

PORTO MONTENEGRO
BUYER'S 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, WTO in 2012, and progress toward NATO and EU membership will further guarantee political and economic stability.

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.

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

— MONOCLE

EUROPE'S FASTEST GROWING NAUTICAL DESTINATION

Porto Montenegro is the first comprehensive state-of-the-art deep-water marina in the Adriatic. It will offer up to 850 berths of all sizes - at least 300 reserved for yachts over 24 metres - as part of a full-service community comprised of luxury apartments, world-class shops, restaurants and other sports and entertainment amenities. The planned presence of the repair and refit facility only two nautical miles from Porto Montenegro will ensure all berth owners have year-round maintenance, repair and technical services, as well as access to a range of specialised subcontractors and a crew-training facilities.

SATISFYING THE SUPPLY-DEMAND BERTH IMBALANCE

Porto Montenegro is positioned to capitalise on the extreme berth shortage throughout the Mediterranean. With approximately 735 yachts over 24 metres in production and limited new marinas available due to high land costs, planning restrictions and environmental controls, Porto Montenegro is one of only a few where yachts of this size can berth.

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ASSET ACQUISITION PROCESS

REAL ESTATE

RESIDENCE RESERVATION & SALE AND PURCHASE AGREEMENT

Buyers may secure a residence 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 residence 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 and technical specification. The buyer must sign and return one original of the Sale and Purchase Agreement within 30 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

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

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 based on the areas occupied in proportion to the total area and is levied on the residents (commercial and residential). Outside of the service provision, a sinking fund has also been established for any future repairs. The service charge is between €45 and €85/m²/year for property owners and is subject to adjustments based on the actual cost.

RENTAL MANAGEMENT / LEASE BACK PROGRAMME

Owners have the option of renting out their units for short-term or long-term period and Adriatic Marinas will manage this for a fee. We also assist 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.

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 for of the Sale and Purchase Agreement, 0.44% 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 that we can recommend.

RESIDENCY

Temporary residence may be granted to a foreigner intending to stay in Montenegro for a period of up to 365 days, with an option to renew. For an individual to be eligible to apply for a temporary residency permit, they must own a real estate property to their name in Montenegro or are required to be an employee in a Montenegrin company.

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 there are several locally based law firms we recommend that may provide valuable advice.

MARINA

LEASE PURCHASING PROCESS

- 1 Stage**
Buyers may secure a berth lease by signing a Berth Reservation Agreement.
- 2 Stage**
Once the deposit is paid or a buyer is sure that he or she wants to purchase the lease, a Berth Lease Agreement is drafted for the client to sign.
- 3 Stage**
Upon signing the Berth Lease Agreement the lease must be paid in full.

LEASE BENEFITS

A lease provides a great opportunity for those looking for the security of a year-round berth, but still want the flexibility to cruise. Porto Montenegro offers a selection of berth leases between 15 - 30 years and can cater for yachts up to 250 metres. Berth holders looking to upgrade their berth size can benefit from a 3 year price freeze from the time of purchase.

LEASE RENTAL

Long-term lease owners have access to the marina's hassle-free rental pool system, where 85% of the pooled revenue is split amongst its members. Pooling the revenue for sub-leasing in this way ensures there is a guaranteed financial return for the owner regardless of individual berth usage. If lease owner do not wish to join the rental pool system, there is the opportunity to enter into an Individual Berth Management Agreement with Adriatic Marinas, who will manage sub-leasing the berth for a fixed fee.



BUYER

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TAX FACTS (TAXATION BENEFITS)

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.

NAUTICAL TAXES

- Montenegro's simplified Law on Yachts is the most yacht-friendly legislation within the Mediterranean. It allows charter yachts to take advantage of a user-friendly vignette system enabling multiple entries and frequent changes to the passenger and crew manifest, as well as various nautical tax benefits.
- Tax on marine-related and tourist services is capped at 7%, whilst there is a 0% VAT on charters and tax and duty-free fuel, making fuel up to 45% cheaper than retail prices.

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% (0.44% in the municipality of Tivat).
- 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.

AVOIDING DOUBLE TAXATION

- Montenegro has signed a treaty with over 40 countries for entities and individuals to avoid double taxation on personal, corporate and property income.

— *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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