

THE EXCISE TAX LAW

I. GENERAL PROVISIONS

Article 1

- (1) This law regulates the excise tax system and introduces the requirement to pay excise tax on excise goods as defined by this law (hereinafter: excise goods), which are put into free circulation on the territory of the Republic of Montenegro.
- (2) The excise goods referred to in paragraph 1 of this Article are:
- 1) Alcohol and alcohol beverages,
 - 2) tobacco products and
 - 3) mineral oils, mineral oil derivatives and their substitutes.

Article 2

- (1)

(3) An **excise license** is a document issued by a tax authority to a legal or natural person allowing such person, in performing his/her activities in an excise goods warehouse, to engage in the following: produce, store, receive or dispatch excise goods under a deferred excise tax payment regime.

(4) An **excise goods warehouse** is one or several connected, enclosed areas or facilities that constitute a technological whole, in which an excise licensee produces, stores, receives or dispatches goods under a deferred excise tax payment regime and which must bear clearly visible markings and be physically separate from the other areas or facilities.

(5) A **deferred excise payment regime** is an institute related to production, storage and movement of excise goods, on the basis of which the obligation to pay an excise tax is postponed.

(6) An **exempt excise goods beneficiary** is a natural or legal person to which a tax authority may, under conditions defined by this law, issue an excise license allowing such person to procure, in the performance of his/her activity, excise tax-free excise goods for purposes specified in Articles 44 and 54 of this law.

(7) An **exempt excise goods beneficiary plant** is an area, installation or equipment where excise goods are kept, which an exempt excise goods beneficiary procured excise tax free to carry out his/her activities.

(8) An **excise goods importer** is a customs debtor, defined under the customs regulations, or a foreign excise goods consignee.

II. ESTABLISHMENT OF AN EXCISE REQUIREMENT

Article 5

(1) An excise requirement is established when:

- 1) excise goods are produced in the Republic of Montenegro (hereinafter: Montenegro) and
- 2) excise goods are imported into Montenegro.

(2) An excise requirement may be transferred from the producer or importer to an excise licensee, or exempt excise goods beneficiary under terms and conditions established by this law.

III. DEFERRED EXCISE TAX PAYMENT REGIME

Deferred excise tax payment regime

Article 6

(1)

- 1) from one excise goods warehouse to another excise goods warehouse, from an exempt excise goods beneficiary plant to an excise goods warehouse and upon import to an excise goods warehouse,
- 2) from an excise goods warehouse to an exempt excise goods beneficiary plant and upon import to an exempt excise goods beneficiary plant,
- 3) from an excise goods warehouse into export,
- 4) if, immediately upon entry into Montenegro, excise goods are allowed to be stored temporarily or a customs transit procedure is initiated for such goods, a procedure for storage in a bonded warehouse, import for export under the deferred excise tax payment regime, processing under customs supervision or temporary import, or if transported to a free zone.

(2) For transporting excise goods imported for needs of the exempt excise goods beneficiary, an importer shall submit to the customs authority a statement by the exempt excise goods beneficiary in which the beneficiary shall specify that the quantitative limit in the license issued by a tax authority has not been used.

(3) Transportation of excise goods under the deferred excise tax payment regime is permitted only if such goods are accompanied by an excise document, unless otherwise regulated by this law.

(4) The provisions of paragraph 3 of this article shall apply to transportation of all excise goods.

Excise document

Article 8

(1) An administrative excise document (hereinafter: excise document) is a legal document that accompanies transportation of excise goods and serves to prove:

- 1) the movement of excise goods under the deferred excise tax payment regime;
- 2) the dispatch of excise goods from an excise goods warehouse or entry of goods in an excise goods warehouse;
- 3) the dispatch and entry of excise goods for an exempt excise goods beneficiary and
- 4) the export of excise goods, as well as the type and quantity of excise goods under such regime.

(2) An excise document shall be issued by the person transporting the excise goods under the deferred excise tax payment regime.

(3) An excise document is issued in 4 copies of which:

- 1) one copy for the dispatcher,
- 2) two copies accompanying the goods for the consignee, out of which one copy is to be signed by the consignee and returned to the dispatcher or tax authority and
- 3) one copy for the competent tax authority.

Article 9

(2) An excise licensee is exempt from paying excise tax on excise goods stored in such licensee's excise goods warehouse, if the excise goods are:

- 1) used as the basic component in the production of other excise goods in the excise goods warehouse,
- 2) used as analysis samples in testing production or for scientific purposes,
- 3) used for purposes of customs control,
- 4) used for quality control which is performed by authorized persons in a bonded warehouse,
- 5) destroyed under the supervision of a tax authority,
- 6) a shortfall of excise goods is established which an excise licensee proves to be the result of force majeure (excluding theft) or which is necessarily related to the production process, storage and transportation of such good,
- 7) alcohol fully denatured in accordance with article 44 of this law,
- 8) tobacco products, denatured and used for industrial or horticultural purposes.

(3) An exempt excise goods beneficiary is exempt from paying an excise tax if:

- 1) the excise goods are dispatched and stored in an excise goods warehouse and if an excise licensee confirms receipt of the consignment on a copy of the excise document,
- 2) the excise goods are used for purposes specified in article 44 or article 54 of this law and indicated in the license of an exempt excise goods beneficiary.

(4) An exempt excise goods beneficiary shall also be exempted from paying an excise tax if:

- 1) the excise goods are used as analysis .835 0.165 0 3 Tc-.00()p
- 2)

(7) An excise licensee and an exempt excise goods beneficiary as specified in article 6, paragraphs 4 and 5 of this law shall be exempt from paying excise tax if excise goods are stored in another excise goods warehouse and if the excise licensee of such other excise goods warehouse certifies this on the administrative document.

(8) An excise licensee and an exempt excise goods beneficiary as specified in article 6, paragraphs 4 and 5 of this law shall be exempt from paying excise tax if:

- 1) the excise goods are put into free circulation and if the excise tax was paid by the buyer;
- 2) if excise goods in a bankruptcy or liquidation proceeding are sold to an excise licensee or exempt excise goods beneficiary and their storage certified in the administrative document,
- 3) the excise goods are dispatched from an excise goods warehouse or exempt excise goods beneficiary plant to a creditor (under division of property) and the excise tax is paid at the same time, or if the creditor – excise licensee certified receipt of the consignment on the administrative document.

(9) An excise licensee and exempt excise goods beneficiary as specified in article 6 paragraph 7 of this law shall be exempt from paying excise tax if the excise goods are stored in another excise goods warehouse or exempt excise goods beneficiary plant and such action is recorded in the excise document or if assets are acquired within a period of 60 days from the day the application is submitted for entry in the register and the excise goods are dispatched for such purpose and the excise tax is paid at the same time.

V. ESTABLISHMENT OF REQUIREMENT TO ASSESS AND PAY EXCISE TAX

Establishment of Requirement to Assess Excise Tax by a Producer

Article 13

(1) The requirement to assess excise tax shall be established at the time when excise goods are put to into free circulation. The free circulation shall be considered:

- 1) Any and every dispatch of excise goods from an excise goods warehouse or an exempt excise goods beneficiary plant, except if the excise goods are dispatched to: another excise goods warehouse or other exempt excise goods beneficiary plant, a bonded warehouse, a free zone, under the customs transit procedure or export, and
- 2) Any and every dispatch from the production plant of an excise taxpayer that is not an excise licensee.

(2) In case of dispatch of excise goods from the excise warehouse or exempt excise goods beneficiary plant for which it has not been confirmed within 15 days time as of the day of delivery that the consignment reached the destination the requirement to assess excise tax shall be established on 16th day from the day such goods were dispatched.

(3) If the exempt excise goods beneficiary utilizes the excise goods for purposes for which excise tax exemption is not prescribed, the requirement to determine the excise tax shall be established on the last day of the month when the excise goods are utilized.

(4) If excise goods are used in an excise goods warehouse as a raw material for producing other goods, which are used as fuel or heating fuel, and the shortfall as specified in article 12, paragraph 2, item 6) of this law, the requirement to assess excise tax shall be established on the last day of the month in which such excise goods are used or in which such shortfall was established.

(5) An excise tax with deferred payment under article 6, paragraphs 4 and 5 of this law must be determined on 30th day after the expiry of the license if the person whose license expired failed to receive a copy of the administrative document from the excise goods consignee.

(6) An excise tax with deferred payment under article 6, paragraph 6 of this law shall be determined on 30th day after the expiry of the license if the person whose license expired failed to receive a copy of the administrative document from the excise goods consignee.

(7) The excise tax is paid according to the amount or rates which are valid on the day when the requirement to determine the excise tax is established.

Establishment of Requirement to Pay Excise on Imports

Article 14

(1) The requirement to pay excise tax on the import of excise goods shall be established in the moment of paying import duties, except in cases when the payment of the excise tax is deferred in accordance with this law.

(2) The excise tax is paid according to the amounts or rates, which are valid on the day when the requirement to determine the excise tax is established.

Other Cases of Establishment of Requirement to Pay Excise

Article 15

The requirement to pay an excise tax sh

- 5) a creditor as defined in article 15, item 4) of this law;
- 6) a person that produces, imports, transports or in any other manner places goods into circulation contrary to the provisions of this law.

VII. GENERAL WORKING CONDITIONS OF EXCISE GOODS WAREHOUSES

Excise goods warehouse

Article 18

(1) The production or storage of excise goods under the deferred excise goods payment regime may be carried out only in an excise goods warehouse that is issued a working license by a tax authority (hereinafter: excise license), unless otherwise prescribed by this law.

(2) The minister in charge of finance shall prescribe in greater detail conditions for establishment and operation of the excise goods warehouse.

Conditions for obtaining an excise license

Article 19

A legal person fulfilling the following conditions may apply for an excise license:

- 1) to perform an activity related to excise goods in accordance with prescribed conditions and to have the head office registered in Montenegro;
- 2) to keep business books under the double-entry bookkeeping system;
- 3) to pay tax and customs dues regularly;
- 4) that no bankruptcy or liquidation proceeding has been instituted against such person;
- 5) to offer excise tax payment insurance in accordance with this law;
- 6) to meet requirements for the electronic exchange of data on excise goods flows.

Application for an excise license

Article 20

(1) An excise license shall be issued by a tax authority upon a written application.

(2) The application referred to in paragraph 1 of this article shall contain the following information:

- 1) Type of the activity and title of excise goods for which the excise license is requested;
- 2) Estimated quantities of annual production, quantities produced and quantities of the good in stock;

- 3) Name and identification of the person applying for an excise license;
- 4) Documentation that must clearly give a full description of the accounting system operation in accordance with the Law on Tax Procedure;
- 5) Information to prove that conditions for supervision are fulfilled by the tax authority;
- 6) Closer description of individual pro

Requirements of an excise licensee

Article 22

- (1)** An excise licensee shall:
 - 1)

- 1) to perform in accordance with regulations an activity for which such legal entity uses excise goods for purposes as specified in articles 44 and 54 of this law;
- 2)

(2) Within 30 days from the day the tax authority receives a complete application, such

- 4) for the personal needs of foreign staff members of international organisations, including their family members, if this is established by international agreements.

(2) The exemption specified in the foregoing paragraph 1 of this article is realised on the basis of an attestation issued by the Ministry of Foreign Affairs.

(3) If exemption is possible only on the basis of reciprocity under international agreement, such case shall be attested to by the Ministry of Foreign Affairs.

(4) Excise tax-exempt excise goods under this article may not be transferred, except if excise tax is paid for such goods.

(5) The Minister of Finance regulates in detail the manner in which exemption is recognized under this article.

Other excise tax exemptions

Article 32

Excise tax is not paid for excise goods:

- 1) that are sold on ships and in aircraft on international traffic routes;
- 2) that a passenger may bring in from abroad as part of his/her personal luggage, and they are exempted from paying import duty in line with Customs regulations;
- 3) mineral oils, mineral oil derivatives and their substitutes in the standard reservoirs of motor vehicles, watercraft or aircraft arriving from abroad and are not intended for further sale and are exempt from import duties in accordance with customs regulations.

XI. ASSESSMENT AND PAYMENT OF AN EXCISE TAX

Excise tax assessment

Article 33

(1) An excise taxpayer assesses the excise tax by him/herself.

(2) Tax period for assessing the excise tax is one calendar month.

(3) The excise taxpayer shall be obliged to present the assessed excise tax in a monthly excise tax return.

Article 34

- (1) The return as defined in paragraph 3 of Article 33 of this law shall be submitted to the tax authority by the 15th day of the month following the month in which the period for assessment expired.
- (2) An excise taxpayer must submit a tax return whether or not such taxpayer is required to pay excise tax in the assessment period.
- (3) If an excise licensee has more than one excise goods warehouse, such licensee may submit a joint return for the assessment of the excise tax for all excise goods warehouses provided that he/she has a separate record of the assessed excise tax for each excise goods warehouse in his/her bookkeeping.
- (4) If an exempt excise goods beneficiary stores excise goods in several plants, he/she may submit a joint return for the assessment of the excise tax for all plants provided that he/she has a separate record of the assessed excise tax for each plant in his/her bookkeeping.
- (5) The excise tax return shall be submitted within 30 days time as of the day when the excise license expires.
- (6) In the cases of bankruptcy, liquidation or merger, an excise tax return shall be submitted no later than 30 days after the proceeding is concluded.

Excise tax payment

Article 35

- (1) Excise tax that is assessed for a given tax period is payable on the last day of such tax period, and must be paid within fifteen days as

(6) The Minister in charge of Finance shall prescribe in detail the excise tax reimbursement procedure referred to in paragraph 5 of this article.

Excise tax assessment and payment on import

Article 36

The excise tax, in the event of import of excise goods, shall be assessed and paid in the same manner as if an import duty, unless excise tax payment is deferred under this law.

XII. EXCISE GOODS

Alcohol and alcoholic beverages

Article 37

(1) Alcohol and alcoholic beverages that are subject to excise tax are beer, wine, other fermented drinks, intermediate beverages and ethyl alcohol.

(2) Type of alcohol or alcoholic beverages referred to in paragraph 1 of this article is determined in accordance with the classification of these products and their Tariff number contained in the nomenclature of the Customs Tariff valid at the day when the law is being applied (hereinafter: CN), and upon the content of alcohol in these products.

(3) Alcoholic content is the amount of alcohol in the product expressed as a percentage of the total volume of the product at a temperature of 20° Celsius. Alcoholic content is marked with “vol%”.

Beers

Article 38

Beer is defined as any product falling within CN code 2203 or any product containing a mixture of beer with non-alcoholic drinks falling within CN code 2206, in either case with an actual alcoholic strength by volume exceeding 0.5% vol.

Wines

Article 39

(1) Wines shall be considered table wines and sparkling wines.

(2) Table wines shall be all products falling within tariff number CN 22.04 and 22.05, excluding sparkling wines:

- 2) all products falling within Tariff numbers CN 22.04, 22.05 and 22.06 that have an alcoholic strength by volume exceeding 22 % vol. and
- 3) other alcoholic drinks that are not included in Articles 38 through 41 of this law containing ethyl alcohol whether in solution or not.

Excise tax base and excise tax payable

Article 43

- (1) The excise tax base for wine, intermediate alcoholic beverages and other fermented beverages is the quantity of the excise product measured in hectoliters; and for beer and ethyl alcohol is the quantity per hectoliter/degree alcohol.
- (2) Excise tax is paid on alcohol and alcoholic beverages at the following rates:
 - 1) 1.90 Euros per hectoliter degree of alcohol for hectoliter of beer
 - 2) 0.00 Euros per hectoliter of table wine;
 - 3) 35 Euros per hectoliter of sparkling wine;
 - 4) 40 Euros per hectoliter of other fermented beverages;
 - 5) 70 Euros per hectoliter of intermediate alcohol beverages and
 - 6) 550 Euros per hectoliter of pure alcohol.

Usage ethyl alcohol for which an excise tax is not paid

Article 44

- (1) The use of ethyl alcohol from Tariff number CN 22.07 is excise tax exempt if used as a raw material in the following:
 - 1) the production of fermented products;
 - 2) the production of vinegar from

(5) The Minister in charge of Finance shall regulate the denaturing procedure and use of the denaturing agent.

Small producers of alcoholic beverages

Article 45

- (1) A producer of alcoholic beverages as specified in Article 17, paragraph 2 of this law that is not an excise licensee, shall assess and pay an excise tax under the provisions of this article.
- (2) A producer as defined in paragraph 1 of this article pays an excise tax on the quantities of alcoholic beverages produced in a calendar year less the quantities allowed for personal use.
- (3) The excise tax payable for quantities of wine produced are paid at the rate that is valid on November 30, or for special vintage wines on March 31, and the excise tax for quantities of other beverages produced at the rates valid on March 31 of a given year.
- (4) A producer submits an excise tax return for wine by December 31 in a given year, and the excise tax statement for special vintage wines and spirits by April 30 in a given year.
- (5) The assessed excise tax is due for payment 30 days after the return is submitted.
- (6) The Minister of Finance regulates the maximum quantity limit for personal use as specified in paragraph 2 of this article, in agreement with Minister of Agriculture.
- (7) The Minister of Finance regulates in detail the procedure for excise tax payment by small producers of alcoholic beverages.

Tobacco products

Article 46

Tobacco products on which excise tax is paid are cigarettes, cigars and cigarillos, finely shredded tobacco (for rolling cigarettes) and other smoking tobacco.

Cigarettes

Article 47

- (1) Cigarettes are:
- 1) rolls of tobacco, that can be used for smoking the way they are, and are not classified as cigars and cigarillos in this law;
 - 2) rolls of tobacco which, by simple non-industrial handling, are inserted into cigarette paper tubes; or

- 3) rolls of tobacco which, by simple non-industrial handling, are wrapped in cigarette paper.

(2) The length of one cigarette, excluding filter or mouthpiece, is 9 cm. Cigarettes are also products that are totally or partially produced from tobacco substitutes fulfilling the conditions referred to in paragraph 1 except for those products that are used only for health purposes.

Cigars and cigarillos

Article 48

- (1) Cigars and cigarillos are tobacco rolls, that can be smoked as they are if they are:
 - 1) made entirely from natural tobacco;
 - 2) with an outer wrapper of natural tobacco;
 - 3) with an outer wrapper of the normal color of tobacco, and a binder of reconstituted tobacco, where at least 60% by weight of the tobacco particles are both wider and than 1.75mm and where the wrapper is fitted in spiral form with an acute angle of at least 30° to the longitudinal axis of the cigar; or
 - 4) with an outer wrapper, of the normal color of tobacco, of reconstituted tobacco, where the unit weights, not including filter or mouthpiece, is not less than 2.3 grams and if at least 60% by weight of tobacco particles are wider and longer than 1.65mm and the circumference over at least one third of the length is not less than 34 mm.

- (2) Cigars and cigarillos are also products that are totally or partially produced from tobacco substitutes and are fulfilling the conditions referred to in paragraph 1 of this article, except for the products that are used only in medical purposes, on condition that they have respectively:
 - 1) a wrapper of natural tobacco or reconstituted tobacco and
 - 2) a wrapper and binder of tobacco, both of reconstituted tobacco.

Smoking tobacco

Article 49

- (1) Tobacco for smoking is:
 - 1) tobacco that is cut or otherwise split, twisted or pressed into blocks and is capable of being smoked without further industrial processing;
 - 2) tobacco refuses put up for retail sale that does not fall under Articles 47 and 48 of this law.

- (2) Smoking tobacco shall be also considered products that are totally or partially produced from tobacco substitutes and fulfill all conditions referred to in paragraph 1 of this article excluding products that are used exclusively in health purposes.

(3) Smoking tobacco shall be also considered fine-cut tobacco for rolling cigarettes in which more than 25% of tobacco particles with respect to weight have shorter and narrower than 1,4 mm.

Excise tax base, rate and amount of excise tax

Article 50

(1) Excise tax base for tobacco products is 1000 pieces and retail selling price of those products.

(2) The excise tax for cigarettes shall be paid as a specific excise tax determined per 1000 pieces and proportional excise tax determined in percentage of retail selling price of cigarettes so that the total amount of the excise tax is 57% of the retail selling price of those cigarettes.

(3) The Government of Montenegro shall prescribe by its regulation the amount of specific and proportional excise tax referred to in paragraph 2 of this article.

(4) The excise tax on other tobacco products is paid as follows:

- | | |
|--|---------------------|
| 1) Cigars and cigarillos: | 10.00 Euros per kg. |
| 2) Finely shredded tobacco (for rolling cigarettes): | 20.00 euros per kg. |
| 3) Other smoking tobacco: | 15.00 Euros per kg. |

(5) The retail price is the price that is determined by the producer or importer. The retail price includes the excise tax and the sales tax, value added tax.

(6) The producer or importer of tobacco products is required to report the retail price to the competent tax authority fifteen days before putting the tobacco products in circulation.

(7) The sale of tobacco products at a price in excess of the reported retail price is not allowed.

Mineral oils, mineral oil derivatives and their substitutes

Article 51

(1) Excise tax is paid on mineral oils, mineral oil derivatives and their substitutes (hereinafter: mineral oils) as established by this law.

(2) The type of mineral oils referred to in paragraph 1 of this article is determined in accordance with the classification of these products in the Customs tariff or its characteristics.

(3) Mineral oils are petroleum oil, carbon tar and oil obtained from coal, shale, peat or other bituminous substances, but do not include such hydrocarbons or bituminous substances that are:

- 1) in a solid or semi-solid state at a temperature of 15C; or

- 2) in a vaporous state at a temperature of 15C and a pressure 1013.25 millibars.
- (4) For the purposes of this law ‘mineral oils’ shall be considered:
- 1) any product that is sold or used as motor fuel,
 - 2) additives or extenders added in motor fuels,
 - 3) any other hydrocarbon produced from the raw petroleum and that is sold or used as a heating fuel except for coal, lignite, peat or similar solid hydrocarbons.

Excise tax base and the amount of the excise tax

Article 52

- (1) The excise tax base for mineral oils is the quantity of mineral oils in kilograms or liters.
- (2) If the unit for determining a quantity for an excise tax is a litre, such litre is measured at a temperature of +15°C.
- (3) The excise tax is paid at the following rates:
- a) petrol and other light oils:
 - 1) 0.120 Euros per kilogram of airplane petrol (tariff number CN 2710.00 11 10);
 - 2) 0.364 Euros per liter of motor petrol unleaded (tariff number CN 2710.00 11 20);
 - 3) 0.120 Euros per kilogram of fuel for jets (tariff number CN 2710.00 11 30);
 - 4) 0.364 Euros per liter of other motor petrol, leaded (tariff number CN 2710.00 11 90);
 - b) kerosene:
 - 1) 0,120 Euros per kilogram of kerosene for engines (tariff number CN 2710.00 21 10);
 - 2) 0,120 Euros per kilogram of fuel for jet engines (tariff number CN 2710.00 21 20);
 - 3) 0,120 Euros per kilogram of other kerosene (tariff number CN 2710.00 21 90);
 - c) gas oils:
 - 1) 0,270 Euros per liter of diesel fuels (tariff number CN 2710.00 31 00);
 - 2) 0,120 Euros per liter of diesel fuels (tariff number CN 2710.00 31 00) used as a heating oil;
 - 3) 0,270 Euros per liter of ship fuel (tariff number CN 2710.00 32 00) and
 - 4) 0,120 Euros per liter of other oils (tariff number CN 2710.00 39 00);
 - d) heating oils:
 - 1) 0,023 Euros per kilogram low sulphur oil (tariff number CN 2710.00 41 00);
 - 2) 0,023 Euros per kilogram of other heating oils (tariff number CN 2710.00 49 00);

e) liquid gases:

- 1) 0,069 Euros per kilogram of mixture of propane and butane (tariff number CN 2711. 19 00 00)
- 2) 0,069 Euros per kilogram of other liquid gases (tariff number CN 2711. 19 00 90).

Article 53

(1) The excise tax for additives and extenders that are added to mineral oils is equal to the excise tax prescribed for the appropriate mineral oil to which they are added.

(2) Any product put into circulation as an additive or extender to mineral oils shall be subjected to the excise tax as if it is the latter. Any hydrocarbon, except for coal, lignite, peat or similar solid hydrocarbons or natural gas, intended for use, offered for sale or used for heating purposes shall be taxed at the rate for the equivalent mineral oil.

(3) For mineral oils, which are used as fuel for agricultural, and forestry machinery (including tractors) buyers shall be entitled to an excise tax drawback to the level of 50% of the excise tax as regulated for use as fuel.

(4) The Minister of Finance shall regulate, in cooperation with the Minister of Agriculture, Forestry and Water Management, in greater detail the drawback procedure and conditions that have to be satisfied by the buyer referred to in paragraph 3 of this article.

Usage of mineral oils

Article 54

(1) Excise tax is not paid for mineral oils:

- 1) that are used as fuel in air and maritime traffic and as fuel for fishing trawlers, except when aircraft, watercraft and fishing boats are used for private purposes;
- 2) that are used as fuel in the production of electric energy and in plants for the joint production of electric energy and heat;
- 3) that a producer uses for further processing in his/her production plant, or for the production of other mineral oils, except if they are used as fuel for transportation means; or

Marking mineral oils

Article 55

(1) Mineral oils that are used as heating oil, must be marked using the prescribed color and indicator. The marking of mineral oils may be carried out only in an excise goods warehouse that is issued a marking licence by the tax authority. If mineral oils are not marked in an excise goods warehouse, they shall be considered not marked.

(2) Mineral oil imported into Montenegro is considered marked if the importer submits a certificate by a foreign tax or customs authority, producer, or foreign body in charge of marking, that such oil was marked outside Monten

(4) Imported cigarettes and imported bottled alcoholic beverages must bear the mark of the importer, which is impressed on the box or bottle directly by printing or in the form of an adhesive label that is affixed on the packaging under the cellophane or other wrapping in which the box or bottle is packed.

(5) The provisions in paragraph (1) of this article do not refer to marking beer.

(6) Minister in Charge of Finance shall issue a regulation on the use of excise stamps in particular their form, way of issuance, payment, distribution, returning and nullifying as well a regulation on the method of keeping records on issued excise tax stamps.

XIV. BOOKKEEPING BY AN EXCI

(2) An excise taxpayer – importer must include, in particular, in his/her bookkeeping information on: the import of excise goods, the stocks of excise goods in an excise goods warehouse, the dispatch of excise goods from an excise goods warehouse and on the excise taxes assessed and paid according to the prescribed rates.

(3) A natural entity as specified in Article 17, paragraph 2 of this law, that is a producer of alcoholic beverages, must keep a separate record of production, of his/her personal consumption and the sale of such drinks, as regulated by the Minister in charge of Finance.

Recording the equipment for the production of ethyl alcohol

Article 60

Producers, sellers and importers of equipment for the production of ethyl alcohol shall keep a record of the buyers of such equipment and submit it to the tax authority upon its request. A record shall not be maintained for glass devices for distillation, which are used for scientific and educational purposes and for juice-producing household appliances.

Storing documents

Article 61

An excise taxpayer must store issued and received receipts, accompanying excise documents, and other bookkeeping documents on production, storage and dispatch, imports and exports of excise goods for a period of five years after the year to which the documents refer.

XV. CONTROLLING THE PROCESS OF ASSESSING AND PAYING EXCISE TAX

Article 62

(1) The process of assessing and paying excise tax is controlled by the tax authority in accordance with this law and the law regulating the tax procedure, and in the case of import by a customs authority in accordance with customs regulations as if the excise tax were an import duty.

(2) If an excise taxpayer fails to submit an excise tax return or submits an incomplete return, or if the tax authority establishes that the excise tax is not properly assessed, the law prescribing the tax procedure shall apply.

XVI. REGISTRATION OF AN ACTIVITY AND REGISTRATION OF AN EXCISE TAXPAYER

Submission of the Registration Application

Article 63

- (1) An excise taxpayer must inform the tax authority when starting, changing or suspending any activity for which such taxpayer is required to assess and pay an excise tax.
- (2) Every entity that becomes an excise taxpayer for the first time must submit an application for registration to the tax authority no later than 15 days before the initiating production, storage, receipt or dispatch of excise goods.
- (3) An excise taxpayer must report to the tax authority within the timeframe specified in paragraph 2 of this article his intention to terminate the activity, and without delay any suspension or interruption of production.

Termination of registration

Article 64

- (1) If an excise taxpayer stops performing an activity, the tax authority may decide on terminating the registration *ex officio* or at the request of the excise taxpayer.
- (2) An excise taxpayer must settle all excise taxes due prior to a decision on the termination of registration.

Register of excise licensees and excise warehouses

Article 65

- (1) The tax authority establishes and keeps a register of excise licensees and excise goods warehouses.
- (2) The register specified in paragraph 1 of this article shall include the following information:
 - 1) the identification number issued to an excise licensee or excise goods warehouse by the tax authority;
 - 2) the name and address of an excise 7 0 TD.0004 6s.

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XVII PAYMENT OF EXCISE TAX REGARDING CIRCULATION OF EXCISE GOODS BETWEEN SERBIA AND MONTENEGRO

Article 66

- (1) For excise goods sold to buyers from the territory of the Republic of Serbia excise tax is assessed and paid in the manner defined in this law.
- (2) For excise goods purchased from sellers from the territory of the Republic of Serbia excise tax is not assessed and paid in Montenegro if excise tax has been paid in the Republic of Serbia.
- (3) If the amount of excise tax paid in the Republic of Serbia is lower than the excise tax prescribed by this law the difference in the amount of the excise tax will be assessed and paid in Montenegro.
- (4) The difference referred to in paragraph 3 shall be paid by the buyer.

Article 67

- (1) The requirement to assess and pay excise tax on excise goods that are purchased in the territory of the Republic of Serbia is established at the moment of entry of those goods into the territory of Montenegro.
- (2) For excise goods sold by legal persons whose place of business is in the territory of the Republic of Serbia through its branch office in Montenegro the excise tax is paid according to the establishment of the branch office.

Article 68

The Government of Montenegro may change the amount of excise tax and the method of assessing and paying the excise tax for the purpose of eliminating disruptions in the circulation of excise goods within the territory of the Republic of Serbia.

XVIII SPECIAL PROVISIONS

Appropriate application of other rules

Article 69

The provisions of the law on tax and customs procedures shall regulate those relations that are not specifically regulated by this law.

XIX. PENAL PROVISIONS

Article 70

- (1) A legal entity or entrepreneur shall be penalized for an offense with a fine to the level of fifty times to three hundred times the amount of the minimum wage in Montenegro:
- 1) if the transportation of excise goods under the deferred excise tax payment regime is not accompanied by an excise document (Article 7, paragraph 3);
 - 2) if such entity fails to issue an accompanying excise document for excise goods being transported under the deferred excise tax payment regime (Article 8, paragraph 2);
 - 3) if such entity fails to issue an accompanying excise document in four copies (Article 8, paragraph 3);
 - 4) if receipt of the consignment is not confirmed and the excise document is not returned to the dispatcher within the prescribed term (Article 9, paragraphs 1 and 2);
 - 5) if such entity fails to pay an excise tax on the prescribed base according to the rates or amounts valid on the day the requirement to pay an excise tax

- and fails to ensure that the tobacco stamp is affixed on the packaging under the cellophane or other wrapping so that it may not be removed without causing damage to the packaging (Article 57, paragraph 3);
- 16) if such entity fails to mark tobacco products and alcoholic beverages properly, if he/she puts unmarked goods on the market (Article 57, paragraph 4);
 - 17) if such entity fails to mark gas oil and kerosene using the prescribed color and indicator and fails to organize the proper storage of such goods (Article 55 and 56);
 - 18) if such entity fails to provide the proper information in his/her bookkeeping and fails to keep proper records (Article 59);
 - 19) if such entity fails to keep documentation for the envisaged time period (Article 61);
 - 20) if such entity fails to inform the tax authority when starting, changing or suspending the activity (Article 63).

(2) A responsible person in the legal entity shall be also penalized for offenses specified in paragraph 1 of this article with a fine to the level of five times to twenty times the amount of the minimum wage in Montenegro.

Article 71

- (1) Exempt excise goods beneficiary, shall be penalized with a fine to the level of fifty times to three hundred times the amount of the minimum wage in Montenegro:
- 1) if such beneficiary fails to keep a record on the purchase, movement and use of excise goods by type, quantity and value (Article 29);
 - 2)

other motors, or sells it for the standard reservoir of motor vehicles, watercraft or other motors (Article 56).

XIX. TRANSITIONAL PROVISIONS

Interim excise tax rates

Article 74

Notwithstanding article 38, beer with an alcoholic strength below 0.5vol% shall be also considered alcoholic drink by the year 2005.

Article 75

(1) Notwithstanding provisions of Article 43, paragraph 2, item 1 of this Law, the excise tax on beer shall be:

- 1) until 1st April 2002 (from 1 May until 31 December) 0.91 Euros per hl/degree of alcohol);
- 2) until 1st January 2003 - 1.23 Euros per hl/degree of alcohol; and
- 3) until 1st January 2004 – 1.55 Euros per hl/degree of alcohol

(2) Notwithstanding the provisions of article 43, paragraph 2, item 6 of this Law, the excise tax on natural rakia shall be 100 Euros per hectoliter of pure alcohol until 2005..

Article 76

(1) Notwithstanding Article 50 paragraph (2) of this Law the total excise tax on cigarettes shall be as follows:

- 1) on 1st April 2002 – 30% of the retail selling price of cigarettes;
- 2) on 1st January 2003 – 40% of the retail selling price of cigarettes;
- 3) on 1st January 2004 – 47% of the retail selling price of cigarettes.

(2) On 1st January 2005 the excise tax shall be determined in the amount of 57% out of the retail selling price of cigarettes.

(3) The Government of Montenegro shall by decree prescribe the amount of the specific and proportional excise tax referred to in paragraph 1 of this article.

Deferring meeting the requirement for the electronic exchange of information

Article 77

The provisions of Article 19, paragraph (1), item 6 shall apply as of January 1, 2003.

Registration of existing excise taxpayers

Article 78

The excise taxpayers and excise licensees must submit, in accordance with provisions of the Law on the Sales Tax (“Official Gazette of the Republic of Montenegro” no. 4/94, 13/94, 42/94, 13/96, 45/98 and 55/2000) to the tax authority by 31st June, 2002 an application for registering an activity for which they are required to assess and pay an excise tax.

Final excise tax return and payment terms

Article 79

(1) An excise tax, for which the assessment requirement had been established before the day this law is applied, shall be paid under the terms and conditions specified by the Law on the Sales Tax (“Official Gazette of the RoM”, no. 4/94, 13/94, 42/94, 13/96, 45/98 and 55/2000).

(2) Excise taxpayers under the Law on the Sales Tax (“Official Gazette of the RoM”, no. 4/94, 13/94, 42/94, 13/96, 45/98 and 55/2000) are required for the period as of 1st January to 31st March 2002, to make a final excise annual return and to submit it to the tax authority by 30th April 2002.

Inventory of alcoholic beverages and tobacco products

Article 80

(1) The existing producers of alcoholic beverages and tobacco products must make an inventory of such goods in stock by type and quantity on 31 April 2002, and establish the selling prices of such products to include the excise tax as established by the provisions of this law.

(2) The producers specified in paragraph 1 of this article must submit to the tax authority a record of the inventory of goods in stock and the selling prices of such goods (with the excise tax amount shown separately) by 30th April, 2002.

(3) The provisions of paragraphs 1 and 2 of this article also refer to the stocks of tobacco products and alcoholic beverages in excise goods warehouses.

Inventory of mineral oils

Article 81

(1) Persons trading in mineral oils that are not subject to the excise tax under the provisions of the current Law on the Sales Tax (“Official Gazette of the RoM”, no. 4/94, 13/94, 42/94, 13/96, 45/98 and 55/2000), shall be obliged to make an inventory of mineral

oils in stocks by type and quantity on 31 March 2002 and assess the excise tax in accordance with the provisions of this law.

(2) A record on the stocks of mineral oils referred to in paragraph 1 shall be submitted to the tax authority by 30 April 2002.

Transitional period for implementing the current excise stamps

Article 82

The excise tax stamps for tobacco products and alcohol beverages issued by the day when this law is being applied shall be applied until 31st December 2002.

Regulations

Article 83

Regulations for implementation of this law shall be passed within 90 days as of the day when this law comes into force.

Authorization for Distribution of Revenues Collected from Excise

Article 84

Notwithstanding article 3 of this law, until 2004 one portion of revenues collected from the excise tax could be directed, by virtue of a special Program of the Government that expires on the day of application of this law, to other users provided that they are funded in accordance with special rules from the allocated revenues (compensation etc.)

XXI FINAL PROVISIONS

Cessation of Regulations' Validity

Article 85

The Law on the Sales Tax (“Official Gazette of the RoM”, no. 4/94, 13/94, 42/94, 13/96, 45/98 and 55/2000) – provisions pertaining to excise tax payment – shall cease to be valid on the day this law is applied.

Coming into Force and Application of the Law

Article 86

This law comes into force eight days after it is published in the “Official Gazette of the Republic of Montenegro”, and shall be applied from 1st April 2002.