public Procurement Directorate
- Real Estate Administration

As far as financial and budgetary provisions regarding local self-governments are concerned, and in accordance with the provisions of the Law on Local Self-Government and Law on Financing Local Self-Government, municipalities have a high degree of autonomy. At the same time, they are obliged to apply the provisions of the "organic" Budget Law.