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

I. Laws & Regulations governing procedure for registration of ships

Law on the manner of registration of ships, floating objects and installations for the production of hydrocarbons in the registers and on real rights on ships and installations for the production of hydrocarbons (Official Gazzete of Montenegro no.34/2019) (the „Law“) provides a comprehensive set of rules governing procedure for registration of ships in the respective registers.

Pursuant to the Law, depending on types of ships,¹ the following registries of ships exist and are maintained by Harbour Master's Offices:

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

For ships under construction there is a Registry of ships under construction.

The following ships can be registered with the Montenegrin Register of ships:

- 1) a ship that is partially owned by citizen of Montenegro;
- 2) a ship that is wholly or partly owned by a citizen of a Member State of the European Union if the company or manager is a legal entity registered in Montenegro;
- 3) a ship that is partially owned by a legal entity with its registered office in Montenegro;
- 4) a ship that is wholly or partly owned by a legal entity established in a Member State of the European Union if the company or manager is a legal entity established in Montenegro;
- 5) a ship that is wholly or partly owned by a citizen of a Member State of the European Union or a legal entity established in accordance with the regulations of a Member State of the European Union and established in a Member State of the European Union, provided that the ship is operated from a representative office in Montenegro;
- 6) a ship that is owned by a foreign natural person, with its residence outside Montenegro or outside the Member State of the European Union, if the company or manager is a legal entity with its registered office in Montenegro;
- 7) owned by a foreign legal entity with a registered office outside Montenegro or outside a Member State of the European Union, if the company or shipowner is a legal entity with a registered office in a Member State of the European Union and that company or manager has a representative office in Montenegro.

¹ Ship is defined as vessel intended for seagoing navigation, exceeding 12 meters in length and with gross tonnage greater than 15 GT, or exceeding 12 meters in length and with gross tonnage greater than 15 GT authorized to carry more than 12 passengers, except warships.

Further and in accordance with Article 6, para. 3 of the Law, 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 are kept within the respective registry. Such records include all the encumbrances over the ship and the rights acquired in respect of these encumbrances, ship lease, time charters, pre-emption rights and other restrictions on ship's disposal.

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.

The procedure for registration 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 working days.

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

- Proof of ownership (Bill of Sale);
- Excerpt from the registry of commercial entities for applicant who is a legal entity or document proving fulfilment of the nationality requirements for applicant who is a natural person;
- Resolution on the ship's name, sign and port of registry;
- Certificate on ship's seaworthiness;
- International Tonnage Certificate;
- Resolution on the ship's calls sign according to the International Code of Signals, if applicable;
- Deletion certificate issued by a foreign register, where applicable;
- A written statement from the shipowner to transfer liability for the management of the ship to the company, if the shipowner is not the company,
- Compulsory third party liability insurance policy of the owner, i.e. operator of the ship, in accordance with the law, as well as a copy of the passenger insurance policy if it is a passenger ship.

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.

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 progressive and amounts from **9%** to **15%** of tax base (depending on annual taxable profits).

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