

Pursuant to Article 82(1)(2) and Article 91(1) of the Constitution of Montenegro, the Parliament of Montenegro in its 28th convocation, at the First Session of the First Regular (Spring) Sitting in 2025, held on 19 May 2025, adopted the following:

LAW
ON INCENTIVES FOR RESEARCH AND INNOVATION DEVELOPMENT

Subject-matter
Article 1

This Law shall stipulate conditions for obtaining the beneficiary of the incentive status for the development of research and innovation (hereinafter: incentives), requirements for approval and withdrawal of the status of an incentive user, types of incentives, and other matters important for acquiring the incentives.

Incentives
Article 2

Incentives are measures to promote scientific research and innovation and finance the said activity.

Incentives shall aim to advance economic growth, technological development, innovation, and entrepreneurship through employment, especially of young, highly qualified people, strengthen present innovative companies and create start-ups and spin-offs, promote export, particularly in the areas of medium and high technologies and knowledge-based services, and create a better environment for scientific research and innovation activity.

Availability
Article 3

Incentives shall be available to everyone under the conditions stipulated by this Law.

Usage of the gender-sensitive language
Article 4

The terms used in this Law for individuals in the masculine gender shall equally refer to the same terms in the feminine gender.

Definition
Article 5

Expressions used in this Law shall have the following definitions:

1) **Research and development** (RD) includes creative and systematic work to increase the knowledge fund and create new applications of the available knowledge. It must be new, creative, uncertain, systematic, transferable, and/or repeatable. RD includes basic (fundamental) and applied research (industrial research and experimental development or their combination).

2) **Innovation** is a new or improved product or process or combination of products and processes which significantly differs from the present or past products or processes and which is offered at the disposal of potential users (product) or present or past products and processes which is offered at disposal to potential users (product) or put into use (process).

3) **Innovative activity** includes all developmental, financial, and commercial

activities undertaken by a natural or legal entity and intended to develop innovation.

4) An **innovation project** is a set of activities created by natural and/or legal entities with a clearly defined goal, project management model, necessary resources, time frame, and expected results. Its implementation carries out programmes of innovation and scientific research activity and promotes the development of new and improved products, services, or processes and their introduction to the market, i.e. use.

5) An **innovation programme** represents a set of innovation projects and activities created by the subjects of innovation activity, with a clearly defined goal, priorities, work organisation, necessary resources, time frame, and expected results. Its implementation carries out the developmental strategy of an innovation activity subject and achieves its strategic orientation towards innovation as a factor for strengthening competitiveness.

6) **Innovation activity performing subject** is a natural person who performs an independent activity, registered in line with the specific law or a legal entity, established in accordance with the law and based in Montenegro, which creates an innovation, markets new knowledge and technologies, originally and systematically applies scientific results and modern technological process to create and apply innovation, and which has been entered into the Registry of innovation activity in line with the law governing innovation activity.

7) A **start-up** is a micro or small enterprise that is not older than five years from the day of registration, has not distributed its profit, was not established through a merger, and develops and uses innovation with the potential of accelerated market growth.

8) A **spin-off** is a company created through scientific research or transfer technologies that separate from the present legal entity to commercially exploit research or innovation results.

9) An **inventor** is a natural person who performs a self-employed activity and deals with research and development of inventions that have been patented at the national or international level.

10) A **freelancer** is a local or international natural person with residence in Montenegro who independently performs innovative activities by offering intellectual services to local and international natural and legal entities.

11) A **donor** is a legal or natural person who donates their funds to start-ups, spin-offs, licensed scientific research institutions or the Innovation Fund of Montenegro (hereinafter: Fund); and

12) The **donation beneficiary** is a start-up, spin-off, licensed scientific research institution, or Fund that has accepted this donation in accordance with the law.

Beneficiaries of incentives

Article 6

Local and foreign natural persons and legal entities performing scientific research and innovation activity in Montenegro may be beneficiaries of incentives, as well as other legal entities and natural persons donating means, or which in other manner are connected to these activities, in line with conditions prescribed by this Law and the law governing state aid.

Conditions for acquiring the status of beneficiary of incentives

Article 7

A legal entity performing innovation activity may acquire the status of the

beneficiary of incentives if:

- 1) It is entered into the Central Registry of Business Entities;
- 2) It is entered into the Register of Innovation Activities;
- 3) It has settled the liabilities regarding tax and contribution payment by the day of submitting the request for acquiring the status of beneficiary of incentives;
- 4) It is not subject to bankruptcy proceedings;
- 5) It is not subject to liquidation proceedings;
- 6) It is not an associated party, in the sense of Law regulating companies, with legal entities and natural persons that are beneficiaries of incentives for the duration of the beneficiary's status.
- 7) It is not a founder or co-founder of the scientific research institution, subjects of innovation activity, and people connected therewith who have already exercised their right to incentives in line with this Law for the duration of the status of incentives beneficiary.

A natural person who performs an innovation activity may acquire the status of the beneficiary of incentives if they fulfil the conditions from paragraph 1, items 1, 2, 3, 6, and 7 of this Article.

A legal entity donating to innovation activity may acquire the status of a beneficiary of incentives if:

- 1) It meets the conditions from the paragraph 1 of this Article, and
- 2) Donates at least 15,000 euros to start-ups and spin-offs entered into the Register of Innovation Activity, that is, donates at least 10,000 euros to licensed scientific research institutions entered into the Register of Licensed Scientific Research Institutions and/or the Register of Innovation activity or to the Fund, for scientific research, that is, innovation programmes and projects.

A natural person who donates to the innovation activity may acquire the status of a beneficiary of incentives if:

- 1) They meet the conditions from paragraph 1, items 1, 2, 3, 6 and 7 of this Article, and
- 2) Donate at least 5,000 euros to startups and spin-offs entered in the Register of Innovation Activity or licensed scientific research institutions entered into the Register of Licensed Scientific Research Institutions and/or the Register of Innovation Activity or to the Fund for Scientific Research, that is, innovation programmes and projects.

The body of state administration in charge of science and innovation (hereinafter the Ministry) stipulates detailed conditions for acquiring the status of a beneficiary of incentives, the manner of awarding, use, deadline and maximum intensities of incentives, following the previously obtained opinion of the governmental authority responsible for finances and independent authority responsible for competition protection.

Activities for which incentives shall not be granted

Article 8

Incentives may not be granted to legal entities and natural persons performing the following activities:

- 1) Production and sale of weapons and military equipment;
- 2) Organisation of games of chance;
- 3) Production and distribution of any product or activity considered illegal or harmful to the environment and/or human health;
- 4) That are forbidden by the law;

- 5) Production and distribution of excise goods;
- 6) Political parties; and
- 7) Putting people's dignity at risk.

Limitations

Article 9

Right to incentives cannot be exercised in the following cases:

- 1) Companies are in difficulties, within the meaning of the law regulating state aid.
- 2) Legal entities and natural persons which have achieved intensities of incentives in line with the provision from Article 7, paragraph 5 of this Law, respecting the principle of communication in accordance with the Law governing state aid; and
- 3) Legal entities and natural persons that have lost the status of beneficiaries of incentives and have not completed the return of unspent, improperly used funds in line with this Law.

Initiation of the proceeding for acquiring the status of a beneficiary of incentives

Article 10

The status of a beneficiary of incentives shall be awarded based on the open call for the acquisition of the status (hereinafter: The Call) that the Ministry announces once a year.

Along with the call application, legal entities and natural persons shall submit proof of meeting the conditions defined by this Law.

The Ministry shall carry out an administrative evaluation of the applications from paragraph 2 of this Law within 15 days from the date of their submission.

The Ministry shall forward complete applications to the Commission for Granting the Status of Beneficiary of Incentives (hereinafter: the Commission)

Commission

Article 11

The Ministry shall form a Commission consisting of three members from the Ministry's employees, the governmental authority responsible for financial affairs and the governmental authority responsible for internal and external commerce affairs.

The Commission shall:

- 1) Assess the fulfilment of conditions for acquiring the status of the beneficiary of incentives and proposes granting, that is revoking the status of the beneficiary of incentives in line with the Law.
- 2) Perform the control over the use of incentives laid down by the Law; and
- 3) Perform other tasks concerning the tracking of the scientific research, i.e. Innovation programme or project.

The person employed in the Ministry, the Secretary of the Commission, shall perform administrative and technical tasks for the Commission.

Members and the Secretary of the Commission shall have the right to remuneration in line with the Law.

Granting the status of the beneficiary of incentives

Article 12

The Ministry shall adopt a decision on granting the status of a beneficiary of incentives, i.e., on revoking the application for the acquisition of this status, at the

Commission's proposal.

Aside from the data defined by the Law, the Decision on Granting the Status of the Beneficiary of Incentives also contains data on the donation beneficiary and the number of separate accounts that shall be the subject of control, when applicable.

The Decision on Granting the Status of the Beneficiary of Incentives shall be entered into the Register of Innovation Activity led by an independent body responsible for the protection of competition.

The Decision from paragraph 3 of this Article shall be submitted to the state authority responsible for financial affairs and to the state authority responsible for tax payment.

Change of data, record-keeping and report formation

Article 13

Beneficiaries of incentives shall be obliged to submit the request for the change of data in the Register of Innovation Activity, i.e. Register of Scientific Research Institutions, within 15 days from the date the change occurred, in accordance with the Law governing innovation and scientific research activity.

Beneficiaries of incentives, i.e. donation beneficiaries, shall be obliged to establish and keep a separate record of scientific research or innovation programmes or projects in line with the Law governing the field of accounting.

The persons from paragraph 2 of this article shall be responsible for submitting the report on the realisation of incentives once a year at the Ministry's request.

The report from paragraph 3 of this Article shall be submitted as a form published on the Ministry's website.

Control over the use of incentives.

Article 14

At the Ministry's request, the Commission shall control the use of incentives approved in accordance with this Law at least once a year.

When performing the control from paragraph 1 of this Article, the Commission particularly shall check if:

1) the beneficiary of incentives

– Has stopped to fulfil the conditions for granting the status of a beneficiary of incentives in line with this Law,

– Has submitted the request for the change of data in the Register of Innovation Activity, or Register of Scientific Research Institutions, in accordance with the Law, within 30 days from the date of the change occurring

– Has established and keeps a separate record of the scientific research/innovation programme or project, in line with the Law regulating the field of accounting and

– Has submitted the Report on the Realisation of the Incentive in line with this Law.

2) the donation beneficiary has established and keeps a separate record of the scientific research/innovation programme or project, in line with the Law governing the field of accounting,

The Commission shall submit the Report on the Completed Control from paragraph 1 of this Law to the Ministry.

The Ministry shall prescribe detailed conditions for exercising control from paragraph 2 of this Article.

Revoking the status of the beneficiary of incentives

Article 15

In cases when the Commission determines some of the irregularities from Article 14, Paragraph 2 of this Law during the exercise of control, the Ministry shall adopt a decision on revoking the status of beneficiary of incentives.

The Decision from paragraph 1 shall also contain the reason why the status is being revoked, in addition to the data prescribed by the Law.

The Decision from paragraph 1 of the Article shall stipulate the return of the unspent and improperly used funds.

A person whose status as the beneficiary of incentives has been revoked shall be erased from the Register of Innovation Activity. When applicable, the donation beneficiary shall be erased from the Register of Innovation Activity and/or Register of Scientific Research Institutions, acting on its own motion.

Types of Incentives

Article 16

Incentives shall include a reduction of the personal income tax and a reduction of corporate tax.

Reduction of personal income tax

Article 17

The right to reduction of personal income tax in line with the Law may be exercised by:

1) A freelancer or inventor entered into the Central Registry of Commercial Entities as an entrepreneur who gains income from innovation activity.

2) Natural person performing an independent activity, entered in the Central Registry of Commercial Entities, and which donates the funds to start-ups and spin-offs entered in the Register of Innovation Activity or licensed scientific research institutions entered in the Register of Scientific Research Institutions and/or Register Innovation Activity or the Fund.

The tax in paragraph 1 of this Article shall be reduced depending on the maximum intensities of the incentives, as defined by the regulation in Article 7, paragraph 5 of this Law.

The tax from paragraph 1. item 2 of the Article shall be reduced up to the amount of donated funds at most, i.e. To the amount of tax duty at most.

Donated funds from paragraph 1, item 2 of this article must be paid to the separate account of the start-up, spin-off or licensed scientific research institution, which is used only for the implementation of the scientific research and/or innovation programme or project with which the start-up, spin-off or the licensed scientific research institution have been entered in the Register of Innovation Activity, i.e. Register of Scientific Research Institutions.

Donated funds from paragraph 1, item 2 of this Article, paid into the Fund's account, shall be used for the implementation of the innovation programme or project for which the Government of Montenegro shall give its approval

Donated funds from paragraph 1, item 2 of this Article may not be spent in the manner where the expenditures generated based on hiring a natural person who donates or a legal entity where the natural person -donor is a founder or a member of the association, expenses generated on the basis of hiring the founder, co-founder of

member of the start-up, spin-off or licensed scientific research institution, as well as expenses generated based on hiring therewith associated legal entity or natural person within the meaning of the law regulating companies are recognised as eligible costs.

Reduction of the corporate tax

Article 18

The right to a reduction of corporate tax, in accordance with the Law, may be exercised by:

1) Legal entities in private ownership which have been entered in the Register of Innovation Activity and reinvest funds from the generated income in innovation programmes or projects with which they have been entered in the Register of Innovation Activity;

2) Legal entities donating funds to start-ups or spin-offs entered in the Register of Innovation Activity or licensed scientific research institutions entered in the Register of Scientific Research Institutions and/or Register of Innovation Activity of Fund.

The tax from paragraph 1 of this Article shall be reduced depending on the maximum intensities of incentives defined by the regulation from Article 7, paragraph 5 of this Law, and up to the amount of the reinvested/donated funds, i.e. up to the amount of the defined tax obligation.

Donated funds from paragraph 2 of this Article shall not be recognised as expenditure for tax purposes within the meaning of the Law governing corporate tax.

Reinvested and/or donated funds from paragraph 1 must be paid in the specific account, privately owned by a legal entity, start-up, spin-off, or licensed scientific research institution which is used solely for the implementation of the scientific research and/or innovation programme or project with whom the privately owned legal entity, start-ups, spin-off or licensed scientific research institution have been entered in the Register of Innovation Activity, or Register of Scientific Research Institutions.

Donated funds from paragraph 1 Article 2 of this Law and in the Fund's account shall be used to implement an innovation programme or project for which the Government of Montenegro gives its approval.

Donated funds from paragraph 1, Article 2 of this Law may not be spent in the manner where costs generated based on hiring a donating legal entity, i.e. Legal entity where the legal entity is a founder or member of the entity, costs generated on the basis of hiring a founder, co-founder or member of a start-up, spin-off or licensed scientific research organisation as well as costs generated on the basis of hiring therewith associated legal entity or natural person within the meaning of the Law governing the corporate entities.

Supervision

Article 19

The Ministry shall supervise the enforcement of the Law.

Deadline for submission of by-laws

Article 20

By-laws for the enforcement of this Law shall be adopted within four months from the date of entry into force of this Law.

Prior to the adoption of by-laws from paragraph 1 of this Article, regulations adopted on the basis of the Law on Incentives for Innovation and Research Development (The Official Gazette of Montenegro, Number 82/20) shall be applied

unless they are not in line with this Law.

Continuation of the use of incentives

Article 21

Beneficiaries of incentives who have acquired the status of the beneficiary in line with the Law on Incentives for Innovation and Research Development (The Official Gazette of Montenegro, Number 82/20) shall continue to use incentives up to the end of the period for which the status has been granted.

Termination of Validity

Article 22

The Law on Incentives for Innovation and Research Development shall cease to be valid on the day of entry into force of this Law.

Entry into force

Article 23

This Law shall enter into force on the eighth day from the date of being published in the "Official Gazette of Montenegro"

Number: 25/25-1/5

EPA - Registered Parliamentary Act: 476 XXVIII

Podgorica, 19 May 2025

The Parliament of Montenegro
28th convocation

P R E S I D E N T

Andrija Mandić