

Transfer Pricing Compliance Requirements in Montenegro

November 10, 2022

In brief

Transfer pricing documentation is mandatory for all taxpayers engaged in intercompany transactions. Large taxpayers are obliged to submit TP documentation, while other taxpayers should have TP documentation in place and provide it on the Tax Authority's request.

As of 2022, Montenegro introduced more detailed transfer pricing rules, including the obligation to prepare transfer pricing (TP) documentation.

Montenegrin Corporate Income Tax (CIT) Law prescribes that all taxpayers engaged in intercompany transactions are obliged to prepare annual TP documentation and provide it on the Tax Authority's (TA) request within 45 days.

Large taxpayers are obliged to submit TP documentation to the TA. The submission deadline is June 30 for the first several years (until 2027).

TP documentation should cover all intercompany transactions, both domestic and cross-border. The language in which the documentation needs to be prepared is not explicitly prescribed.

Although Montenegrin transfer pricing rules are based on the OECD sources, Master/Local file concept envisaged by OECD's Action 13 has not been introduced in local tax legislation so far.

Country-by-Country (CbC) reporting is introduced and applicable as of 2024.

There are certain local specifics prescribed by the CIT Law and Transfer Pricing Manual, key of which include:

- Mandatory content of TP documentation is prescribed in detail. TP documentation should encompass analysis of the group and the individual entity, industry analysis, functional analysis, selection of the transfer pricing method, conclusion on whether the related party transactions are at arm's length and appendices.
- Transfer price is at arm's length only if between first and third quartile.
- Local benchmarking sample should consist primarily of Montenegrin comparables. Only if it is not possible to identify a sample in Montenegro, the search can be broadened to other comparable markets.
- Benchmarking studies must be based on latest published data for the first year TP documentation is prepared.
- Internal comparables are preferred in comparison to external ones.
- Materiality threshold (EUR 75,000) for documenting transactions in short form is also prescribed. Aforementioned is not applicable for large taxpayers.
- Safe harbour interest rates will be introduced for loans and other financial instruments.

Let's talk!

For a deeper discussion of how this issue might affect your business, please contact:

PricewaterhouseCoopers Consulting d.o.o.
88a Omladinskih brigada street
11070 Belgrade
Tel: +381 11 33 02 100
www.pwc.rs

Branka Rajčić
Partner
branka.rajjicic@pwc.com

Dragan Draca
Partner
dragan.draca@pwc.com

Mirjana Petkov
Senior Manager
mirjana.petkov@pwc.com

Legal Disclaimer: The material contained in this alert is provided for general information purposes only and does not contain a comprehensive analysis of each item described. Before taking (or not taking) any action, readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.

© 2022 PricewaterhouseCoopers Consulting d.o.o. All rights reserved. "PricewaterhouseCoopers" refers to the Serbian firm of PricewaterhouseCoopers Consulting d.o.o. or, as the context requires, the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.