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GENERAL INFORMATION

1. Buying as a foreigner in Montenegro

Foreign investors in Montenegro are treated equally to local investors. Please refer to brochures of the MIPA (Montenegro Investment Promotion Agency) for more details
http://www.mipa.co.me/files/images/1536654342-11_Reasons_2018_b.pdf (Point 9.).

2. Residency based on property ownership

If you are the owner a residential property in Montenegro, you are allowed to apply for residency in Montenegro based on the property ownership. The residency permit is valid for 1 year and is renewable as long as you own the property.

The other common way of obtaining residency permit is based on the **work permit**. Either by being employed by a local company, or by setting up your own company and hiring yourself. There is a one-off cost for setting up the company of c. 500€ and the monthly cost of running the company is c. 200€/month.

If you need assistance with your **Residency Permit** application while buying a property with us, we can put you in touch with our partner who can handle the entire process for you. They will be providing you with the list of all required documents, arranging certified translations, arranging visits to all administration, medical, immigration and ministry offices, banks, etc. The partner will quote their services directly to you.

PROPERTY PURCHASE PROCEDURE

3. Transfer of the funds to Montenegro

The most straight forward way to transfer the money is by **International Bank Transfer**. Once you are ready to send your payment we will provide you with the bank instructions of our company's account based in Montenegro, which include our IBAN and SWIFT numbers.

Please note that we will always send you an invoice with our company logo and legal information, from the email minicondos@catareos.com and we will be informing you of this email via another mean, usually a call or message on skype, viber, or whatsapp, from one of our corporate phone numbers. In case of any doubts, please call +382.69.215.887 or +382.69.179.887.

4. Legal aspects of the purchase and sale.

The legal aspects of the transaction are now handled by Notaries in Montenegro, so there is no more obligation to hire a lawyer, unless you wish to do so.

Note that lawyers' fees are quite high (usually a minimum of 1.000€) and the due diligence provided is the same as what the Notary can provide to you. Therefore, you may appoint the Notary in charge of the notarization of the sale to proceed to the usual checks, such as the sighting of the land registry records on the day of signing the final contract, in order to ensure there are no liens on or issues with the property subject to the sale.

Notaries' fees are regulated by law and can be found online on the website of the Chamber of Notaries <http://notarskakomora.me/notarska-sluzba/notarska-tarife>

Transaction amount		Notary Fees
From	To	
0	5.000	70€
5.001	20.000	120€
20.001	40.000	170€
40.001	60.000	250€
60.001	80.000	300€
80.001	120.000	350€

Above 120.000€ the Notary Fees are raised by 10€ for each 15.000€ of transaction value, with a maximum Notary fee of 5.000€

The buyer needs to pay for the **oral translation** of the contract by a court certified interpreter into his/her native language, or into English. The cost is usually under 200€.

Please note that although the Notarisation of the contract is meant to protect you as a buyer, and as seller, you will notice that half of the paperwork that you will be signing in front of the Notary is written in order to remove any responsibility from the Notary in case of any future dispute, so we will always send you the draft of the contract prior to signing, and make sure all the terms are agreed and understood before the actual signing at the Notary.

THE PROPERTY YOU ARE BUYING

5. Specifications

Please check our brochure about specifications of the apartments.

6. Ownership rights

Once the transfer of ownership is done, you become the owner of the apartment, and a % of the land ("undivided share"), based on the % of sqm that you own in the building.

Regarding ground floor "patios", in Montenegro, it is not possible for the owners of ground-floor apartments to own the land adjacent to their apartment, but it is possible to have an **exclusive and unlimited right on that specific piece of land**, which will be specified in the condominium rules.

AFTER THE TRANSFER OF OWNERSHIP

7. Condominium Association

Upon the transfer of the ownership, you will become part of the **Home Owner's Association** and will be requested to sign the **Condominium Rules**. These rules regulate the rights and obligations of the owners and residents of the property. The condominium charges which includes **maintenance charges** of the residence, represent:

- In Residences without swimming pool: 1,5€/sqm/month
- In Residences with swimming pool: 2€/sqm/month

Although the charges can be transferred to the tenants of the units, it is the sole responsibility of the owners to pay these charges. The condo charges are billed 2 times per year, upfront.

8. Renting your property

We offer a **Property Management Service** if you do not wish to handle this aspect yourself. We can source long term tenants via our in-house agency "**Rentals Montenegro**" specialised in long term lets (www.rentalsmontenegro.com).

9. Return on Investment and Lease-back Program

Based on our extensive knowledge of the market, via our in-house leasing agency for **long-term lets** "Rentals Montenegro" we are able to predict the **yield** these apartments would provide. Based on this, these apartments, fully-furnished should provide a yield between 5% and 14%.

The highest scores are achieved by **Studios and 4-bedroom** apartments due to a lack of offer of these properties on the Tivat market, and a high demand.

For these property types, we offer 4% guaranteed income with our lease-back program.

Our **lease-back program** offers a guaranteed revenue for **3 years minimum**, between 2,5% and 4% of the purchase price paid. FYI, you are free from paying taxes on this income, as it is our responsibility to do it for you, so this revenue is **net from taxes**. Furthermore, we also pay the Condominium charges on your behalf for the duration of the leaseback.

- Studios 4%
- One-bedrooms 3.5%
- Two-bedrooms 2.5%

- Three-bedrooms 3.5%
- Four-bedrooms 4%

For **Best Price** and **Cash Price** buyers, we start paying you the leaseback rent from the moment we have received 70% of the purchase price, on a pro-rata basis.

Example: when buying a studio of 50.000€, we pay the following leaseback rent to you:

- **Best Price Plan:**
When 70% of the amount is paid (35.000€) you start receiving $(35.000€ \times 4\%) / 12 = 117€/month$.
Once 100% is paid, you receive $50.000 \times 4\% / 12 = 167€/month$.
- **Cash Price Plan:**
As soon as 100% is paid, you receive $50.000 \times 4\% / 12 = 167€/month$.

10. Receiving income

If you rent the property you would usually have the tenant pay the rent into a local account in Montenegro. Procedures to open a bank account in Montenegro are very simple, you just need to show your passport, fill in a form to answer some security questions, and the account will be opened on the spot. You can obtain a debit card (it takes about 3 weeks) and there is online banking available in most banks.

ABOUT TAXES

11. Newly built property > VAT (once)

When buying a **newly built property**, on the first transfer of ownership, you are paying VAT as **part of the price**, which means that the price you are paying **already includes VAT**; you do not need to do anything, as we are collecting it on your behalf. Ex. Price paid: 50.000€: 42.017€ + **7.983€ VAT** – **This is the case if you buy the property directly to our Development Company (“Rentals Montenegro” d.o.o.)** which is building the property.

In case you buy the property from our Selling Company (“Mini Condos” d.o.o.), which is usually the case, then this will be the 2nd transfer of ownership, and you will pay a 3% Property Transfer Tax and there won’t be any VAT.

12. Property Transfer Tax (once)

If the property has already been the subject of a first transfer of ownership, then there is no VAT, but only a **3% tax on the transfer of the ownership**. When you resell the property, the next buyer will also be liable for this tax.

13. Property Ownership Tax (every year)

This tax is set by the Municipality and it depends on several factors. It varies from 0.25% to 1% of the value of the property. For the Mini Condos built in Tivat, we expect a tax of **0.5%** of the property value. Ex. If the property is worth 50.000€ the yearly property tax would be 250€.

14. Rental Revenue tax: 9% / 15%

The rental revenue is taxed as part of the personal income, at a rate of 9% if the revenue is less than 720€/month, and 15% for the amounts exceeding 720€/month. It applies when you receive the rent directly from a private person. When it is paid by a Company (like in the case of our leaseback) then you are not liable to pay the tax, we pay it on your behalf.

USEFUL DOCUMENTATION

TAXES

- Deloitte Montenegro **Taxes Highlights 2018**:
<https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-montenegrohighlights-2019.pdf>
- Eurofast – Montenegro **Tax Card 2017**: <https://eurofast.eu/wp-content/uploads/2017/02/MontenegroTaxCard2017.pdf>
- Guidebook through **tax law in Montenegro** (Montenegrin Ministry of Finance):
<http://www.mif.gov.me/files/1192438155.pdf>

LAWS

- **Laws** in English Language: <http://www.mipa.co.me/legislation.php>

MONTENEGRO INVESTMENT PROMOTION AGENCY INFORMATION

<http://www.mipa.co.me/en/publikacije/>

- MIPA Montenegro Investment Promotion Agency **111 Questions/Answers**:
http://www.mipa.co.me/files/images/1536654373-111_FAQ_b.pdf
- MIPA Montenegro Investment Promotion Agency **11 reasons to invest in Montenegro**:
http://www.mipa.co.me/files/images/1536654342-11_Reasons_2018_b.pdf
- MIPA Montenegro Investment Promotion Agency **Country report 2018**:
http://www.mipa.co.me/files/images/1536654220-Country_Report_2018_b.pdf