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**FYR MACEDONIA TAX CARD**

**2018**

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# TAX CARD 2018 – FYR MACEDONIA

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# I. Individuals

## 1.1 Personal Income Tax

A flat tax rate of 10% on the taxable income is applicable.

### 1.1.1 Tax Exemptions

A monthly amount of MKD 7,531 is exempt from personal income tax, as personal allowance of individuals receiving salaries.

The following categories of incomes are also subject to PIT-exemptions:

Individual income type	Exemption %
Per diems (from employment)	100%
Severance payments before retirement (up to 2 average national net salaries)	100%
Relief for suffered damages from natural disasters (up to the amount prescribed in the General Collective Agreements)	100%
Income for compensating expenses made by use of own vehicle for employer's purposes	30% of the price per liter of gas (max MKD 3,500/mo)
Income for leasing unfurnished residential apartments or offices	25%
Income for leasing furnished residential apartments or offices	30%
Income from sale of copyrights / IP rights	25%-60% depending on type
Interest income from bank deposits (until the date of accession of FYR Macedonia into the EU)	100%
Property sale income (if property was sold within 3 years of the date it was purchased)	100%
Income from games of chance/gambling if the individual instance income does not exceed MKD 10,000	100%
Capital gains from sale of securities/bonds (under conditions)	100%

### 1.1.2 Deductible Expenses

Individual income type	%
Mandatory social security insurance contributions for employment income	whole amount
Investment in assets for expanding activity (for self-employed/sole traders)	30% of investment amount
Recognised expenses incurred by agricultural sole traders (self-employed) with annual income below MKD 300,000	100% of recognised expenses
Recognised expenses incurred by agricultural sole traders (self-employed farmers) with annual income between MKD 300,001 and MKD 1,300,000	80% of the recognised expenses
Recognised expenses incurred during sale of capital or property	30% of recognised expenses

## 1.2 Capital Gains

Capital Gains from the sale of property, securities or shares are taxed with the standard 10% rate, levied on 70% of the gains.

## 1.3 Social Security Contributions

All contributions are mandatory, paid concurrently with net salaries (once a month), payable by the employer on behalf of the employee (deducted from gross salary of the employee). The contributions are levied on the gross salary tax base, with a ceiling amount equal to 6 national average gross salaries and a minimum tax base of 50% of the national average monthly salary. Employers are not required to make additional contributions on top of the gross salaries.

Contribution type	Rate (% of gross)
Pension Fund	18%
Health Fund	7.3%
Unemployment Fund	1.2%
Disability Fund	0.5%
<b>TOTAL</b>	<b>27%</b>

It is worth noting that non-employment income such as service contract based income, paid by a legal entity to an individual only subject to personal income tax.

## 1.4 Submission of Tax Returns

The deadline for submission of personal income tax return is 15th March of the following year. Individuals who received no income other than employment/pension income are not obliged to submit a tax return.

## II. Corporate Taxation

### 2.1 Corporate Income Tax

The applicable corporate income tax rate is flat at 10%. The tax base for corporate income tax is equal to the corporate profit (revenues less expenses) plus unrecognised (non-deductible) expenses and any differences between the company's actual income and reported income.

#### 2.1.1 Non-deductible Expenses

Expenses which are considered to be non-essential for the business activity are non-deductible. These include (but are not limited to):

Expense type	Non-deductible amount
Expenses not related to the ordinary course of business	100%
Allowances paid to employees above the legally prescribed amounts	100%
Board members' expenses/allowances above the legally prescribed amounts	100%
Hidden profit distribution payments	100%
Representation	100%
Donations' expenses exceeding 5% of the total annual turnover	100%
Sponsorship expenses exceeding 3% of the total annual turnover	100%
Loan interest expenses for loans not used for the company's main business activity	100%
Insurance premiums paid for board members and employees	100%
Penalties and interest for late payments to state authorities	100%
Inventory shortages	100%
Differences between transfer prices and arm's length prices in transactions between related entities	100%

#### 2.1.2 Exempt Income

Exempt from payment of corporate income tax are the following categories of companies:

Type	%
Companies registered as employers of people with disabilities	Under conditions defined in the Law for Employment of people with Disabilities

Business units located within corrective institutions (such as prisons)	100%
Companies located in the technological industrial zones (free zones), during the first 10 years of their operations and under conditions defined in the Law on Technological Industrial Zones	100%

## 2.2 Capital Gains

Capital Gains are treated as ordinary income and subject to the same rules as other types of corporate income.

## 2.3 Withholding tax

Payments made to non-resident companies are subject to a final withholding tax on revenues stated in the table below. Subject to provisions of the applicable double tax treaty with the specific country, lower rates may apply.

Revenue type	Withholding tax
Dividends, interest, royalties, entertainment/sports activities	10%

## III. Indirect Taxation

### 3.1 Value Added Tax (VAT)

#### 3.1.1 VAT Registration

Turnover threshold for mandatory VAT registration	MKD 1,000,000/yr
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Voluntary VAT registration is also possible.

#### 3.1.2 Rates

Standard VAT Rate	18%
Reduced VAT rate (food items, computers, computer components, software, thermal solar systems, first sale of residential buildings)	5%

#### 3.1.3 VAT Periods

All VAT taxpayers are classified as quarterly or monthly VAT payers, with their VAT returns (and payments) due on the 25th of the month following the period in question.

## 3.2 Customs Duty

Customs duties are payable on the import of goods and products to FYR Macedonia. The customs rates are calculated on the basis of the custom value increased by related costs. Reduced or zero rates are applicable for import of goods from certain countries or goods with preferential tariff treatment.

## 3.3 Excise Duty

Passenger vehicles	0-18%
Tobacco commodities	Excise duty on cigarettes: MKD 1.853 per cigarette; Excise duty on fine cut tobacco and other smoking tobacco: MKD 1,650 per kg.
Alcohol and alcoholic beverages	MKD 0-300/litre (depending on type)

# IV. Local and Other Taxes

## 4.1 Property tax

Property Tax	0.1%-0.2%
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The property tax is a local tax and it varies between 0.1%-0.2% depending on the municipality where the property is located. The tax base is the market value of the property, as defined by the municipality's committee based on a prescribed methodology.

## 4.2 Property Transfer tax

Property Transfer Tax	2%-4%
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A local tax with a variable tax rate between 2%-4% depending on the municipality, typically paid by the property seller. The tax base is the market value of the property.

### 4.3 Inheritance/Gift tax

First degree relatives	0%
Second degree relatives	2-3%
Third degree relatives or not-related	4-5%

The tax base is the market value of the property / gift. The exact tax rate is defined by each municipality.

## V. Tax Calendar

ACTIVITY	DEADLINE
VAT returns (and payment) for quarterly taxpayers	25th of April, July, October, January (for previous quarter)
VAT returns (and payment) for monthly taxpayers	25th each month for previous month
Monthly MPIN calculation for gross salaries on employer level	10th of each month for previous month
Monthly gross salary payment (including net and all contributions/taxes)	15th of each month for previous month
Personal income tax company tax return (for paid salaries and other incomes)	31st of January for the previous year
Monthly advance payments for calculated corporate income tax	15th of each month
Corporate income tax return	28th of February for the previous year
Annual Financial Statements	28th of February for the previous year if filed in paper; 15th of March if filed electronically
Individuals' personal income tax return	15th of March for the previous year



## Administrative Penalties

Please note that the below listed fine/penalty amounts are only indicative as that actual fines depend on a complex coefficient-based formula which takes many factors into account.

### 6.1 Individuals

Non-compliance cases	Fine/Penalty
Non-submission of PIT return	EUR 500- EUR 1,000

### 6.2 Companies

Non-compliance cases	Fine/Penalty
Delayed submission of VAT return	EUR 1,500 for the company + EUR 500 for the responsible person
Failure to submit VAT return	EUR 2,500 for the company + EUR 1,000 for the responsible person
Delayed submission or failure to submit corporate income tax return	EUR 2,000-3,000 for the company + EUR 500-1,000 for the responsible person



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