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# Individual Taxation

**NORTH MACEDONIA**

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# INDIVIDUAL TAXATION IN NORTH MACEDONIA

## 1. Individual Taxation

Residents are subject to tax on their worldwide income from any source. Non-residents are taxed on their North Macedonian -source income only. Income tax is assessed in the tax year on a current year basis.

The fiscal year starts on 1st of January and ends on 31st of December.

The following types of Income generated in the country and abroad are taxable:

1. Income from work
2. Income from self-employment
3. Income from copyrights and related rights
4. Income from sale of own agricultural products
5. Income from intellectual property (IP) rights
6. Income from lease of movables and immovable property
7. Income from Capital

### Personal Income Tax rate

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. **Currently, there is a tax-reform in the making, with a progressive personal income tax approach deemed to be likely to be reintroduced starting from 2023.**

<i>Personal Income Tax</i>	<i>10%</i>
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### Tax exemptions

A monthly amount of MKD 8,788 (changes each year slightly, amount is applicable until 31.12.2022) is exempt from personal income tax, as personal allowance for individuals receiving salaries.

### Deductible Expenses

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

## Capital Gains tax

Capital gains from sale of securities, movable and intangible property as well as income from interest from deposits (with exceptions) is taxed with 10%. The currently-in-progress tax reform is claimed likely to introduce a 15% tax on interest from deposits and sale of securities, though neither one of the two has been legally confirmed.

## 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).

## 2. Procedure for Residents Individuals and Deadlines

Starting from 2018, all resident individuals that have a North Macedonian unique identification number (EMBG) - meaning they either have permanent residence in the country or temporary residence permit which makes them tax resident – must register (if not already registered) on the EPDD system <https://e-pdd.ujp.gov.mk/ppf/home.seam> which is the central location for filing anything tax-related for individuals.

All domestic-sourced income which is paid to the physical resident person by a legal entity is automatically already entered in the EPDD system as the same system is used by companies paying physical persons (be it for salaries, freelance service contracts, rental income etc). So, anything paid BY A RESIDENT COMPANY to a RESIDENT PHYSICAL PERSON is already in the system.

Physical persons have the additional obligation to self-report, using the same EPDD system:

- income received in the country paid by other physical persons (if subject to tax, including rental from other individuals) and capital gains
- income received in the country paid by diplomatic or consular institutions
- income received abroad

The legal obligation is to self-report income by the 10<sup>th</sup> day of the month following the one during which income was generated.

By April 30<sup>th</sup> of each year, the tax office creates pre-populated Annual Tax Returns for all physical persons who have any type of income during the previous calendar year. This pre-populated return is made available for review electronically by April 30<sup>th</sup> and should be confirmed OR corrected (by adding other previously non-reported income) by May 31. If the return is neither confirmed nor corrected, the pre-populated return is considered automatically confirmed and final (no penalties). Any additional tax to be paid by the individual or refunded as a result of editing the tax return is generated as integral part of the return and should be paid by 30 June.

### **3. Procedure for Non-Residents Individuals and Deadlines**

Individuals who don't have a North Macedonian unique identification number (EMBG) - meaning they don't have any type of residence in the country – can register as a foreign taxpayer on the EPDD system.

Local-sourced income can be paid to the physical non-resident person by a resident legal entity IF the non-resident physical person is registered in the tax office, by request (not done automatically) and given a foreign taxpayer tax number. In most cases this happens when resident companies need to pay something to a non-resident which is subject to local tax. In order to obtain such a foreign taxpayer tax number, one needs to have a passport copy of the non-resident. This can be done by the physical person themselves or by the entity paying them.

So, all local-sourced income paid by LEGAL RESIDENT ENTITIES to NON-RESIDENT PHYSICAL PERSONS, in order to be compliant, must also be in the system already, once the foreigner's tax number is assigned. Some companies remain non-compliant in this area as they are not familiar with the procedure and/or may be under the impression that the obligation to report such income rests with the physical person.

Non-resident physical persons have the additional obligation to self-report, using the same EPDD system:

- income received in the country paid by other physical persons (if subject to tax, including rental from other individuals) and capital gains

The legal obligation is to self-report income by the 10th day of the month following the one during which income was generated.

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