



Head office:
35, Jovana Tomaševića Str.
Bar, 85 000
Montenegro

Tel: +382 30 311 890
Fax: +382 30 353 585
E-mail: info@abaco.co.me
Web: www.abaco.co.me

Overview of Laws & Regulations governing ships registration under the Montenegrin flag

I. Laws & Regulations governing procedure for registration of ships

Comprehensive set of rules governing procedure for registration of ships in the respective registers are contained in Articles 202-222 of Marine and Inland Navigation Act, 1998 (hereinafter: MINA).

Pursuant to applicable provisions of MINA, ships may be registered in the following Registers of ships:

1) for sea-going ships:

- Register of seagoing merchant ships;
- Register of seagoing fishing vessels;
- Register of seagoing ships in public service;

2) for inland navigation ships:

- Register of inland navigation ships;
- Register of inland navigation ships in public service.

For ships under construction there are Registers of seagoing ships under construction and Registers of inland navigation ships under construction.

The following ships¹ may be registered with the Montenegrin Register of ships:

- 1) a ship which is wholly or partially owned by a foreign national or a Montenegrin citizen domiciled abroad;
- 2) a ship which is wholly or partially owned by a foreign national or a Montenegrin citizen domiciled abroad, and the operator of such a ship is a Montenegrin enterprise or another legal entity with the registered seat in Montenegro or a Montenegrin citizen domiciled in Montenegro, provided that her owner has agreed to the request of the Montenegrin operator to enter such ship in a register of ships, and both the owners and her operator shall entered in the Register and the Certificate of Registry ;
- 3) a ship which is wholly or partially owned by foreign nationals provided that Montenegro controls the ship and if such registration is allowed by the Ministry of Transport and Maritime Affairs of Montenegro;

Further and in accordance with Article 210, a ship which is entirely owned by a natural or legal person who is a Montenegrin citizen with residence or registered seat in Montenegro must be registered with the Montenegrin Register (compulsory registration).

All records concerning a ship (including encumbrances) are kept in one place – the Register of Ships, maintained by Harbour Master's Offices.

It is worth noting that there are no specific requirements related to the age of the vessel qualifying for registration in Montenegrin Register of Ships.

¹ Seagoing ships defined as vessels intended for seagoing navigation, exceeding 12 meters in length and with gross tonnage greater than 15 GT, or authorized to carry more than 12 passengers.

The procedure for registration is quite simple and it is to be initiated by the Owners of the vessel or by her managers or operators, as the case may be. Furthermore, it should be noted that the application for registration must be filed with Commercial Court in Podgorica through Harbour Master's Office. The procedure for registration is usually completed within four or five workig days.

The documents required for permanent registration of a ships are as follows:

- Proof of ownership (Bill of Sale);
- Document proving fulfilment of the nationality requirements of the applicant;
- Decision on the ship's name, port of registry, call sign and MMSI issued by the Ministry of Transport and Maritime Affairs of Montenegro;
- International Tonnage Certificate (1969) issued by Recognized organization;
- Cargo Ship Safety Construction Certificate issued by Recognized organization;
- Documents detailing other particulats of the ship;
- Deletion certificate issued by a foreign register, where applicable, or Builder's Certificate (for newbuildings only);
- Evidence of compulsory liability insurance².

When the vessel is owned by a foreign natural person (i.e. an individual) or a legal person (i.e. a company), and her managers or operators are Montenegrin company, the owner's written consent for registration of the vessel with Montenegrin Register is required and Bareboat Charter Party as well. In such a case, the registration must be renewed prior the expiration of Bareboat Charter Party.

For obtaining the permit for registration of foreign ship in Montenegrin Register of Ships (to be granted by Commercial Court in Podgorica), the owner or the operator shall also submit decision on approval of temporary import of a ship on the basis of the Bareboat Charter and a unique customs document for temporary or regular import of the ship³.

II. Costs and fees associated with the registration of a ship

Regarding the costs and fees associated with the registration of a ship, there are Court fees (stamp duties) in amount of EUR 450,00 payable regardless of the size and tonnage of the ship applying for registration.

There are also administration fees payable in favour of Harbour Master's Office which amount to EUR 455,00.

² Article 42 of the Law on Compulsory Traffic Insurance (OG 44/12) provides that an owner or authorized user of a vessel must be covered by liability insurance for damages that the vessel may cause to third parties by inflicting bodily injuries, impairing health or death, ect.

The lowest sum insured, which the liability insurance of mentioned Law may be agreed on, shall be as follows:

- 1) for ships:
 - size up to 1000 BT € 100,000;
 - size from 1001 up to 10000 BT € 200,000;
 - size from 10001 up to 20000 BT € 300,000;
 - size from 20001 up to 30000 BT € 400,000;
 - size over 30000 BT € 500,000;
- 2) for other watercrafts for sport and recreation:
 - motor boats € 50,000
 - hydro-motorboats, light motorboats, motor scooters and motorboats €200,000;
 - yachts € 800,000.

³ The core acts of customs legislation in Montenegro are the Customs Law (OG 21/08), the Law on the Customs Tariff (OG 28/12), the Customs Service Law (OG 29/05), the Law on Free Zones (OG No. 42/04), the Implementing Provisions to the Customs Law (OG 38/08), and the Rulebook on the Form, Content, Methods of Lodging and Filing the Customs Declaration and Summary Declaration (OG 48/07). Goods entering or leaving the customs territory of Montenegro are subject to customs supervision measures and customs verification.

Generally, the import of new or used veesel in Montenegro is subject to payment of VAT at the rate of 19%. Import VAT is paid concurrently when customs duty is paid (VAT is a part of customs debt) and in some cases, in particular when the registered owner of the vessel is a legal entity with registerd seat in Montenegro, may be refunded the VAT surplus within 60 days from the day of submission of VAT calculation return. When the operator of the vessel only is a legal entity with registered seat in Montenegro and the vessel which is to be registered is owned by a natural person (i.e. an individual) or a legal person (i.e. a company) who is established (i.e. resident) outside the Montenegrin (customs) territory, the vessel qualifys for Temporary Admission – importation without paymemnt of VAT.

III. Taxes related to the operation of a ship registered under the Montenegrin flag

The tonnage tax regime does not apply in Montenegro.

Therefore, the actual profits earned from shipping activities are taxed pursuant to the corporation tax rules set out in Law on Corporate Profit Tax of Montenegro.

According to the provisions of said law, a taxable profit of a taxpayer shall represent the tax base of the Profit Tax. The taxable profit shall be determined by adjustment of the profit of the taxpayer stated in the income statement according to accounting regulations, and adjusted in the manner envisaged by the law. The rate of profit tax is flat and amounts to **9%** of tax base (of taxable profits).

Contact:

Mr. Petar Djurovic

Managing Partner

E-mail: p.djurovic@abaco.co.me

Tel: + 382 30 311890