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Corporate Income Taxes

Resident legal entities are generally subject to tax on their worldwide income. A legal entity is resident in Macedonia if it is established in Macedonia or if its headquarters are in Macedonia.

Non-resident companies are generally subject to tax on their Macedonian source income, subject to the terms of any relevant tax treaty.

The standard corporate income tax rate is 10%. A simplified tax regime is available to resident small and micro legal entities if:

- The entity carries out economic activities, excluding banking, financial activities, insurance activities, games of chance, or entertainment games, and
- The entity's total annual income exceeds MKD3m but does not exceed MKD6m.

Under the simplified regime, qualifying taxpayers are subject to tax at the rate of 1% of total annual revenue. Qualifying resident small and micro legal entities whose total annual income does not exceed MKD3m are not subject to tax.

Taxable income must generally include any taxable capital gains.

Dividend income received by a resident entity from another resident entity is deducted from the receiving entity's tax base if such income was taxed in the hands of the paying company.

Unutilized losses can generally be carried forward for up to three years (restrictions may apply in cases where the status of the taxpayer changes, such as by merger, acquisition, separation, or transformation of ownership). There are no provisions for the carry back of losses.

Group tax consolidation is not available in Macedonia; consequently losses cannot be offset against the profits of another company in the same group.

The tax period is the calendar year.

Tax returns are generally due for filing by no later than the end of February of the following year, or by 15 March if filing electronically. Large and medium sized entities (as defined) are required to file their tax returns electronically.

Taxpayers are generally required to make monthly advance payments of corporate income tax payable within 15 days following the end of each calendar month. Any remaining corporate income tax due is payable by no later than 30 days after the deadline for filing the tax return. If the advance payments exceed the eventual tax liability, the taxpayer may reclaim a refund of the excess. Alternatively, any excess tax paid can be carried forward as an advance payment for the next tax period. Taxpayers under the simplified tax regime are required to pay tax in one installment no later than 30 days after the deadline for filing the tax return.

Personal Taxes

Resident individuals are generally subject to income tax on their worldwide income.

Non-resident individuals are generally subject to income tax on their Macedonian source income, subject to the terms of any relevant tax treaty.

Individuals are subject to tax on their taxable income at the rate of 10% (subject to exemptions and deductions).

Taxable income must generally include any taxable capital gains. Capital gains in respect of sales of real estate in which the taxpayer has lived for a period of at least one year prior to sale are taxable on 70% of the gain. Capital gains from the sale of real estate are not subject to tax if:

- The taxpayer has owned the real estate for a period of at least three years and has lived in the property for at least one year prior to sale
- The taxpayer has owned the real estate for a period of at least five years
- The real estate sold was acquired by way of an inheritance or gift that is tax exempt, or
- The real estate was sold to a spouse, or was sold in connection with a divorce.

From 1 January 2013 to 31 December 2018, capital gains arising from the sale of securities are not subject to tax.

Inheritance and gift taxes are generally imposed on the market value of Property obtained by way of inheritance or gift. The tax rates are determined by municipalities in accordance with legislation from a range of 2% to 5%. Certain inheritances and gifts are tax exempt, including inheritances and gifts received from first degree relatives, and residential real estate received from second degree relatives if the parties lived in the same household for a period of at least one year before death or before the gift was given and the receiving party or their family does not have their own residential real estate.

There is no wealth tax.

Employment Related Costs and Taxes

Fringe benefits

There is no separate fringe benefits tax. Unless specifically exempt, the taxable value of benefits-in-kind form part of the taxable income of individuals and are subject to personal income tax.

Social security costs

Employers are generally required to make the following social security contributions from the salary of employees (subject to minimum threshold and salary ceilings):

Contribution Category	Rate
Health insurance	7.3%
Employment injuries and occupational diseases	0.5%
Pensions and disability insurance	18%
Unemployment	1.2%

Withholding Taxes on Payments Abroad

The rates of withholding tax on the following payments made to foreign legal entities are generally:

	Rate
Dividends	10%
Interest	10% (certain interest payments are exempt)
Royalties	10%
Entertainment and sports activities	10%
Fees for management, consultancy, financial, and research and development services	10%
Insurance premiums for the insurance or re-insurance of risks in Macedonia (FYR)	10%
Telecommunication services between Macedonia (FYR) and abroad	10%
Income from leases of real estate in Macedonia (FYR)	10%
Entertainment and sports activities	10%

For payments made to recipients in countries with which Macedonia has a double tax treaty, the rates of withholding tax may be reduced under the terms of the treaty.

Value Added Tax (VAT)

VAT is generally levied on the supply of goods and services in Macedonia and on the importation of goods.

The standard VAT rate is 18%. A reduced rate of 5% rate applies to certain supplies, including certain products for human consumption, printed publications, fertilizers, agricultural machinery, animals and animal feed, pharmaceuticals, medical equipment, office equipment, baby products, and accommodation services. Certain supplies are VAT exempt without the right to deduct input VAT, including residential property rentals, postage stamps, postal services, certain banking and financial operations, insurance and reinsurance services, health services, and educational services. Certain supplies are VAT exempt with the right to deduct input VAT, including exports of goods, and supplies of gold and other precious metals to central banks.

The VAT registration threshold is generally annual turnover exceeding or expected to exceed MKD1m. Traders can apply for VAT registration voluntarily if compulsory registration does not apply.

Registered traders can generally recover the VAT with which they themselves are charged on their purchases of goods and services, subject to conditions and possible exceptions.

Other Taxes

Stamp duty

There is no stamp duty in Macedonia.

Property tax

Property tax is generally levied on the market value of real property in Macedonia (FYR), subject to exemptions. The tax rates are determined by municipalities from a range of 0.1% to 0.2%. The tax rate may be increased in respect of agricultural land that is not used for agricultural production. The tax rate is reduced by 50% in respect of residential property in which the taxpayer lives with family members.

Transfer tax

Transfer tax is generally imposed on the market value of transfers of real estate. The tax rates are determined by municipalities from a range of 2% to 4%, subject to exemptions.

Excise duties

Excise duties are imposed on certain goods, including alcohol, alcoholic beverages, tobacco products, petroleum products, and passenger vehicles.

**Tax Incentives
for Businesses****Tax exemption for
reinvested profits**

Taxpayers may reduce from their tax base the amount of completed investments made using the profits from the previous year. To qualify, profits must be invested in tangible assets (property, plant, and equipment) or intangible assets (computer software and patents) that expand the activities of the taxpayer, excluding cars, furniture, carpets, audio visual devices, appliances, art, and investments for administrative purposes. Qualifying assets must be kept for a period of at least five years.

**Technological and Industrial
Development Zones**

Qualifying users of a Technological and Industrial Development Zone (TIDZ)
Benefit from incentives, including:

- Corporate income tax exemption for a period of 10 years from the date that business activity in the TIDZ commences (as long as business activity commences no later than two years after the year in which permission for the business activity in the TIDZ was granted)
- Personal income tax exemption for a period of 10 years in respect of salaries paid to employees in a TIDZ commencing from the start date of performing activities in the TIDZ
- VAT exemption in respect of trade in goods and services in the TIDZ (unless the trade is intended for end use)
- VAT exemption in respect of goods imported into the TIDZ (unless the goods are placed in free circulation), and
- Customs duty exemptions (excluding alcohol, alcoholic beverages, tobacco, and tobacco products).