

# Purchase a Property in Montenegro

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Foreign individuals and legal entities can purchase a property in Montenegro.

Houses and apartments are easy to acquire by foreigners, but they must register a company in Montenegro if they want to purchase land in this country.

Exceptionally, a foreign natural person can also acquire ownership rights on agricultural land, forests and forest land with an area of up to 5,000 m<sup>2</sup> only if the object of the alienation contract is a residential building located on that land.

The Law on Proprietary and Ownership Rights in Montenegro is the legal framework to regulate the conditions for purchasing a property in Montenegro by foreigners.

## Quick Facts Specific legislation applicable (Yes/No) Yes, the Law on Real Estate Transactions

### **Possibilities to acquire Montenegrin properties by foreigners (Yes/No)**

Yes, possible

### **Types of properties that can be purchased in Montenegro**

Apartments, houses, lands, commercial property, etc

### **Real estate due diligence required (Yes/No)**

Yes, basic due diligence is required for: Title search; Property inspection; Zoning and land use; Environmental assessment; Legal compliance; Tax and financial review

### **Documents to draft for property acquisition**

Sale and purchase agreement; Power of attorney; Certificate of ownership; Title deeds; Tax and fee certificates; Power of attorney for utilities, etc

### **Financing options availability (Yes/No)**

Yes, personal loans, mortgages, and business loans

**Time frame to acquire a property in Montenegro (approx.)**

Varies depending on the type of property

**Taxes to consider upon a property purchase**

Value-added tax (21%), transfer tax (3%) (valid until 1st January 2024)

**Land Registry registration requirement (Yes/No)**

Yes, it is required

**Residency requirements for foreign citizens buying real estate**

Not required

**Possibility to appoint a Montenegrin representative during the transaction (Yes/No)**

Yes, it is possible

**Property tax rates in Montenegro**

3% of the real estate value as a transfer tax; 0.1 to 5.5% as an annual ownership tax; 15% of income for renting out; and 15% of capital gains tax for selling

NOTE: starting January 1, 2024, the transfer tax rates (paid by the buyer) are:

- 1) up to EUR 150,000.00 3%;
- 2) 2) over 150,000.01 euros: 4,500.00 euros + 5% on the amount over 150,000.01 euros;
- 3) 3) over 500,000.01 euros: 22,000.00 euros + 6% on the amount over 500,000.01 euros.

The tax base is the price of the real estate specified in the purchase contract.

## HOW TO PURCHASE THE PROPERTY IN MONTENEGRO?

Several steps have to be fulfilled for buying a property in Montenegro:

- find a property that fits your budget;
- make an offer for it;
- hire a solicitor and a surveyor;
- confirm the offer/mortgage;
- sign the buying/selling contract;
- complete the transaction.

Having the property investigated and assessing eventual risks attached to it is highly recommended before purchasing a property in a foreign country.

Once you choose a property of your liking, a buying contract is drawn and signed by both buyer and seller.

The contract must be signed before the notary, given that the form in this legal matter is prescribed by law.

## Finding real estate for purchase in Montenegro

The first step to be completed when deciding to buy a property in Montenegro is to search and inform on the properties for sale in the desired region. Many properties are listed on specialized websites by the owners or are promoted by real estate agencies.

Once the interested party has found the right property, it is best to ask for assistance from a law firm in order to have it checked with the Land Register. Our lawyers in Montenegro can perform such inquiries with the Land Register.

Immigration to Montenegro is also possible by acquiring a property.

## The offer when buying real estate in Montenegro

After finding the property and agree with the seller on the purchase, the buyer will need to make an offer. It is important to note that in some cases the price can be negotiated.

Once the final price has been agreed, the buyer can make an offer which is best to be in writing. An advance payment should also be considered when buying a Montenegro property for residential purposes. Usually, 10% of the purchase price must be paid in advance for the property to be taken off the market and for both the seller and buyer to be sure the transaction will take place. It should also be noted that an agreement in this sense is usually signed by both parties.

In the case of commercial real estate purposes, the procedure is more complex.



## Buying real estate through mortgage in Montenegro

One of the preferred options for those interested in acquiring a property in this country is by accessing a loan with a Montenegrin bank. In this case, a mortgage agreement must be signed, and the money will be automatically transferred to the former owner's account upon the completion of the transaction.

It is important to note that the bank can ask for various documents which prove the solvency of the buyer, however, obtaining such a loan in Montenegro is not complicated.

Another aspect to consider in order to speed up the transaction is to open a bank account with a Montenegro bank. This way the duration of the money transfer will take less. Foreign citizens or investors can also have the money transferred from the bank account in their home countries.

## The sale-purchase agreement when buying a Montenegrin property

Once the initial phases of the property purchase process are completed, the parties must have the final sale-purchase agreement drafted and signed. The contract must contain the following information:

1. the name of the buyer - the personal information in the case of natural persons or information related to the company;
2. the name of the seller - personal information about the seller must be comprised in the contract;
3. the total amount the property was sold for (if any advanced payment was made, this must appear in the contract);
4. specific terms under which the contract was signed must also be mentioned in the agreement;
5. the date and the signature of both seller and buyer must be found on the contract in order for it to be valid.

The sale-purchase agreement must be drafted and signed before a Montenegrin public notary who will also notarize the document.

## Costs and taxes involved when purchasing a property in Montenegro

The total costs of selling and **purchasing a property in Montenegro** range between 6% and 9% of the property value.

The 3% transfer tax is paid by the buyer and the real estate agent`s commission is shouldered on the seller. The Value Added Tax (VAT) tax of 19% has to be paid for the transfer of newly built properties.

Notarization is compulsory for buying-selling contracts; the notary fees reach 0.01 to 0.02% of the property value.