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**Comparative overview of legal solutions of certain elements of VAT in several countries in
the region**

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FOREWORD

The "Value Added Tax (VAT) has been implemented for over four decades now, therefore it is not a novelty in either theory or practice. Owing to its practical advantages, it is implemented in countries of different levels of economic development. Specifically, it was introduced and implemented in nearly 130 countries, and has become the most popular form of taxation of supply of products and services. Moreover, it is implemented by all members of Organisation for Economic Co-operation and Development (OECD), with the exception of the United States of America, and it was also established as a European Community tax, and set as one of the conditions for joining the EU.

Today, Value Added Tax is the most commonly used and important form of sales tax in the world. While in the mid-sixties of the 20th century it was only available in France, beginning in the 21st century, it was introduced in the tax systems of all European countries and numerous countries of Asia, Africa and South, North and Central America. In the late sixties, suspicion arose over VAT within governments as well as businesses and academic circles, in terms of it being overcomplicated, thus, leading to too high administrative costs for the collection and strong inflation effects, which was no longer the case."¹

The Value Added Tax represents a tax form which is paid in all a stages of supply of products, i.e. the tax on final consumption. In fact, the main point is that the tax which is paid in the previous stage will not be included in the tax base in the following stage of taxation of supply. Therefore, only the added value of products is taxable.²

Concerning the European Union, the introduction of VAT was considered important since 1967, whereby in its First Directive, the European Community prescribed Value Added Tax as a compulsory form of general sales tax in its member states. Subsequently, by adopting the Sixth Directive in 1977, the European Union has provided harmonisation of Value Added Tax to a great extent, following which the Directive has been amended several times, hence in 2006 it was completely replaced by the Directive 2006/112/EEC³ on the common system of value added tax, which was conclusively amended in 2010.⁴ The Directive 2006/112/EEC, as one of the most important EU rules in the area, determines the common system of value added tax and prescribes a range of primary elements of VAT, from defining taxpayers and the amount of VAT rate to the exemption from payment of VAT and special tax procedures.

¹ Radičić Marko, Raičević Božidar, *Javne finansije: teorija i praksa*, Data status, Beograd, 2008, str. 150

² Op. cit, str. 150-153

³ Concil Directive 2006/112/EEC of 28 November 2006 on the common system of value added tax <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2006L0112:20110101:EN:PDF> (accessed on 7 May 2015)

⁴ Op. cit, str. 151

The Value Added Tax is provided by the systems of Montenegro, Bosnia and Herzegovina, Croatia and Serbia. Croatia started implementing the VAT system in 1998, Montenegro in 2003, Serbia in 2005, while Bosnia and Herzegovina introduced VAT in 2006.

The aim of the research paper is presentation of legal solutions on VAT systems in Montenegro, Bosnia and Herzegovina, Croatia and Serbia, *as provided by the law on value added tax*, including the subject to taxation, taxpayer, tax base, amount of general and special tax rate, exemption from payment of VAT, VAT refund, special tax procedures for certain categories of taxpayers, as well pecuniary fines for tax offences.

The complete document in Montenegrin language can be found at: <http://www.skupstina.me/images/dokumenti/biblioteka-i-istrazivanje/2015/9.pdf>