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Since 1978

Tax card 2022



North Macedonia

TAX CARD 2022 – NORTH MACEDONIA

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I. Individuals

1.1 Personal Income Tax

Until the end of 2018, a flat tax rate of 10% was applicable. In 2019, North Macedonia introduced a progressive *personal income tax approach but reverted to the flat 10%* as of 2020 and onwards. For 2022, the 10% rate remains applicable.

1.1.1 Tax Updates

A monthly amount of MKD 8,788 is exempt from personal income tax, as personal allowance for individuals receiving salaries.

1.1.2 Deductible Expenses

Individual income type	%
Mandatory social security insurance contributions for employment income	whole amount
Personal monthly tax exemption (see above)	MKD 8,788 per month

1.2 Capital Gains

Capital gains from sale of securities, movable and intangible property as well as income from interest from deposits (with exceptions) is taxed with 10%.

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 16 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 unless specified by related law.

Contribution type	Rate (% of gross)
Pension Fund	18.8%
Health Fund	7.5%
Unemployment Fund	1.2%
Disability Fund	0.5%
TOTAL	28%

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

1.4 Submission of Tax Returns

As of 2019, individuals are no longer required to submit personal income tax returns. Rather, the tax authority prepares draft tax returns and sends to the individuals for their approval (typically in April of each year).

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 unrecognized (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	90%
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 2,000,000/yr.
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Voluntary VAT registration is also possible.

3.1.2 Rates

Standard VAT Rate	18%
New rate introduced as of 2021 applicable to certain food services	10%
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 North 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

Excise amounts change frequently. A comprehensive list of excise duty amounts can be found here:

<https://customs.gov.mk/index.php/mk/biznis-zaednica-mk/akcizi>

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)	Abolished as of 2019
Monthly advance payments for calculated corporate income tax	15th of each month
Corporate income tax return	15 th of March for the previous year
Annual Financial Statements	15 th of March for the previous year if filed electronically
Individuals' personal income tax return	Confirmation of draft PIT return prepared by tax authority will be required by 31 May

VI. 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 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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