

SETTING UP BUSINESS IN MACEDONIA



General Aspect

FYR MACEDONIA is a small landlocked and mountainous country with area of about 25.713 sq.km and a population of approximately 2,11 million. It is situated in the heart of the Balkan Peninsula and borders with Bulgaria to the East, Greece to the South, Albania to the South-West, Serbia to the North and Kosovo to the North-West. Being at the crossroads of two important corridors, it has a particularly strategic location in the region.

Legal Forms of Business Entities

Legal Form	Feature	Remarks
Limited Liability Company (DOOEL or DOO)	An LLC is a trade company in which one (DOOEL) or more (DOO) natural or legal persons participate in the company's pre-determined founding capital. The contributions may vary in amount.	Statements of Founding, Identification Documents, Contribution (monetary or in-kind, minimum EUR 5,000 to be contributed within a year of the founding date), Manager's ZP signature form and admin fees applicable.
Joint Stock Company (AD)	A Joint Stock Company (locally called AD) is a trade company in which shareholders participate with contributions in the capital that is divided in shares. The shareholders are not liable for the company's liabilities.	Starting capital must be minimum EUR 25,000 paid upfront upon registration.
Branch Office	Branch offices are not legal entities. They work on behalf of mother companies and all responsibility is borne by the mother company.	In addition to regular documentation, a statute of the mother company is required as are annual financial reports to determine solvency as well as the agreement between mother company and branch office.
Representative Office	Representative offices of foreign companies can carry out non-income generating activities, such as advertising or market research on behalf of the parent company.	
Silent Partnership	A silent partner contributes into a business along with a public partner, and acquires the right to participate in the profit and loss of the business.	The partnership doesn't have a company status, all rights and responsibilities are borne by the public partner.

Organizational Questions

Topic	Feature	Remarks
Central Register	All company forms must be registered at the Central Register (one stop shop for registrations - www.crm.com.mk). The registration includes registering the company in the Public Revenue (Tax) Office, declaring the registered seat and publishing the incorporation notice. The registration process also defines the bank through which the new company will conduct business.	The Central Register registration includes the registration with the Trade Register.
Bank Account	To open a bank account in a commercial bank, documents required include account opening application, certificate from the Central Register (registration and any foreign investment certificates), and evidence of unique tax number. For assigning signatories for the account, identification documents and written authorizations are needed.	The procedure can only on special occasions be done remotely through POAs. Banks increasingly request the physical presence of beneficial owners.
Company Seal	Upon registration with the Central Register, two company seals (round and archiving stamp) must be acquired from commercial stamp producing locations. A copy of the company registration from the Central Registry must be submitted in order to acquire the seals.	
VAT Registration	Legal entities trading goods and services subject to VAT whose value exceeds 1,000,000.00 MKD within a calendar year (or new companies expecting to exceed this trading level) must register for VAT either with the founding of the company or within 15 days of the date when the threshold is reached.	VAT registration can also be done on a voluntary basis, without exceeding the threshold. The registration is carried out by the Public Revenue Office.
Visa and Residence permit	Nationals of certain countries require visas to visit FYR Macedonia (http://www.mfa.gov.mk). For longer stays, an application for a temporary residence permit is submitted at the diplomatic or consular mission of FYR Macedonia in the foreigner's home country. Individuals performing business activities or those seeking employment in FYR Macedonia must also hold a valid work permit.	Foreigners that do not require a visa may enter and stay in the Republic of Macedonia for a period of up to 90 (ninety) days within a period of six months. A foreigner who intends to stay for a period longer than 90 (ninety) days is required to apply for a temporary residence permit.

Employment

Topic	Feature	Remarks
Work permit	All foreigners need work permits in order to work in FYR Macedonia. There are three types: 1) Personal work permit 2) Employment permit and 3) Work Permit.	
Central Register	According to the local labour law, the number of paid holidays (in addition to official holidays) per year ranges from 20-26 and must be used before June 30th of the following year. A typical 8hr workday is standard with a mandatory 30min paid lunch break. Overtime up to 10hrs per week is allowed, but annual overtime hours must not exceed 190. Employees with overtime hours in excess of 150 and an annual leave of fewer than 21 days are entitled to one national average salary in bonuses. Employees are permitted additional 7 days paid leave per year for marriages, death in the family or examinations/requirements demanded by the employer. Nine months of continuous paid (by the Health Fund) maternity leave is the standard. One month notice periods for employment contract termination are the norm.	
Social system	The social security system consists of pension insurance (18% of gross salary), health insurance (7.3%), unemployment insurance (1.2%) and disability insurance (0.5%). The social security contributions are paid by the employee (withheld from gross salary) but paid on his/her behalf by the employer simultaneously with payment of net salaries.	



Taxation

A corporate income tax is imposed on companies in FYR Macedonia at a flat rate of 10%. Personal income (salaries, pensions, and other income) is taxed with the personal income tax.

Incentives in TIDZ

Technological-Industrial Development Zones (TIDZs) are centers in which highly productive clean manufacturing activities are concentrated and new technologies are developed.

Macedonia offers additional incentives for development in the TIDZs, in addition to those normally associated with free economic zones.

Investors in TIDZs are entitled to personal and corporate income tax exemption for the first 10 years. Investors are exempt from payment of value added tax and customs duties for goods, raw materials, equipment and machines. Moreover, up to €500.000 can be granted as incentive towards building costs depending on the value of the investment and the number of employees. Land in a TIDZ in Macedonia is available under long-term lease for a period of up to 99 years.

Other benefits include completed infrastructure that enables free connection to natural gas, water, electricity and access to a main international road network. Investors are also exempt from paying a fee for preparation of the construction site. Fast procedures for business activity registration are provided in TIDZ that further reduce the costs of setting up.

The Government pays special attention to production activities, activities from the IT area (software development, hardware assembling, digital recording, computer chips and the like), scientific research activity and new technologies with high environmental standards, for which additional benefits are envisaged in the TIDZs. Investors in TIDZs who operate in these areas are exempt from the liability for submission of a guarantee as collateral for any customs arrears.

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Mallorca, 260 àtic
08008 - Barcelona
Tel.: + 34 93 215 59 89
Fax: + 34 93 487 28 76
Email: info@antea-int.com
www.antea-int.com

