



# GUIDELINES TOURISM IN MONTENEGRO

2024



Montenegrin  
Investment  
Agency





# Introduction

Montenegro's breath-taking natural beauty, including its ancient walled towns, UNESCO-protected national park, Europe's deepest canyon, and stunning fjord, captivate all who visit. Tourism is considered a strategic sector for the country's development and has long been recognized as a desirable tourist destination.

Despite its small size, Montenegro is rich in natural diversity, showcasing contrasts between its north and south regions through its five national parks, four UNESCO-protected areas, six nature parks, two marine protected areas, three Ramsar sites, numerous lakes, and vibrant cultural heritage.

Tourism plays a crucial role in achieving economic stability in Montenegro, as it serves as the country's dominant development sector. It also has a significant impact on the development of other economic industries such as agriculture and food, transport, trade, and construction.



# Statistical overview

The Montenegrin economy, despite disruptions in the global energy and food markets, supply chains, inflationary pressures, and tightening global monetary conditions, continued to recover in 2023, driven by private consumption, tourism growth, and partly by the influx of a large number of Russian and Ukrainian citizens.

The direct impact of the war in Ukraine on the Montenegrin economy is relatively small because economic cooperation and trade with both countries were very low before the aggression. On the other hand, the indirect impacts, in terms of inflation and the influx of migrants, have significantly more pronounced effects on the economy and citizens. Specifically, the influx of migrants from Ukraine and Russia reached around 120,000 (20% of the total population), which strengthened the domestic market, increased demand, and, coupled with high double-digit inflation, contributed to the dynamism of economic activity and growth in public revenues through various channels (profit tax, excise duties, value-added tax, etc.) compared to planned levels.

Despite global geopolitical and economic challenges that have resulted in the slowdown of economies in the EU and the region, the Montenegrin economy in 2023 is experiencing positive trends, in some segments exceeding pre-pandemic levels.

Developing sustainable tourism requires a holistic approach that balances economic growth with environmental conservation and socio-cultural integrity. Key elements include implementing policies and regulations that prioritize sustainability, investing in eco-friendly infrastructure and practices, promoting community engagement and empowerment, fostering cultural preservation and respect, and prioritizing responsible tourism management. Sustainable tourism development also involves educating tourists and industry stakeholders about environmental and cultural sensitivity, supporting local economies, and encouraging conservation efforts. Collaboration between government, private sector, local communities, and international organizations is essential for creating a tourism framework that maximizes benefits while minimizing negative impacts on the environment and society, ensuring long-term viability and resilience in the tourism sector.

According to the Central Bank of Montenegro, the total contribution of tourism and travel to the Montenegrin economy at the end of 2022 amounted to 1.055 billion euros, equivalent to one-fifth of GDP. Additionally, tourism and travel contribute to the economy of Montenegro with as many as 44,000 jobs in 2022, representing 20% of total employment, and almost a third in the private sector.



## Montenegro - 2023 Annual Research Key Highlights

Total GDP contribution			Total Travel & Tourism jobs	
2019	<b>10,4%</b> USD 10,0 TN	Change in 2020: <b>-49,4%</b>	<b>334 MN</b> = 10,3% (Share of Global Jobs)	Change in 2020: <b>-70,7 MN (-21,2%)</b>
2022	<b>7,6%</b> USD 7,7 TN	Annual change: <b>+22,0%</b> (-22,9% vs 2019) Economy Change YoY=3,1%	<b>295 MN</b> = 9,0%	Annual change: <b>+7,9%</b> (-11,4% vs 2019)
2023	<b>9,2%</b> USD 9,5 TN	Annual change: <b>+23,3%</b> (-5,0% vs 2019) Economy Change YoY=1,3%	<b>320 MN</b> = 9,6%	Annual change: <b>+8,2%</b> (-4,2% vs 2019)
2033	<b>11,6%</b> USD 15,5 TN	CAGR (2023-2033) <b>5,1%</b> Economy CAGR (2023-2024) <b>2,6%</b>	<b>430 MN</b> = 11,8%	New jobs (2033 vs 2023) <b>110,1 MN</b>

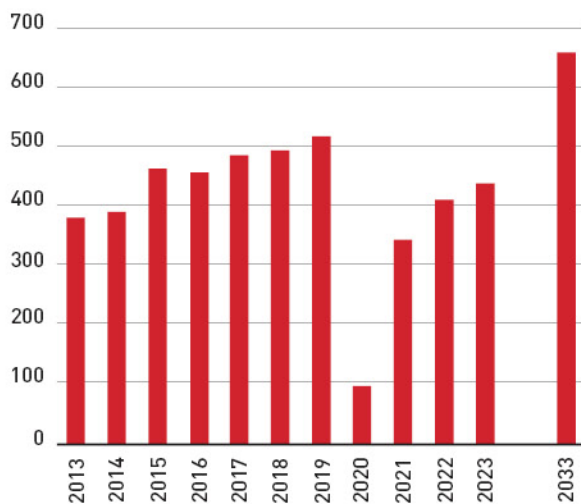
TRAVEL & TOURISM - Relates to the activity of travellers on trips outside their usual environment with a duration of less than one year. Economic activity related to all aspects of such trips is measured within the research, according to Travel&Tourism Economic Impact 2023 report, done by World Travel & Tourism Council.

The direct contribution of Travel & Tourism to GDP reflects the 'internal' spending on Travel & Tourism (total spending within a particular country on Travel & Tourism by residents and non-residents for business and leisure purposes) as well as government 'individual' spending - spending by government on Travel & Tourism services directly linked to visitors, such as cultural (eg museums) or recreational (eg national parks).

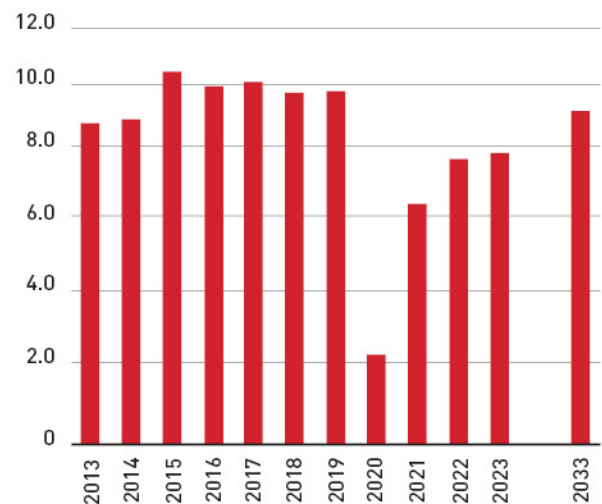


## Montenegro: Direct Contribution of Travel & Tourism to GDP

Constant 2022 EUR MN



% of whole Economy GDP



The total contribution of Travel & Tourism to GDP (including wider effects from investment, the supply chain and induced income impacts, see

page 3) was EUR1,300.9mn in 2022 (24.5% of GDP).

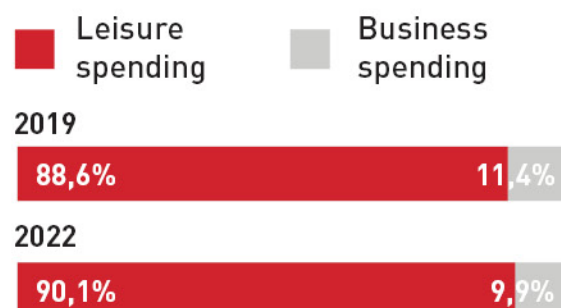
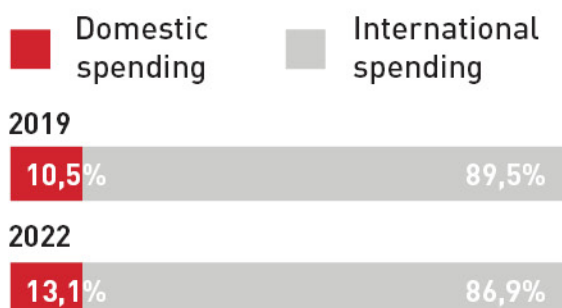
It is forecast to rise by 4.5% pa to EUR2,239.5mn from 2023 to 2033 (31.0% of GDP)

Travel & Tourism generated 14,500 jobs directly in 2022 (6.6% of total employment). This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists.

By 2033, Travel & Tourism will account for 20,093 jobs directly (9.3% of total employment), an increase of 2.6% pa from 2023.



Montenegro Visitor Spending			
2019	2020	2021	2022
International Visitor Spending			
EUR 1,2 BN (USD 1,3BN)	EUR 0,96 BN (USD 1,0 BN) Annual Change 21,6% (-22,2% vs 2019)	Annual Change <b>8,6%</b> (-15,5% vs 2019)	EUR 1,6 BN (USD 1,7 BN) 38,0% of total exports CAGR (2023 - 2033) 4,3%
EUR 0,14 BN (USD 0,15BN)	EUR 0,14 BN (USD 0,15BN) Annual Change 12,2% (-0,6% vs 2019)	Annual Change <b>0,5%</b> (-0,1% vs 2019)	EUR 0,18 BN (USD 0,19 BN) 38,0% of total exports CAGR (2023 - 2033) 2,3%



Inbound arrivals <sup>4</sup>	
2019	2022
1. Serbia 26%	1. Serbia 45%
2. Russia 18%	2. Bosnia and Herz. 17%
3. Bosnia and Herz. 9%	3. Russia 6%
4. Poland 3%	4. Albania 4%
5. France 3%	5. Ukraine 3%
Rest of world 41%	Rest of world 26%

Outbound departures <sup>4</sup>	
2019	2022
1. Albania 44%	1. Albania 59%
2. Greece 15%	2. Serbia 12%
3. Serbia 12%	3. Greece 10%
4. Hungary 6%	4. Hungary 3%
5. Turkiye 3%	5. Turkiye 3%
Rest of world 20%	Rest of world 13%

Note: All figures shown for 2023 and 2033 are forecast projections (F). Data for additional Travel & Tourism indicators are available in the full report. For more details, visit <https://researchhub.wttc.org>.

1. All values are in constant 2022 prices & exchange rates. As reported in March 2023.

2. Where the country or region has implemented job support schemes and supported jobs are still recorded as employment by national statistical job losses exclude those supported jobs (where known)

3. CAGR= Compound Annual Growth Rate

4. Source: Oxford Economics, national sources and UNWTO



By 2033, Travel & Tourism is forecast to support 74,757 jobs (34.4% of total employment), an increase of 3.0% pa since 2023.

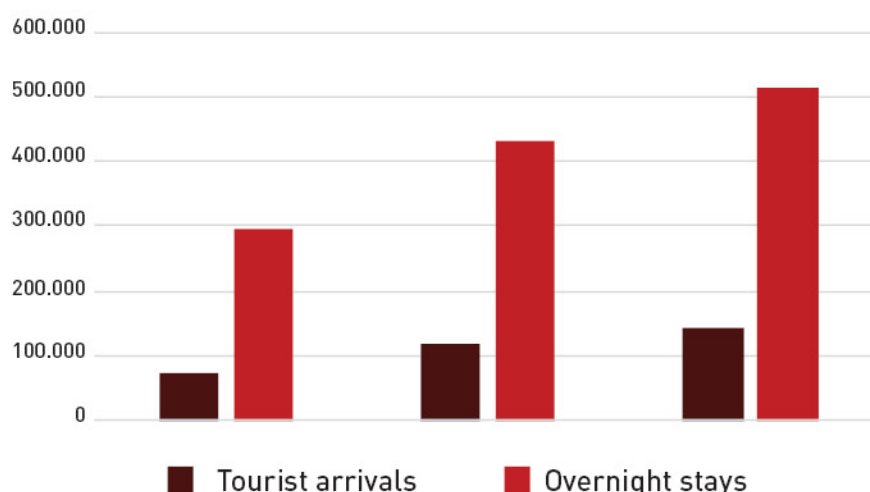
Montenegro	2022 USDmn	2022 % of total	2023 Growth	2022 USDmn	2022 % of total	2023 Growth
Direct contribution to GDP	429,1	7,7	6,6	686,5	9,1	4,1
Total contribution to GDP	1356,6	24,5	10,7	2335,1	31,0	4,5
Direct contribution to employment	14,5	6,6	6,8	20,1	9,3	2,6
Total contribution to employment	50,0	22,7	11,0	74,8	34,4	3,0
Visitor exports	999,6	38,5	8,6	1657,6	38,0	4,3
Domestic spending	150,2	2,7	0,5	188,7	2,5	2,3
Leisure spending	1036,1	7,0	6,6	1633,9	8,0	4,0
Business spending	113,7	0,8	16,0	212,3	1,0	4,9
Capital investment	324,6	27,3	28,7	712,4	44,3	5,5

## Tourist arrivals and overnight stays

During the 12 months of 2023, there were 1,436,146 arrivals in collective accommodation, which is 23% more compared to the same period of the previous year or 11% more compared to the same period in 2019. The number of overnight stays amounted to 5,124,981, representing an increase of 18% compared to 2022 or 9.5% compared to 2019.

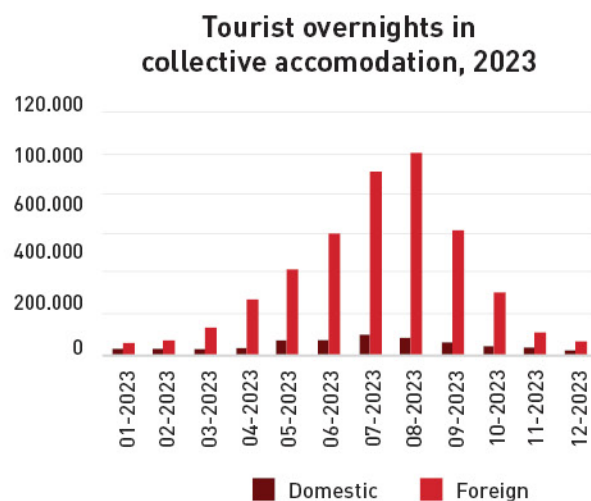
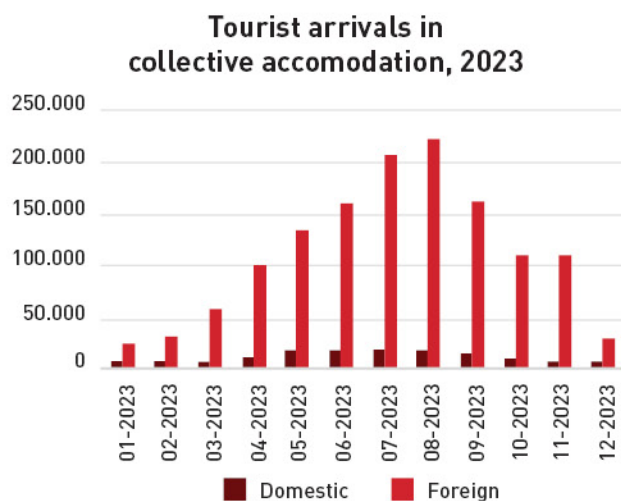
Out of the total number of nights spent in collective accommodation, 89% were by foreign tourists, while 11% were by domestic tourists.

**Tourist arrivals and overnight stays, total 2021-2023**



Source: MONSTAT





During the initial nine months of 2023, there was a recorded increase of 15% in aircraft traffic at Montenegro's airports compared to the corresponding period in the previous year. Additionally, there was an achievement of 86% in comparison to the same period in 2019.

## Revenues in tourism

Tourism in Montenegro remains highly seasonal, as two-thirds of revenues are generated during just three summer months (June, July, and August). Therefore, it is necessary to work on overcoming barriers and devise incentivized measures to attract guests during the offseason period.

According to the data from the Central Bank of Montenegro (CBCG), total tourism revenues for the first three quarters amount to 1,361.2 million euros, marking an increase of 48.57% compared to the same period in 2022, and a growth of 33.95% compared to 2019.

## Stimulus Measures

During 2023, activities aimed at the recovery of the tourism sector continued. In May, the Government of Montenegro adopted the Stimulus Measures Program in the field of tourism for the year 2023, allocating 630 thousand euros through five support measures:

Measure I - Organization of events/festivals;

The funds can only be used for organizing events/festivals with entertainment, cultural, or sports character. The program does not include support for professional, thematic gatherings, conferences, sports camps, etc. The funds are intended to co-finance the costs of procuring goods and services for the direct implementation of events/festivals that contribute to the development of the destination's tourism offer.



A) SUPPORT FOR ORGANIZING EVENTS WITH A TOTAL ESTIMATED VALUE UP TO €30,000.

The maximum amount of funds that can be approved is up to 20% of justified/eligible costs for the organized event, with a maximum support amount of €8,000 for an individual event. The beneficiary is obliged to provide the remaining amount of funds for the implementation of the event.

B) SUPPORT FOR ORGANIZING EVENTS/FESTIVALS WITH A TOTAL ESTIMATED VALUE ABOVE €30,000.

The maximum amount of funds that can be approved is up to 20% of justified/eligible costs for the organized event/festival, with a maximum support amount of €18,000 for an individual event/festival.

Measure II - Improvement of offerings and enhancement of service quality in rural tourism;

Support Object: Improvement of conditions for the development of rural tourism through enhancing the quality of offerings in rural households.

Total Amount of Funds: €70,000.00.

Objectives: To recognize a new brand and position Montenegro as a new rural tourism destination.

Beneficiaries: Companies, other legal entities, entrepreneurs, and individuals providing hospitality services in rural households.

The funds can be used for the improvement and development of existing offerings as well as the introduction of new offerings in rural tourism, including:

Development and enhancement of additional facilities and the consolidation of offerings provided in rural households: sports and recreational facilities (equipment for basketball, small football, volleyball, fitness equipment, table tennis, etc.), outdoor furniture (barbecue, cauldron, awning, seating benches, swings, children's facilities), paper/cardboard packaging for packaging certified domestic products, arrangement of exhibition-sales space intended for certified domestic products, thematic and amusement parks in rural households.

Creating conditions for providing services to people with disabilities.

Expansion of legalized accommodation capacities.

Improvement of conditions and quality in existing facilities (kitchen, bathroom, accommodation units).

Measure III - Development of innovative tourist products and services enriching tourism offerings in rural, cultural, health, sports, and other forms of tourism;



Support is for co-financing projects aimed at enriching and enhancing Montenegro's tourism offer by introducing new products, services, and amenities. Projects already approved or financed by other institutions, organizations, or funds, as well as projects already in progress, are not eligible for support.

Total Amount of Funds: €100,000.00.

Objectives:

- Adoption of new business models and processes.
- Reduction of various pressures on the environment and natural habitats.
- Diversified tourism offer throughout the year.
- Encouragement of ecotourism.
- Improvement of the tourism product in rural, cultural, health, sports, and other forms of tourism.
- Improvement of offerings and linking hospitality service providers offering wellness & spa services into a unique package arrangement for promoting health tourism (hotels, agencies, healthcare institutions, etc.).
- Enrichment of the tourism offer.

Beneficiaries:

- Companies, other forms of economic activity, and entrepreneurs registered to perform tourism and/or hospitality activities.
- Individuals providing hospitality services in households and rural households who meet the conditions for conducting such activities as determined by the Law on Tourism and Hospitality.
- Non-governmental organizations.
- Sports clubs and associations.
- Local tourism organizations.
- Associations of tourism and hospitality service providers registered in Montenegro.
- Associations of craftsmen registered in Montenegro.
- Healthcare institutions, companies performing healthcare activities in accordance with special regulations governing healthcare and possessing approval from the competent authority.

Measure IV - Support for the development of MICE (Meetings, Incentives, Congresses/Conventions and Expositions/events) tourism;

Purpose of Funds:

Funds can be used to enhance and enrich the tourism offer through innovative solutions in Montenegro, including:

- Investments directed towards infrastructure and innovative equipment that contribute to enriching the tourism offer and attracting tourists (e.g., construction of treehouses, earth houses,

- Opening new thematic or educational trails (archaeological, cultural, recreational, adrenaline, etc., including the purchase of equipment for trail development).
- Opening and arranging new cultural routes.
- Reviving old crafts for tourism purposes (making traditional costumes, pottery products, boats, products made of wicker, etc.) through valorization in tourism (inclusion in tourism offerings).
- Activating unused tourism resources (e.g., arranging locations that have not been known to tourists before and putting them into use).
- Reviving old stories, legends, myths in the form of a tourism product (e.g., realization of legends or stories that will be consolidated into a tourism product and presented to tourists).
- Investments in digital solutions (e.g., development of tourism applications).
- Project results must be in general use.

Within this measure of the program, two areas are supported:

IV A) Enhancement of capacities for MICE tourism;

IV B) Organization of MICE events.

The total amount of funds allocated for the measure is:

IV A) Enhancement of capacities for MICE tourism - €70,000.00;

IV B) Organization of MICE events - €60,000.00.

Measure V - Support for implementing joint campaigns with tour operators

Support Object: The support is for implementing a joint campaign in 2023 with tour operators who bring guests from the United Kingdom with organized flight arrivals. The aim is to raise awareness of Montenegro as an attractive tourist destination in the UK market by targeting potential tourists through a joint marketing campaign linked to tour operators' programs for Montenegro.

Total Amount of Funds: €100,000.00.

Potential Partners: Tour operators bringing guests to Montenegro via organized air transport, introducing connections between Montenegro and the United Kingdom, or increasing the number of existing rotations in 2023 or 2024.

The beneficiary is obliged to carry out flights between Montenegro and the United Kingdom in 2023 and 2024.



The aim of the Stimulus Measures Program is to enrich and enhance the quality of the tourism offer while improving marketing activities to attract tourists from new source markets, towards generating higher revenues in tourism, extending the tourism season, increasing the occupancy rate of accommodation facilities, consumption, and employment.

In this way, conditions are created for ensuring sustainable tourism development, as all projects supported through the Stimulus Measures Program ensure proper destination management (development of year-round products, more balanced regional development), the development of socio-economic components (creation of new jobs, support for existing businesses and entrepreneurship), preservation of cultural-historical heritage (support for cultural projects as the basis for preserving identity), and adherence to principles and standards related to environmental protection.

Funds for stimulus measures are allocated through public calls conducted by the Ministry and the National Tourism Organization of Montenegro.

## Incentives

In order to improve the use of key resources and attract new investments, tax reform policies have introduced fiscal incentives for investments in the following sectors: high-quality tourism - 5-star hotels; food production, except primary agricultural production, and capital investments in the energy sector.

In order to remove business barriers and promote high-quality tourism, the following facilitations have been introduced:

1. Zero VAT rate in accordance with the Law on Value Added Tax is paid for 10a) delivery of products and services for construction and equipment of catering facilities of five and more stars, construction of energy facilities for electricity production with installed capacity greater than 10 MW and facilities for production of food products classified within sector C group 10 of the Law on Classification of Activities ("Official Gazette of Montenegro", No. 18/11), whose investment value exceeds EUR 500,000.

2. Tax reliefs pursuant to Article 12 of the Law on Real Estate Tax ("Official Gazette of Montenegro", No. 025/19) define that for catering facilities the tax rate may be reduced in relation to the tax rate determined in accordance with Article 9 of this Law for catering facilities of category 3 stars up to 15%, for catering facilities of category 4 stars up to 30% and catering facilities of category over 4 stars up to 70%. After the payment of corporate income tax, business entities operating in Montenegro have the opportunity to transfer funds to their accounts abroad at the end of the year.

3. VAT is calculated and paid at a reduced rate of 7% of turnover of products, services and imports of products, as follows: for accommodation services in hotels, motels, tourist resorts, boarding houses, camps, tourist apartments and villas; preparation and serving of food, beverages and drinks, except alcoholic beverages, carbonated beverages with added sugar and coffee, in catering facilities; public transport services for passengers and their personal luggage;

4. Exemption from payment of utility fees for high category hotels

For the construction of a hotel with at least four stars, in accordance with the Law on Spatial Planning and Construction of Facilities ("Official Gazette of Montenegro", No. 64/2017, 44/2018, 63/2018, 11/2019 and 82/2020) the investor is exempt from payment of fees for communal equipment of construction land. If the hotel operates according to the condo or mixed business model, the investor is obliged to pay a fee for communal equipment of construction land, for accommodation units that are the subject of individual sales, for the net area of accommodation units with parking space.

For the registration of accommodation units that are the subject of individual sale in the real estate cadastre, in addition to the documents prescribed by the law governing the real estate cadastre, a document on the regulation of relations regarding the payment of fees for communal equipment of construction land is required.

For hotels that are subject to exemption from the payment of the fee for communal equipping, the temporary exemption from the payment of the fee is made on the basis of checking the fulfillment of the required categorization by the auditor in the process of revision of technical documentation. The final exemption from the payment of the fee is made on the basis of the categorization of the facility determined in accordance with the law which regulates the conditions for performing tourist and catering activities.

In the G list of the real estate cadastre, a note is entered that the building is exempt from paying the fee for communal equipping of construction land, i.e., that the fee has been reduced, stating the grounds for exemption, or reduction.

Beside these, one of the most significant incentives/reliefs that relate to tourism and taxation are:



## **Tax**

### **Buying a property in Montenegro**

Foreign individuals can purchase properties in Montenegro without any legal restrictions, except for limitations specified in the Law on Ownership Rights. One of these limitations pertains to the purchase of agricultural land, which is restricted for foreign individuals, except if the land is below 5000 sqm and used as a residential property. Nonetheless, the purchase of agricultural land is possible by creating a company. In addition, Montenegro has granted EU nationals national treatment for buying real estate in the country through the Agreement on Stabilization and Association.

### **Tax changes in 2024**

Regarding the Law on Real Estate Transfer Tax, an amendment to the law introduced progressive tax rates on real estate transfer tax, as follows:

1. Up to €150,000.00: 3%;
2. Over €150,000.01: €4,500.00 + 5% on the amount over €150,000.01;
3. Over €500,000.01: €22,000.00 + 6% on the amount over €500,000.01.

This version of the regulation came into force on January 1, 2024.

New Amendments to the Law on Profit Tax of Legal Entities have been adopted

The Parliament of Montenegro, in its regular session held on December 29, 2023, adopted the Amendments to the Law on Profit Tax of Legal Entities which were published on December 31, 2023, in the Official Gazette of Montenegro No. 125/23.

The aforementioned Amendments arise from the process of aligning domestic tax laws with EU directives. The purpose of the Amendments is to bring all laws into compliance with the EU Council Directive 2009/133/EC on the common system of taxation that governs transfers of assets and shares of companies between different EU member states, mergers, divisions, and partial divisions, as well as the relocation of the European Economic Society or European Cooperative's headquarters from one EU member state to another.

Under the Amendments to the Law on Profit Tax of Legal Entities the definition of the capital gain has been amended, so now the capital gain considers the income that the taxpayer realizes through the sale or other transfer of land, buildings, property rights, shares in capital, and securities with or without fee.

There are also other amendments regarding the amortization rates, a new form of income that is subject to withholding, etc.

With these Amendments to the Law on Profit Tax of Legal Entities, the national legislation will be harmonized with the EU Directive, International Accounting Standards, International Financial Reporting Standards and will reduce tax evasion.

## **The new Law on the Prevention of Money Laundering and Terrorist Financing has been adopted**

The new Law on the Prevention of Money Laundering and Terrorist Financing has been published on the 12, December 2023 in the "Official Gazette of Montenegro" No. 110/23 and it came into force on 20, December 2023.

This Law is harmonized with international standards in the field of prevention of money laundering and financing of terrorism, as well as with the standards of the European Union (EU).

One of the most significant novelties of this law is the extended list of reporting entities that have to take measures for the prevention and detection of money laundering and financing of terrorism, including public notaries, lawyers, etc.

Comparing the previous law, under the new Law one-member companies are no longer exempt from the requirement to register in the Register of Ultimate Beneficial Owners.

The new Law prescribes the possibility of the video-electronic identification of the client, who is an individual, an entrepreneur, or an individual performing an activity, his legal representative, and an authorized person.

Rulebooks for the implementation of the new Law on the Prevention of Money Laundering and Terrorist Financing will be adopted within three months from the date of entry into force.

Reporting entities will be obliged to harmonize their operations with the new Law within six months from the date of the rulebooks adoption.

Implementation of the new Law on the Prevention of Money Laundering and Terrorist Financing will reduce the possibility of money laundering and terrorism financing, which will improve the investment environment in Montenegro as a safe destination for business and foreign investments.



## Tax changes in 2023

The law on income tax in Montenegro regulates the cost of profit tax for all legal entities.

The VAT rate in Montenegro is 21% on goods and services, with a reduced VAT rate of 7% on essential products and services such as medicines, bread, books, and computers.

A 0% VAT rate is calculated for services provided to non-residents, for example, petrol for international transport.

VAT registration is required if your turnover exceeds 30,000 euros per year.

The Assembly of Montenegro has adopted a series of amendments to tax regulations that were published in the Official Gazette of Montenegro No. 152/22 on December 30, 2022.

Most significant changes:

### Personal Income Tax Law

Payments to individuals who are not employed by the payer are considered other income. Such payments were previously covered under the personal income. The payer of the other income is obligated to calculate, withhold, and pay income tax on other income simultaneously with the payment of income, applying a proportional rate of 15%.

As of January 1st, 2022, Montenegro is applying progressive taxation on salary:

- Salaries up to 700 EUR gross are exempt from tax;
- Salaries ranging 701-1,000 (gross) are subject to 9% tax,
- Salaries from 1,001 tax are subject to 15% tax.

One of the greatest tax changes from 2022 is the introduction of a new rate of income tax for entrepreneurs:

- From 8,400.01 EUR to 12,000 EUR is subject to 9% tax,
- From 12,001 EUR is subject to 15% tax.

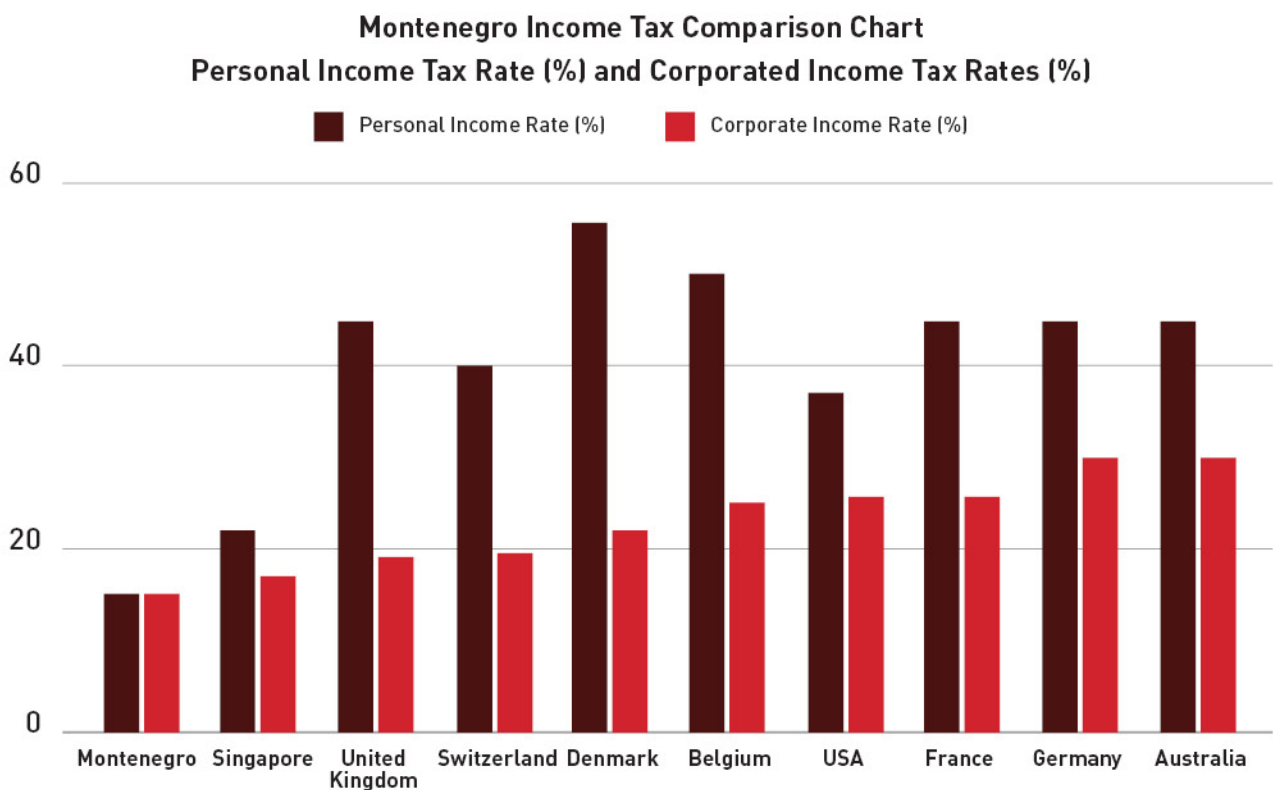
The following individuals are exempt from paying personal income tax:

- Recipients of incentive measures for research and innovation development for employees or engaged individuals and for self-employed individuals, in accordance with the law governing incentive measures for research and innovation development;

- Individuals who earn income from personal income or self-employment from an employer not registered in Montenegro, based on their acquired status as a digital nomad in accordance with the law governing the stay and work of foreigners.
- An anti-evasion norm is introduced in determining the tax base for capital gains tax on the sale of shares in a legal entity. If the selling price of the share in the legal entity is lower than the market value when determining the capital gain, the competent tax authority determines the selling price.

The scope of application of the tax on income from self-employment is specified.

The changes take effect from December 30, 2022.



## Law on Mandatory Social Security Contributions

The following individuals are entitled to exemption from paying mandatory social security contributions:

- Recipients of incentive measures for research and innovation development for employees or engaged individuals and for self-employed individuals, in accordance with the law governing incentive measures for research and innovation development;



- Individuals who earn income from personal income or self-employment from an employer not registered in Montenegro, based on their acquired status as a digital nomad in accordance with the law governing the stay and work of foreigners.

The changes take effect from December 30, 2022.

## **Corporate Income Tax Law**

Entities operating in Montenegro are subject to progressive corporate profit tax. Applicable tax rate depends on the realized profit of taxpayers and tax rate varies from 9% -15%. Progressive tax rate are as follows:

- On the profit up to EUR 100,000, the tax rate shall be 9% fixed;
- On the profit from EUR 100,000.01 to EUR 1,500,000, the tax shall be paid in the amount of EUR 9,000 fixed + 12% on the profit above EUR 100,000.01;
- On the profit above EUR 1,500,000, the tax shall be paid in the amount of EUR 177,000 fixed + 15% on the profit above EUR 1,500,000.01.

Resident taxpayers are taxed on their worldwide profit. Non-resident taxpayers are taxed on their Montenegrin-sourced income or income attributed to their Montenegrin permanent establishment (PE). Non-residents are also subject to withholding tax (WHT) on income sourced in Montenegro.

As soon as an individual has spent 183 days or more in Montenegro he/she automatically becomes liable for personal income tax.

An obligation to pay withholding tax on payments made to individuals for loans, with or without interest, made by the corporate income taxpayer is introduced. Withholding tax is calculated and paid at a rate of 15% on the gross payment at the time of the loan payment.

Corporate income taxpayers who have entered into a loan or lending agreement with an individual prior to the entry into force of this amendment to the law are required to calculate and pay withholding tax after the expiration of the period for which the agreement was concluded if they enter into an agreement that extends that period.

The withholding taxpayer is obliged to submit a report on the paid withholding tax by the end of February of the current year for the previous year.

The changes take effect from December 30, 2022.

Most significant changes in tax policy that came into place from 2022:

These changes were published in the Official Gazette of Montenegro no. 145/2021 and 146/2021 on December 31, 2021.

A summary of the most significant changes is provided below.

## **Labor Law**

The minimum wage in net amount is increased from 250 euros to 450 euros.

A provision is introduced obliging the employer, in case of abolition or reduction of the personal income tax rate or mandatory social security contributions borne by the employee, to pay the employee the amount of the reduction as part of their net salary.

The changes are applied to salary payments since January 1, 2022.

## **Personal Income Tax Law**

Progressive taxation of personal income and self-employment income is introduced. A proportional rate of 15% is introduced for other types of income.

Personal income is taxed as follows:

Salaries up to 700 euros (gross) are not taxed;

Salaries ranging from 700 to 1,000 euros (gross) are taxed at a rate of 9%;

Salaries over 1,000 euros (gross) are taxed at a rate of 15%.

The changes are applied since January 1, 2022.

## **Law on Mandatory Social Security Contributions**

The health insurance contribution borne by the employee and employer (totaling 10.8%) is abolished.

A new solution is introduced for calculating, withholding, and paying mandatory social security contributions by the 15th of the current month for the previous month.

The changes are applied since January 1, 2022.



## **Exemption from personal income tax**

It is defined that the subject of taxation of a non-resident natural person is the income earned by a non-resident in Montenegro, unless he/she earned: income from performing activities electronically with an employer who does not perform activities in Montenegro; and earnings higher than the three average gross earnings generated in the previous year in Montenegro, according to the data of the body responsible for statistics.

## **Income tax exemption of newly established production companies (MIF)**

This is a tax exemption for newly established production companies that perform activities in economically underdeveloped municipalities. The calculated income tax for the first eight years of operation of such companies is reduced by 100%, provided that the total amount of tax exemption for a period of eight years may not exceed 200,000.00 euros.

## **Reprogramming of tax**

Taxpayers are allowed to reprogram tax claims. This law regulates the conditions for the reprogramming of tax and nontax receivables of the tax debtor, write-off of interest and costs of proceedings related to tax receivables and other issues of importance for the reprogramming of tax receivables.

## **Decree on business zones at the state and local level - tax relief for personal income tax, contributions for compulsory social insurance on salaries and local taxes and fees (local fees and real estate tax)**

For persons employed in the business zone, the business zone user shall not pay: 1) Contributions on wages for mandatory social insurance (contribution for pension and disability insurance, contributions for health insurance, contributions for unemployment insurance) and contributions to the Labor Fund, and 2) Personal income tax, for a period of 5 years from the date of positioning the capacity in the business zone.

The Decree provides relief and benefits granted by local self-government units to individual decisions for businesses registering their business in a business zone, following the legislation regulating the matter. Incentives are provided from the local level related to: favorable prices for land lease/purchase; exemption or reduction of utility fees and fees for equipping construction land; reduction of real estate tax rate to the limit prescribed by law; one-stop-shop at the local level; additional infrastructural equipping of locations by the local self-government unit. Investors engaged in doing business within the business zone are not excluded from the possibility of applying for incentives at the national level. The maximum allowed aid intensity is 70% for micro and small businesses; up to 60% for medium-sized companies following the legislation regulating State Aid. The user of the business zone may use the listed exemptions for a maximum of five years from the day of employment of persons in the business zone.

## **Tourist development zones and state incentives – in accordance with the Law on Tourism and Hospitality**

In accordance with Article 113 of the Law, the zone is determined by the Government at the proposal of the competent Ministry. The zone is determined on state-owned land as a functional unit with tourist infrastructure managed by a company or other legal entity based on a feasibility study for investment projects with a minimum amount of 3,000,000 euros and at least 50 accommodation units, minimum category of four stars. The criteria for determining the zones, the content of the feasibility study, and the initiative for the investment project are prescribed by the Ministry.

## **Investment modalities**

### **Public-private partnership**

Pursuant to Law on public-private partnership, PPP is based on the principles of protection of interest-free public management, which ensures a high degree of quality, safety, affordability, transparency, protection of competition, and protection of the environment.

When procuring infrastructure PPP/concession projects, it is necessary to go through a typical project life cycle that is recognized as best practice.

The PPP process begins with identifying projects that could be implemented using the PPP/concession model. This step is followed by detailed preparation and evaluation of projects, followed by the selection phase, which ends with selecting investors (private partners) and awarding the contract. When the PPP contract successfully enters into force (which is usually subject to financial closure), the project implementation phase begins as an essential part of the whole process in which public infrastructure is built, i.e., the service begins to be provided to the public partner and/or citizens. Finally, the public partner takes over monitoring and managing the PPP contract.

All info regarding the PPP program can be found on the Montenegrin Investment Agency website: <https://mia.gov.me/public-private-partnership/>

### **The government established the Innovation Fund in 2021**

The establishment of the Fund achieves a synergistic effect of all actors involved in innovation. It shows a clear commitment of Montenegro to further orient its development towards a society based on knowledge and innovation. The Innovation Fund of Montenegro aims to significantly strengthen innovative entrepreneurship in the country, contribute to a more efficient implementation of the



innovative entrepreneurship in the country, contribute to a more efficient implementation of the Smart Specialization Strategy, and raise absorption capacity in attracting EU funds and preparing for European Structural and Investment Funds.

The Ministry of Economic Development supervises the work of the Fund, and the partners from UNDP support the process of establishing and starting the work of the Fund. The Fund will provide initial funds for its activities from the state budget, but in the very near future by attracting international funds, especially from EU sources of funding. The Fund will be one of the important institutions on the path of Montenegro's approach to the EU.

### **Investment development fund- Investment loans to support tourism, hospitality, and catering**

The support program promotes the improvement of existing infrastructure and the construction and operation of new infrastructure in the tourism, hospitality, and catering sectors, as well as investments aimed at strengthening the quality of primary and non-accommodation offerings in this sector, and the sustainable valorization of untapped tourism resources.

Minimum amount: €10,000.00

Maximum amount: €10,000,000.00

Maximum repayment term: up to 144 months

Grace period: up to 48 months

#### **Program objective and purpose**

The loans are intended for investments in fixed assets - tangible assets (buildings, equipment, machinery, small inventory, etc.), intangible assets (product or service development, patents, licenses, concessions, franchises, etc.), and working capital.

IRF CG A.D. can directly finance up to 70.00% of the total investment value.

If the loan is financed by the European Investment Bank (EIB) funds, the funds cannot be used to finance VAT.

The amount of equity capital must not be less than 25.00% of the total liabilities, increased by the amount of the requested loan (applies to direct loan arrangements).

The amount of credit intended for investment in working capital can be up to 30.00% of the total loan amount.

Beneficiaries:

Beneficiaries can be companies and entrepreneurs in all forms of organization provided by the Companies Act; individuals who carry out activities as defined by the rules of the activities they engage in (craftsmen, entrepreneurs, agricultural producers, etc.) or banks that have business cooperation with IRFCG AD.

The ultimate beneficiaries of these credit arrangements can be entities that provide a certificate from the Tax Administration confirming that they duly settle their tax obligations.

Security Instruments

IRF CG A.D. will accept bills of exchange, mortgages on real estate, bank guarantees, guarantees of local self-government, guarantees of the Government of Montenegro, guarantees of creditworthy legal entities, pledges of receivables, and other usual security instruments in banking business in accordance with the acts of IRF CG A.D. and decisions of competent authorities of IRF CG A.D.

The user of the loan bears all costs related to obtaining security instruments and carrying out activities related to the insurance, cancellation, and recovery of realized instruments.

## **Doing Business in Montenegro – overview**

The Central Register of the Business Entities (CRPS) is responsible for business registration procedures. The register maintains an electronic database of registered business entities, and contracts on financial leasing and pledges.

The process to register a business in Montenegro takes an average of 4-5 working days.

The minimum financial requirement for a Limited Liability Company (LLC) is just EUR 1 (USD 1.1), and three documents are required: a founding decision, bylaws, and a copy of the passport (if an individual is founding a company) or a registration form for the specific type of company. Samples of all documents are available for download at the CRPS website.

Montenegrin law permits the establishment of six types of companies: entrepreneur, limited liability company, joint stock company, general partnership, limited partnership, and part of a foreign company.

All included in the business activities need to open a bank account. Once a bank account is established, the company reports to the tax authority in order to receive a PIB (taxation identification number) and VAT (Value Added Tax) number. For classification of companies by size, based on number of employees, the government's definition is as follows: (i) small enterprises (from one to 49 employees), (ii) medium-sized enterprises (from 50 to 249) and (iii) large enterprises (more than 250 employees).

# Ongoing investment projects

During the period January to June 2023 certain number of projects during the reporting are being implemented in accordance with the obligations arising from contracts and investment programs, with minor deviations in terms of the pace of implementation of planned activities.

Regarding the tourism valorization of sites in the area of Bjelasica and Komovi, it is noteworthy that the Lease Agreement for the location of the mountain center Kolašin 1600, Kolašin, has entered into force during the period under review. The construction of a hotel tourist complex with a total value of 77 million euros is planned at the location of the mountain center "Kolašin 1600". During the reporting period, work continued on the Hotel "K16" building, as well as on the apartment buildings "Q" and "R".

Concerning priority tourism projects on the coast, it can be observed that over 2.3 billion euros have been invested since the start of implementation. Looking at municipalities, it can be concluded that the most investment has been made in projects in the municipality of Tivat, with over 1.3 billion euros, followed by the municipality of Herceg Novi with 904.7 million euros, the municipality of Ulcinj with over 26 million euros, and the municipality of Budva with 11.7 million euros.

Montenegro hosts world luxury hotel brands like One & Only, Chedi, Radisson, and Regent, which now feature a truly compelling hotel portfolio for incentive and meeting programs.



## List of development projects in the field of tourism

1. Kolašin 1600
2. Construction of tourist resort Porto Montenegro, Tivat
3. Construction of tourist resort Portonovi, Kumbor, Herceg Novi
4. Construction of tourist resort "Luštica bay", Tivat
5. Tourist valorisation of part of the HTP "Ulcinjaska rivijera" property- hotel "Bellevue" and "Olympic", Ulcinj
6. Project "Monterose" – "Ritz Carlton Montenegro", Herceg Novi
7. Construction of 5\* CHEDI hotel on the location of VTK Mediteran, Žabljak
8. Construction of hotel at Plavi horizonti, Tivat
9. Construction of condo-hotel "Kolašin Resort & Spa," Kolašin
10. Construction of the hotel "Kraljičina plaža," Miločer, Budva, according to a mixed business model



# Investment opportunities

Per zones

Montenegro as a tourist destination is divided into seven tourist development zones, which differ in socio-cultural, historical, traditional, natural, and economic characteristics, representing the basis for a unique and specific tourist product of Montenegro:

## **1. Ulcinj with Ada Bojana and Solana (Ulcinj municipality)**

Main tourist products

- Nature-based tourism (bird watching, hiking, cycling, hiking tours "salt" in Ulcinj saltworks, horseback riding, etc.)
- Sports and recreational tourism (kitesurfing, windsurfing, wakeboarding, paragliding and surfing, camps for athletes, sports schools, ...)
- MICE (number of hotels with congress facilities)
- Health tourism (Women's beach, healing mud)
- Nudist tourism
- Gastronomic and enotourism

### **Prospective tourist products**

- Cultural tourism - events, cultural heritage, legends
- Family tourism- Digital nomads

## **2. Budva and Bar Riviera (municipalities of Budva and Bar)**

Main tourist products

- Swimming tourism - sandy and pebble / rocky beaches
- High quality and exclusive hotels with developed MICE and spa & wellness offer
- Nautical tourism
- Gastronomic and enotourism

### **Prospective tourist products**

- Cruising tourism
- Diving tourism
- Cultural tourism
- Festivals, fairs and concerts, nightlife

### **3. Bay of Kotor (municipalities of Herceg Novi, Tivat, and Kotor)**

Main tourist products:

- High quality and exclusive resorts and hotels with developed MICE and spa & wellness offer
- Nautical tourism
- Cultural tourism - museums, castles, religious buildings, archaeological sites, authentic architecture
- MICE offer
- Gastronomic and enotourism

#### **Prospective tourist products**

- Diving tourism
- Cultural manifestation tourism- Excursion tourism

### **4. Old Royal Capital Cetinje and Skadar Lake (Old Royal Capital Cetinje)**

Main tourist products

- A product based on active tourism - hiking, mountaineering, cycling, etc.
- Cultural tourism - museums, castles, religious buildings, archaeological sites, architecture
- Rural tourism
- Gastronomic and enotourism - Bird watching

#### **Prospective tourist products**

- Sports tourism
- Excursion tourism
- Adventure tourism
- Cultural manifestation tourism

### **5. Central region (Capital Podgorica, municipalities Tuzi, Danilovgrad and Nikšić)**

Main tourist products

- MICE tourism
- Products based on active tourism - hiking, mountaineering, cycling, etc.
- Rural tourism
- Protected areas
- Cultural tourism - museums, religious buildings, archaeological sites, authentic architecture

### **Prospective tourist products**

- Gastronomic and enotourism
- Cultural manifestation tourism
- Fishing and sport-fishing tourism- Excursion tourism - Adventure tourism, etc.

## **6. Bjelasica, Komovi and Prokletije (municipalities of Bijelo Polje, Kolašin, Mojkovac, Berane, Andrijevica, Plav, Gusinje, Petnjica and Rožaje)**

### **Main tourist products**

- Protected areas (national parks and nature parks) with a diversified offer
- Winter tourism - ski centers
- Nature-based tourism - hiking and mountaineering, cycling, skiing, horseback riding, etc.
- MICE tourism (existing and under construction capacities)
- Rural tourism - rural households and cottages

### **Prospective tourist products**

- Gastronomic and enotourism
- Eco- and ethno-villages
- Hunting and fishing tourism
- Cultural tourism (events, cultural heritage)
- Family tourism.

## **7. Durmitor and Sinjajevina with the canyon of the river Tara (municipalities Žabljak, Pljevlja, Plužine, and Šavnik)**

### **Main tourist products - Winter tourism - ski centers**

- Protected areas (national park and nature park) with a diversified offer
- Nature-based tourism - hiking and mountaineering, cycling, camping, skiing, horseback riding, etc.
- Adventure tourism - rafting, zip line, canyoning, etc.
- MICE tourism (existing and under construction capacities)
- Rural tourism - rural households and cottages
- Gastronomic and enotourism

### **Prospective tourist products**

- Offer of eco- and ethno-villages, traditional gastronomy
- Hunting and fishing tourism
- Family tourism
- Cultural tourism - religious buildings, stećak tombstones and other cultural heritage landmarks



# Tourist custom-tailored product

## Rural tourism

Rural tourism creates conditions to meet the needs of a growing number of tourists who strive for a healthy lifestyle and seek experiences that include experiencing a sense of satisfaction in nature, traditional cuisine, hospitality of households in rural areas, tradition and preserved customs, and other authentic experiences.

According to the research of the organization "United Rural Households - Rural Tourism" and the Regional Development Agency "Bjelasica, Komovi and Prokletije" from 2021, the most significant interest in this type of offer was expressed by tourists from France, Belgium, Germany, Russia, USA, and others.

## Cultural tourism

The potential for forming and developing a tourism product based on culture is evident in the rich tangible and intangible cultural heritage created from Montenegro's turbulent history.

According to numerous analyses, cultural tourism is one of the main drivers of the development of cities, regions, and countries. Moreover, the social impact of cultural tourism is not only material but also has intangible effects, such as developing awareness of the importance of caring and preserving the country's cultural heritage and creating the cultural identity of the destination.

The report, compiled through a survey of UNWTO member countries, confirms that cultural tourism today plays a significant role in global tourism and is in line with changes in tourism, transformed by lifestyle changes, new forms of culture and creativity, evolution, and technology innovation.

As one of the oldest forms of tourism, religious tourism is an important element of cultural tourism in Montenegro. This form of tourism includes visits to religious centers of all three religions; visits to monuments, buildings, and various localities; participation in major religious events; and paying attention to the church and monastery architecture, iconography, authentic souvenirs, and more. When it comes to the development of this form of cultural tourism in Montenegro, it can be said that the potential is huge. Regular visits to shrines such as the Ostrog Monastery, Our Lady of the Rocks, and Hussein Pasha's Mosque are frequent, attracting more and more attention from foreign tourists and pilgrims, and are especially associated with festivals related to the dates that mark these holy places.

According to the Guest Survey from 2017, for 7.8% of tourists, getting to know cultural sights, events and happenings is the leading motive for coming to Montenegro.

These data indicate interest, but for a quality tourist offer. As such, it is necessary to valorize existing resources, make cultural heritage more visible and accessible, and take advantage of technology (e.g. virtual reality and audio guides).

## **Sports tourism**

Montenegro has natural potential for various segments of sports and recreational tourism.

According to the Guest Survey from 2017, for 7.7% of tourists, sports and recreation were the leading motive for coming to Montenegro.

In accordance with the Work Program of the Government of Montenegro in 2022, it is planned to adopt the Program for the Development of Sports Tourism in Montenegro 2023-2026 with the Action Plan.

## **Health tourism**

The tourism and travel sector is becoming an increasingly important factor in economic prosperity. Health tourism is experiencing great expansion and is one of the fastest growing segments of the world's tourism offer.

Montenegro has excellent preconditions that are not sufficiently used or promoted for the development of profitable health and tourism activities: natural resources, rich historical, cultural and industrial heritage, favorable geographical position, traditional hospitality, existing tourist infrastructure, and the multi-ethnic character of Montenegro. Montenegro's multicultural traditions, alongside the growing awareness of tourism professionals of the benefits of health tourism, signal the potential of health tourism to boost the country's economic development.

The importance and sustainability of health tourism is reflected in the fact that, even in the years of crisis, it did not record negative trends.

Having in mind the significant natural and infrastructural potential for the development of this form of tourism, the Government of Montenegro has adopted the Health Tourism Development Program of Montenegro 2021-2023 with the Action Plan until 2023.

## Nautical tourism

Nautical tourism in Montenegro is becoming increasingly important as a new value of the tourist offer.

Montenegro has positioned itself as a destination that, with its great natural wealth and significant cultural and historical heritage, is becoming a recognizable center of nautical tourism. In the past period of accelerated tourism development, Montenegro has recognized the importance of investing in a high-quality tourist offer. The development of this type of tourism represents a new opportunity for the fuller valorization of Montenegro's clear potential, with significant improvement of the quality of services in all existing marinas. In the previous period, through strategic documents, strategic planning, and construction of a significant number of The number of yachts in Montenegro, both stationed and in transit, is increasing from year to year. Such a trend represents a relevant indicator that the country is on track to achieving the set goals in the field of nautical tourism.

In 2019, 4,775 foreign vessels for leisure, sports and recreation (MONSTAT) entered the territorial sea of Montenegro, which is 1.4% more than in 2018. Of these, 4,211 vessels sailed by sea, and 564 were brought ashore.

The number of passengers who arrived on these vessels in 2019 was 28,562, which is 3.2% more than in 2018.

The main challenges facing nautical tourism in the Adriatic are:

- Lack of resources in existing ports - small number of berths,
- Lack of adequate infrastructure for receiving passengers,
- Lack of infrastructure for waste and wastewater collection,
- Lack of quality local, small, and medium enterprises that would support the organization of excursion programs and transfers, etc.

In accordance with the Work Program of the Government of Montenegro in 2022, it is planned to adopt the Nautical Tourism Development Program in Montenegro 2023-2026 with the Action Plan.

### Tourism of protected areas of Montenegro

In world practice, protected areas represent exceptional tourist potential and directly affect the creation of the destination's image. The importance of protected areas is closely related to tourism, which is confirmed by the role of the International Union for Conservation of Nature (IUCN) and the Commission for Protected Areas (WCPA) in defining international standards in the field of protected area categories and principles, including tourism. From the above, it follows that protected areas, in addition to systems, levels and protection measures, represent a significant niche in the world's tourist offer.



Montenegro, with its 5 national parks, 6 nature parks, 2 declared marine and coastal protected areas, 4 UNESCO protected assets, and many other natural potentials, is an ideal destination for the development of this type of tourism. Attached to the above are the results of the "Guest Survey" survey from 2017, according to which 21.1% of tourists stated that getting to know the natural beauty is the motive for coming to Montenegro.

NP Skadar Lake, Lovćen, NP Durmitor and NP Prokletije, except for NP Biogradska gora, are open for visits throughout the year.

In the forthcoming period, the development of the Tourism Development Program in Protected Areas 2025-2027 is planned with the Action Plan, in order to strategically plan the development of a sustainable tourism product in protected areas.

### **Adventure tourism**

Adventure tourism is a form of recreational tourism based on recreation, but with the presence of risk and excitement, and requires physical and mental preparation from the participants. In fact, this form of tourism is a combination of sports, recreation and entertainment, and is intended for tourists who want to experience the excitement of their journey but enjoy the natural beauty of the chosen destination.

The Association for the Adventure Travel Trade (ATTA) defines adventure tourism as a journey that includes at least two of the following three elements: physical activity, natural environment, and cultural experience. According to the 2014 UNWTO Global Adventure Tourism Report, adventure tourism is resilient, attracts tourists with high purchasing power, benefits the local economy / community, and encourages sustainable practices.

Adventure tourism is becoming increasingly popular in the world due to its positive impact on people, the environment and the economic growth of the destination. The development of this type of tourism is most influenced by trends, but also by people's fast-paced lives. People increasingly want to fill their free time with activities in which they would spend excess energy and, in slang terms, "recharge their batteries".

The development of adventure tourism in Montenegro is mostly based on preserved natural resources.

Numerous adventurous activities have been practiced in Montenegro for many years, such as the inevitable rafting on Tara, canyoning in the canyon of the river Nevidio, as well as in the canyons of the rivers Mrtvica and Medjureč, speleological tours in Lipa Cave, ziplining on Đurđević Tara bridge,

Brajić, and other still lesser-known activities that need to be better promoted in marketing. Tourists have at their disposal many other adventurous activities such as hiking on the mountaintops of Durmitor and Prokletije, cycling on mountain trails, bungee jumping, safari tours, paragliding, paintball and more.

Windsurfing and kitesurfing are extremely popular at Ada Bojana, as well as at the Great Beach in Ulcinj. Also, Skadar Lake has the potential to develop the offer of this type of adventure tourism. In addition, diving is currently an adventure sport increasing in global popularity. It belongs to extreme sports--not only because of the conditions in which it takes place, but also because of the necessary psycho-physical demands, equipment and risks that this type of tourist service carries. Diving in the waters of Montenegro provides exceptional experiences in the underwater landscape, caves and both sunken warships, and ships that are purposely sunk. Diving as a special type of tourist offer in Montenegro will be further improved in the coming period, both through legal regulations and program documents.

The Government of Montenegro and the Consortium consisting of Novi Volvox d.o.o. Podgorica and Leitner S.P.A., Italy (Consortium "Leitner - Kotor 1350 Cable Car") have successfully completed negotiations and the signing of the Contract on the construction of the cable car is expected soon. The total investment required for the implementation of this project is estimated at 20 million euros. The starting station is planned in Kotor, and the final one at the Kuk site in Lovćen. The Kotor-Lovćen cable car project represents a chance to connect the Bay of Kotor, Lovćen National Park and Njegoš's mausoleum in a modern and tourist-attractive way, but also an opportunity for new investments and further development of the entire economy of this part of Montenegro.

## **MICE tourism**

MICE (meetings, incentives, conferences, exhibitions) tourism is very popular among businesspeople, because it leads to live interaction, which is still ahead of virtual communication despite the great technological advances. It usually takes place in attractive tourist destinations, so that, in addition to work, tourist attractions and culture of a certain destination can be seen.

In Montenegro, there is potential for the development of this offer in all regions of the country. All hotel facilities that contain congress halls and smaller meeting rooms with the necessary technical support have a predisposition for MICE tourism.

What is characteristic of all MICE destinations is a good geographical position, good traffic connections both internationally and nationally, a rich offer of high-quality hotels and restaurants and a variety of cultural facilities.

## **Camping**

Camping, and especially camping with a mobile home, are among the most popular types of vacation in almost all European markets.

According to EUROSTAT (European Union Statistics Office), in 2018, there were 23,200 registered camps in Europe. The vast majority of them were located in rural areas (68%) or cities and suburbs (26%), while 6% of camps were located in cities. Visitors made a total of 352 million overnight stays in EU camps in the same year, accounting for 13% of all overnight stays in tourist accommodations within the EU. These data clearly indicate the economic benefit and stability of this tourist offer.

The main motives of campers to choose Montenegro as a destination for rest and entertainment are undoubtedly a specific experience of untouched nature, picturesque landscapes, protected natural assets, natural sandy beaches, numerous glacial lakes and mountain peaks, rich biodiversity, etc. In this regard, Montenegro has all the predispositions for the development of this tourist offer and the conditions to be a famous camping destination.

Recently, a more glamorous type of camping has appeared, which is called "glamping" and means accommodation more luxurious than those of traditional camping. Unlike traditional camping, glamping is an active vacation that allows you to enjoy nature in accommodation that satisfies a high quality of service. In fact, glamping has become especially popular in recent years among tourists looking for the luxury of five-star hotel accommodations, but in conditions that could be described as camping in nature. At a time of mass tourism, which is causing significant damage to many tourist destinations and historic sites around the world, more and more people are embracing this ecological concept of travel.

## **Gastronomic and enotourism**

The modern tourist is constantly looking for authentic and unique experiences when visiting a particular tourist destination. Getting to know and consuming local food and wine creates a special experience for tourists that connects them and introduces them to the culture of the local population. Gastronomic and enotourism represent the travel and stay of tourists in destinations with a dominant motive of enjoying gastronomic specialties and wines of a particular area.

Thanks to the interest in gastronomy and food and beverage culture of various countries and regions, culinary and oenological trips are becoming more and more popular all over the world, and gastronomic and oenological tourism is slowly becoming a separate product within tourism.



UNWTO perceives gastronomic and enotourism as critical for tourism as a whole, so in 2015 the UNWTO gastronomic network was created. This organization also co-organizes 5 Global Conferences on wine tourism. The main characteristic of the rich Montenegrin gastronomic offer is its tradition. The skills of growing fruits and vegetables, indigenous grape varieties and food making have been passed down for generations, and Montenegro can boast of several products for which it is recognizable. The richness of nature, relief shape, and climatic zones also shaped the diverse cuisine and marked it in three so-called "zones": coastal, central, and mountain. Namely, geographical diversity and natural conditions dictate the type of agricultural production, available food, and diet.

During the year, a significant number of events are held in Montenegro, which is an exceptional opportunity for guests to get acquainted with local customs, food traditions, and wines from the Montenegrin region.

According to the Guest Survey from 2017, for 33.6% of tourists, the enjoyment of eating and drinking (gastronomy) is the motive for coming to Montenegro.

# Investment Opportunity Overview

Investment type: Construction of 5\* hotel

**Location:** Bar, Montenegro

UP 2	
Area of the Urbanistic parcel	<b>17.767 m2</b>
Max gross area	<b>4.442 m2 (0,25)</b>
Max allowed number of floors	<b>P+9 / P+11</b>
Max Gross Area of the Object (BGP)	<b>62 185 m2 (3.5) / 74 621 m2 (4.2)</b>
Max Gross Area of the Underground garage per level	<b>cca 15 000 m2 (cca 450 PS)</b>
Estimated capacity	<b>cca 475-600 rooms</b>
Planned, main, purpose of the Object	<b>Tourism - hotels (T1) - 5* Hotel</b>
Number of needed Parking Spots (PS)	<b>Approximately 238-300</b>

Underlined values apply only in the case of creating an urban-architectural conceptual design through public tender.

## General Remarks

- No of the floors of the Object is given as a max value. Same can be lower if the terrain conditions dictate it.
- It is possible to build more than one level of underground garages if the terrain conditions allowed it.
- The exact no of possible above ground and underground floors will be known only after geotechnical tests (which are mandatory for every investor) for a specific location.
- Figures related to the no of the PS are descriptive only for the purpose of the further preliminary analysis.
- The exact no of PS needed for every Object will be specified after submitting the project documentation and with respect of requested normative.
- Underground floors where garages or economic and auxiliary contents in the service of the basic function of the object (SPA, wellness, gym etc.) are organized, do not contribute to the BGP calculation of the Object for Index calculations.
- Occupancy and floor area ration and max number of floors are given as max allowed values and are combined in relation to the area of every urbanistic parcel and all other conditions (parking, green area, building line), so it may not be possible to fulfil all three values on every parcel.

- For all significant buildings, complexes, or blocks (combined urbanistic parcels) within defined purposes, it is mandatory (for T1) or recommended to create a conceptual design or unique project documentation with the possibility and recommendation of conducting a public tender.
- For tourism buildings - T1, central activities, multifunctional centre and urbanistic parcels of central functions, combined urbanistic parcels, the Professional Service can assess the need to prepare a Public Competition for an urban-architectural conceptual design.
- For UP 1 and UP 2 creating of Urban-Architectural Conceptual Design is mandatory, with the recommendation that it should be chosen through Public tender for Urban-Architectural Conceptual Design.
- Urban-Architectural Conceptual Design must be created according to guidelines from Urban technical conditions from the DUP.
- Within this purpose, the number of floors of the buildings, the occupancy index and the built-up index can be higher than planned, based on the Urban- Architectural Conceptual Design obtained through the Public Tender, but not higher than  $i_z=0.25$ ,  $i_i=4.2$  and maximum of 12 above-ground floors, if the characteristics of the terrain allow it.
- The adopted Urban-Architectural Conceptual Design through the Public Tender in accordance with the Law is an integral part of the planning document, DUP. The implementation of the Public Tender is carried out by the Ministry or the local government body.

## Macrolocation

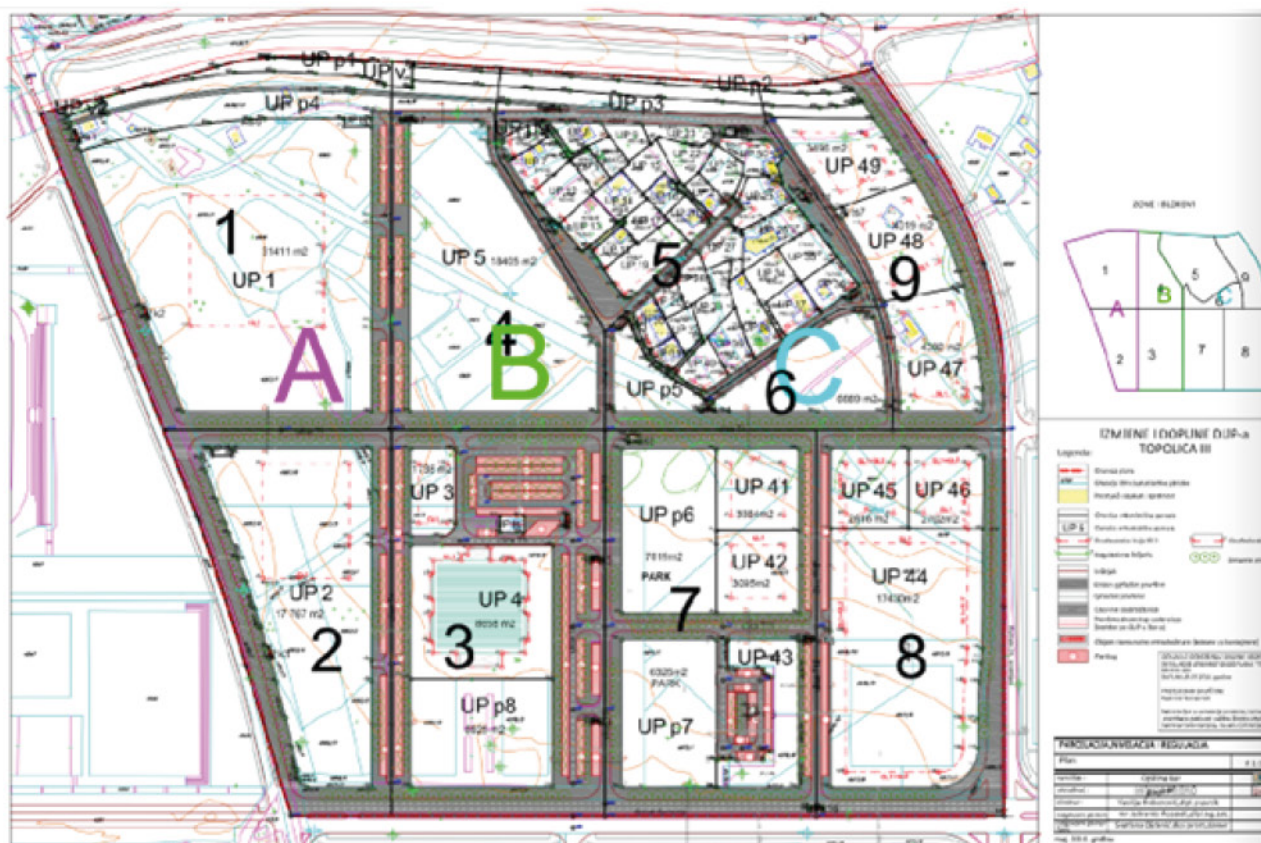


## Microlocation





## Excerpt from Detailed Urban Plan “Topolica III” investment project



## Financial indicators

cca. 7.000.000 EUR (390 EUR/m2)

Anticipated land price

cca. 500

Accommodation units

14 years

Investment return period

cca. 7%

IRR

100.000.000 EUR (1.600 EUR/m2)

Construction and equipment price of the hotel  
for total area of 62.185m2:

cca. 7.000.000–8.000.000 EUR annually  
(2-3% annual increase)

EBITDA

Positive NPV

35% Expected profit margin









## Sources

- Government of Montenegro,
- Ministry of Finance,
- Ministry of Economic Development,
- Ministry of Spatial Planning, Urbanism and State Property,
- Ministry of Tourism, Ecology, Sustainable Development and Northern Region Development
- Montenegrin Investment Agency,
- Municipal regulations and decisions (multiple municipalities of Montenegro) – Municipalities' website,
- Administration for cadastre of Montenegro,
- Central bank of Montenegro,
- Statistical office of Montenegro (Monstat),
- National Tourist Organization,



Published by



Montenegrin  
Investment  
Agency

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