

PROFIT TAX LAW

(revised version)

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I. GENERAL PROVISIONS

Article 1

This Law introduces tax on profits and determines the means of profit taxation.

Article 2

The profit tax rate is proportionate.

Article 3

The computation and payment of the profit tax is carried out by the taxpayer.

II. TAXPAYER

Article 4

Taxpayer of the profit tax is any legal person (entity) - resident of the Republic of Macedonia realizing profit from an activity in the country and abroad.

Resident in paragraph 1 of this Article refers to any entity established or headquartered in the territory of the Republic of Macedonia.

Article 5

Taxpayer of the profit tax is also any legal entity - non-resident of the Republic of Macedonia, realizing profit through performing an activity in the territory of the Republic of Macedonia.

Taxpayer in paragraph 1 of this Article may also refer to an organizational unit realizing profit by carrying out an activity in the territory of the Republic of Macedonia.

Article 5-a

For the purpose of this Law, permanent establishment of a foreign entity shall be the permanent place of activity through which or in which, fully or partially, any economic activity of the foreign legal entity is performed in the Republic of Macedonia, directly or through a dependent agent.

Permanent establishment shall include place of management, branch, office, factory, workshop, mine, oil or gas sources, quarry or other place of exploitation of natural resources.

Construction localities, project for construction, assembly or installation or supervisory activities and rendering services thereunder, lasting longer than six months, shall be deemed as permanent establishment on the day of commencement of the activities, including the preparatory activities.

Rendering services, including consulting services, shall also be deemed as permanent establishment, but only if such activities last longer than 90 days in any twelve-month period.

Notwithstanding paragraphs 1 and 2 of this Article, foreign legal entity shall be deemed to have a permanent establishment in the Republic of Macedonia pertaining to the activities that a person, not being an agent with independent status, performs on behalf of the foreign legal entity, should that person act in the Republic of Macedonia on behalf of the foreign legal entity and should any of the following be applied:

- a) the person be authorized, and regularly carries out in the Republic of Macedonia the authorization to conclude contracts on behalf of the foreign legal entity, except if the activities are limited to the ones indicated in the items a) to f) in paragraph 6 of this Article; or
- b) the person regularly maintains in the Republic of Macedonia stocks of products or goods from which that person regularly delivers products or goods on behalf of the foreign legal entity.

Notwithstanding paragraphs 1, 2, 3 and 4 of this Article, permanent establishment shall not include the following:

- a) usage of any facility by one entity only for the purpose of storing or displaying products or goods that belong to that entity;
- b) maintenance of stocks of products or goods that belong to the entity only for the purpose of storing or displaying;
- c) maintenance of stocks of products or goods that belong to the entity only for the purpose of processing by another entity;
- d) sale of products or goods that belong to an entity, that have been displayed at temporary or occasional fairs or exhibitions, should the products or goods be sold not later than one month after the fair or the exhibition closes;
- e) maintenance of the permanent place of activity solely for the purpose of buying products or goods or collecting information on the entity;
- f) maintenance of the permanent place of activity solely for the purpose of carrying out any activity for the entity, being of a preparatory or auxiliary nature;
- g) maintenance of the permanent place of activity solely for any combination of activities indicated in a) to f), provided that the whole activity carried out on such permanent place is of preparatory or auxiliary nature;

Foreign legal entity shall not be deemed to have a permanent establishment in the Republic of Macedonia solely because it performs an economic activity in the Republic of Macedonia through a broker, general agent or any other agent with an independent status provided that the activity is a regular economic activity of the agent.

Foreign legal entity shall not be deemed to have a permanent establishment in the Republic of Macedonia solely because it controls or is controlled by a domestic legal entity or entities that perform an economic activity in the Republic of Macedonia, regardless of whether through a permanent establishment or otherwise.

Article 6 deleted

Article 7 deleted

III. TAX BASE

Article 8

The basis for computation of profit tax is the profit determined in the tax balance.

Profit represents the difference between the total incomes and expenditures of the taxpayer, in amounts determined by accounting regulations and accounting standards, excluding the incomes and expenditures that are differently determined by this Law.

Article 9

The value of the unfinished production reserves, semi-products and finished products is estimated at the full cost price, in accordance with the accounting regulations and accounting standards.

The value of the reserves determined under paragraph 1 of this article can not exceed the sales value on the day of establishing the tax base.

Article 10

Expenditures that are recognized as deductive rates, when determining the profit liable to taxation, are solely those expenditures incurred by performing the activity.

Expenditures are recognized in the amount determined with the income statement in compliance with the accounting regulations, the accounting standards and the provisions of this Law.

Article 11

The computation of the material expenses and the purchase value of the sold merchandise is carried out by implementing the method of average prices.

If other methods are implemented in the estimation of the value of the reserves, the material expenses and the purchase value of the sold merchandise, the corrected amounts that would have resulted from the implementation of the method under paragraph 1 of this article are to be declared in the tax balance.

If the material expenses and the purchase value of the sold merchandise are recorded according to the method of planned and selling prices, it may be considered that the method of average prices is applied as long as the planned value of the material expenses

and the selling value of the sold merchandise are corrected in proportion to the deviation.

The average purchase prices of the spent material and the purchase value of the sold merchandise are determined for the part of sold products.

Article 12

Business expenditures, resulting from shipment of goods, materials and services among associated legal entities and physical persons, are determined according to the prices achieved on the domestic market or on the comparable foreign market in circumstances of unassociated legal entities and physical persons.

An individual associated with the taxpayer is any legal entity or physical person capable of controlling or influencing the taxpayer's business decisions.

The possibility of control exists in case of possession of over half or of the single largest portion of shares or stake.

Substantial influence over business decisions appears in case of large mutual purchases and sales, technological dependency or if other means of management control are established, or if a single person possesses at least 20% of the company's shares.

Article 13

All transactions of the taxpayer with associated persons are to be reported separately in the tax balance, along with the transfer prices, at which the transactions were completed.

The difference between the market price and the transfer price is included in the tax base.

Article 14

As part of the business expenditures for the period for which the profit is calculated, the following shall be recognized as deduction item:

- 1) calculated and paid salaries, salary related allowances for the adequate tax period;
- 2) costs for organized food and travel to and from work of the employees up to the amount set by law;
- 3) paid reimbursements of costs related to work for the following: business trip (except for usage of private vehicle), field allowance or separate life up to the lowest amount set under the General Collective Agreement for Economic Activities in the Republic of Macedonia and the regulations of state administration bodies;
- 4) paid compensation in case of death of the employee and family member, up to the stimulated amount under the General Collective Agreement for Economic Activities in the Republic of Macedonia and the regulations of state administration bodies;
- 5) paid compensation in case of suffered damages form natural disasters in the lowest amount set under the General Collective Agreement for Economic Activities in the Republic of Macedonia;
- 6) paid compensation in the form of severance payment at retirement in the lowest amount set under the General Collective Agreement for Economic

Activities in the Republic of Macedonia.

7) paid one-off compensation in the form of severance payments for the purpose of permanent work engagement of workers, in the amount set by law;

8) paid vacation allowances in the amount of 40% of the average monthly salary by worker in the Republic of Macedonia, paid in the last three months and announced by the State Statistics Office;

9) paid compensations for jubilee awards for at least 10 years of work at the same employee in the amount of average monthly salary by worker in the Republic of Macedonia, paid in the last three months and announced by the State Statistics Office;

10) paid compensations for incessant sick leave longer than 6 months due to accident at work or occupational disease in the amount of average monthly salary by worker in the Republic of Macedonia, paid in the last three months and announced by the State Statistics Office;

11) paid reimbursements for costs during movements for the needs of the employer, in the amount of real incurred costs and

12) reimbursements for using a private car for a business trips shall be recognized as expenditures in the tax balance at the level of 30% of the paid amount.

Amount of the payments to both the employees and the members of management bodies, on the basis of business success of the employer shall be recognized as costs in the tax balance if they calculated form the portion of the annual profit remaining after reducing the realized profit for the amount of the total losses transferred from the previous years and for the amounts set aside for legal and statutory reserves.

Personal allowances to the members of the management and supervision board shall be recognized as expenditures in the tax balance up to 50% of the paid amount.

Article 14-a

Compensation to volunteers and persons engaged for performing public activities set by law, shall be recognized as expenditure in the paid amount.

Article 15

The depreciation of material and non-material assets is recognized as an expenditure in the tax balance up to the amount calculated on the procurement value of assets by applying the depreciation rates established with the Nomenclature of the depreciation funds.

The determined method of depreciation is applied until the final depreciation of the base of the single asset or group of assets.

When determining the tax base, once depreciated assets or group of assets can not be included again in the computation of the depreciation.

The remaining current value of the assets, that are no longer usable, can be depreciated in full, regardless of the prescribed duration period. If such depreciation is to be regarded as an expenditure, when determining the tax base, the public revenue authority must give its consent, for the submitted written application by 31st January at the latest in the year following the year in which the application is submitted.

The Government of the Republic of Macedonia prescribes the Nomenclature of depreciation funds and the annual depreciation rates, as well as the manner of computing the depreciation of the material and non-material assets.

Article 16

When by application of the functional method of depreciation, the total depreciation of the taxpayer increases by more than 10% of the depreciation computed through a proportionate method, the public revenue authority is to approve of the computation of the depreciation by the functional method, for the submitted written request by 31st January at the latest in the year following the year in which the application is submitted.

Article 16-a deleted

Article 17

Costs related to interests on credits, used exclusively for business purposes of the taxpayer, are recognized as part of the expenditures in the tax balance.

As an exception from paragraph 1 of this Article, the interest costs for credits used for procurement of cars, furniture, carpets, pieces of figurative and applied art and other decorative objects for equipping offices are not recognized as expenditures in the tax balance.

In case of credits among associated persons, the interest costs are recognized up to the amount of the interests at which a respective credit could have been obtained from commercial banks in the accounting/computed period.

If the loans obtained by the shareholders and members owning at least 25% of the capital of the company not being bank or a financial institution shall exceed threefold the amount of the part of that shareholder or member of the company in the tax period, interests paid from such loans shall not be recognized as expenditure for tax purposes.

Loans by third persons guaranteed by the shareholder or the member shall be considered as loans in terms of paragraph 4 of this Article.

Amount of the part of the shareholder or the member in the capital of the credit beneficiary shall be determined for the tax period as average of the capital paid in retained profit and reserves.

Article 17-a

Costs for research and development incurred within private research and development centers or through independent scientific and research institutions are recognized as expenditures in the tax balance.

Article 17-b

Premiums paid as insurance of the taxpayer's business property and all kinds of compulsory non-life insurance determined by law are recognized as expenditures in the tax balance.

Article 17-c deleted

Article 17-d

Property tax, fees and other paid public duties not depending on the operating performance, except for withholding taxes, shall be recognized as expenditures in the tax balance.

Article 18

Fines and tax penalties, default interest for late payment by the taxpayer of public duties and enforced collection costs shall not be recognized as expenditures in the tax balance.

Article 19

Expenses incurred by members of the managing board or shareholders for vehicle usage, food and beverages, gifts, for purchase of movable property and real estate, shall not be recognized as part of the expenditures in the tax balance.

Article 19-a deleted

Article 20

All costs incurred for economic propaganda to promote the taxpayer's activity shall be recognized as expenditures in the tax balance in the amount of the actual costs on the basis of the submitted documents.

Outlays for donations shall be recognized as expenditures in the tax balance in the amount of 5% of the overall revenue, and sponsorship outlays in the amount of 3% of the overall revenue, pursuant to the manner, the conditions and the procedure set in the Law on Donations and Sponsorships in Public Activities.

Costs for the taxpayer's representation (feasts, gifts, vacations, recreation and entertainment) shall not be recognized as expenditures in the tax balance.

Article 20-a

Claims and financial investments that can not be collected and are written off as a correction of the value are not recognized as expenditures in the tax balance, except for the uncollected claims and financial investments written off on the basis of effective court decision, as well as the recorded uncollected claims and financial investments from entities in bankruptcy or liquidation.

Article 21

The calculated long-term reservations of material and non-material costs shall not be recognized as expenditures in the tax balance, except for those reservations whose obligation is defined by the Law on Forests.

Article 22

Payments for scholarships shall not be recognized as expenditures in the tax balance.

Non-subsidized expenditures for employee training, specific for the job, and for foreign language classes shall be recognized as expenditures in the tax balance.

Article 23

To a taxpayer - bank and savings house, the tax base decreases by the amounts allocated as a special reserve for covering potential losses.

To a taxpayer - association for insurance and re-insurance of property and persons, the tax base decreases by the amounts allocated as a special reserve for insurance and other risks.

The amount allocated as a reserve, from paragraph 2 of this Article, may be up to 75% of the reserves made for this purpose.

Article 23-a deleted

Article from 24 to 27 are deleted

Article 27-a

Revenues earned on the basis of the funds that are strictly earmarked for performance of the activity of the legal entity – taxpayer (budgets, funds) shall not be included in the tax base for calculation of the profit tax.

As strictly earmarked funds for performance of the activity shall also be considered funds on special accounts, funds received as earmarked donations, membership fees and other funds not intended for performance of an activity and the sole function of which is to be collected and allocated for a specific purpose.

In order to use the funds on this basis, the taxpayer should make a decision on utilization of earmarked funds, financial plan and program on the manner, the procedure and deadlines for spending the earmarked funds.

Article 27-b

Tax base shall be reduced for the amount of the following:

- payments referred to in Articles 14 and 14-a of this law, for which, the tax base was increased in the past period;
- amount of the paid written-off claims and financial investments referred to in Article 20-a of this law, for which, the tax base was increased in the past period, and for which, effective court decision was reached or claims being declared as claim in the bankruptcy procedure;
- amount of cancelled reservations referred to in Article 21 of this law, for which the tax base was increased in the previous tax period;
- amount of the portion of the depreciation, for which the tax base was increased in the previous tax period and
- upon other bases, for which the tax base was increased in the previous tax period.

V. TAX RATE

Article 28

The profit tax rate equals 10%.

Article 29 deleted

V –a Withholding of tax from income paid to foreign legal entities

Article 29-a

Unless otherwise regulated in the international Agreements for Avoidance of Double taxation, entities referred to in paragraph 3 of this Article who pay income referred to in Article 29-b in this Law to a foreign legal entity, shall be obliged to withhold tax at payment of the income and shall pay the tax withheld to a respective suspense account simultaneously with the payment of the income.

The tax withheld for any income of a foreign legal entity shall be considered as finally settled tax obligation of the entity regarding such income.

The following entities shall withhold the tax on income paid to a foreign entity:

- a) domestic legal entity;
- b) domestic physical person - registered for performing activity; and
- c) foreign legal entity or physical person - non-resident with permanent establishment in the Republic of Macedonia.

Article 29-b

The withholding of tax shall apply to the following income, regardless of whether the income is received in the Republic of Macedonia or abroad:

- 1) income from dividends;
- 2) income from interest from a resident;
- 3) income from interest from a non-resident with a permanent establishment in the Republic of Macedonia, if the permanent establishment pays the interest;
- 4) income from a royalty paid by a resident;
- 5) income from a royalty paid by a non-resident with a permanent establishment in the Republic of Macedonia, if the permanent establishment pays the royalty;
- 6) income from entertainment or sporting activities performed in the Republic of Macedonia;
- 7) income from performance of management, consulting, financial services, services related to research and development, if the income is paid by a resident or by a permanent establishment in the Republic of Macedonia.
- 8) income in the form of insurance premiums for the insuring or reinsuring against risks in the Republic of Macedonia;
- 9) income from telecommunication services between the Republic of Macedonia and a foreign state and
- 10) income from rent of real estate in the Republic of Macedonia.

Notwithstanding paragraph 1 of this Article, the withholding of tax shall not apply to the following income:

- 1) transfer of a portion of the income of a permanent establishment of a foreign legal entity in the Republic of Macedonia, to which tax profit has been previously paid;
- 2) income from interest from debt instruments issued and/or guaranteed by the Macedonian Government, the National Bank of the Republic of Macedonia, and banks or other financial institutions acting as an agent of the Macedonian Government;
- 3) income from interest from deposits in a bank located in the Republic of Macedonia; and
- 4) income from intermediation or consulting with government securities on international financial market.

Article 29-c

The tax withheld in accordance with provisions referred to in Article 29-b of this Law shall be calculated on gross income at 10% rate.

For the purposes of paragraph 1 of this Article, gross income shall be the income that would be paid to the foreign legal entity should tax not be withheld on the income that would have been paid.

Article 29-d

Should the income recipient to which the withholding tax is applied be a resident of foreign country that has signed an agreement with the Republic of Macedonia on double taxation avoidance in relation to profit and capital taxes, in this case, for the purposes of Article 29-c of this law, the tax rate set for this income should not exceed the tax rate applied for the income set in the agreement.

Tax exemption or lower rate set in the agreement with a foreign country shall be applied on the income to which withholding tax is applied only if the income recipient provides the entity that pays in the income with a certificate of residence, issued by the tax authority of the foreign country.

Article 29-e

The entity entitled to withholding tax in accordance with the provisions in this Chapter shall file, once a year, a Statement on the paid-in withholding tax to the public revenue authority by 15th February of the year following the year in which the obligation for withholding tax existed.

The Statement for the paid-in withholding tax for one year shall include the following information for any foreign legal entity on which behalf tax withholding was made for the reference year:

- 1) name of the paying entity, company, seat;
- 2) name of the entity-taxpayer and the country of residence;
- 3) type and amount of income on which tax withholding is applied;
- 4) amount of tax to be withheld and the date the liability falls due; and
- 5) amount of the tax withheld and date of payment.

Public revenue authority shall inform the public revenue authority abroad, at its written request, of the tax withheld at the foreign legal entity.

Article 30 deleted

VI. TAX REDUCTIONS AND EXEMPTIONS

Article 31 deleted

Article 32 deleted

Article 32-a

The taxpayer which uses technological industrial development zone shall be exempt from profit tax payment for a period of ten years from the commencement of the performance of the activity in the zone under terms and conditions and according to a procedure determined with the Law on Technological and Industrial Development Zones.

Article 33

The computed tax of the taxpayer, who has assets invested by foreign persons, is decreased in proportion to the participation of the foreign capital, on condition that the foreign capital makes 20% at least of the overall invested joint fixed capital.

Assets invested by foreign persons, mentioned in paragraph 1 of this Article, also refers to the buyout of shares by the foreign person.

The tax exemption from paragraph 1 and 2 of this Article also refers to taxpayers founded by foreign capital alone.

The tax exemption from paragraph 1 and 2 of this Article does not refer to the taxpayers founded by way of merger or partition.

The tax exemption from paragraph 1 of this Article refers only to the first three years since the year profit was made, on condition that the taxpayer used the exemption to operate for at least three years after the end of the last year when he was entitled to tax exemption.

In case the taxpayer stops his activity, before the period of six years, determined in paragraph 5 of this Article, expires, he loses the right of exemption on this basis and is obliged to pay the tax in the amount increased by the interest stipulated for taxes not paid within the set period..

The taxpayer may use the right in paragraph 1 of this Article upon approval by the Public Revenue Office following a submitted written request, by 31st January at the latest in the year following the year in which the application is submitted .

Article 33-a deleted

Article 34 deleted

Article 35 deleted

Article 36 deleted

Article 36-a deleted

Article 36-b

The taxpayer who is obliged, pursuant to Article 2 from the Law on registering cash payments, to introduce and use approved system of equipment for registering cash payments, the calculated tax shall be reduced by amount paid for procurment of up to ten fiscal devices, by the amount of their value.

Taxpayer may use the right to tax exemption from paragraf 1 of this Article, from the date of introducing in use of the approved system of equipment for registering cash payment, through reducing the monthly tax prepayments, starting from the next month in the current year until the end of year, proportional to the funds invested.

In case a taxpayer fails to use the right to tax exemption by the end of the current year, he has a right to carry it forward in the next period.

The tax payers realizes the right to tax exemption according paragraf 1 of this Article with approval from Public Revenue Office, after submitting written application, by 31st January at the latest in the year following the year in which the application is submitted.

Article 36-c

The National Bank of the Republic of Macedonia shall be exempted from paying profit tax.

Article 36-d

Taxpayer shall be exempted from the obligation to pay undistributed profit tax realized in the current year.

Undistributed profit shall mean difference between the total revenues and total expenditures of taxpayer in amounts set under accounting regulations and accounting standards reduced for the paid tax set in the tax balance.

Amount being distributed in the form of dividends and other distributions of the profit either in monetary of non-monetary form shall be taxed at the moment of their payment.

VII. AVOIDANCE OF DOUBLE TAXATION ON PROFIT

Article 37

The taxpayer, resident of the Republic of Macedonia, who has paid tax in a foreign country on the profit earned through work abroad, is entitled to reduced computed tax in the country, by the amount of the profit tax paid abroad, and not exceeding the tax anticipated by implementation of the tax rate under article 28 of this Law.

Article 38

The domestic legal entity - resident of the Republic of Macedonia, is entitled to reduction in the computed tax in the country by the tax amount paid by its branch office in another country, for the profit included in the income of the domestic legal entity.

The domestic legal entity, that has, permanently within a period of at least one year, before submission of the balance, held 25% or more of the shares in the non-resident branch office, verified with appropriate documentation, income statement and tax balance, is entitled to tax reduction under paragraph 1 of this article.

Article 38-a deleted

VII-a Simplified tax regime for companies

Article 38-b General provision

Companies referred to in Article 38-c of this Law shall pay annual tax on the total revenues in accordance with the provisions of this Chapter rather than profit tax.

Article 38-c Companies that pay annual tax on total revenues

Companies shall calculate and pay annual tax on total revenues provided that:

- 1) they perform economic activity, except banking, financial, insurance activities and games of chance and entertainment games; and
- 2) the overall revenues earned in the last three years from any source does not exceed Denar 3,000,000 on annual level.

Article 38-d Calculation of annual tax on total revenues

Annual tax on total revenues shall be calculated on the basis of the earned total revenues on all bases in the previous calendar year.

Tax on total revenues shall be calculated in the amount of 1% of the amount of earned total revenues presented in the Income Statement in the Annual statement for the previous calendar year.

Article 38-e Registration of companies for annual tax on total revenues

The Public Revenue Office shall register companies that pay the tax in accordance with the provisions of Article 38-d of this Law in the company registry for annual tax on total revenues.

Registration shall be made by the Public Revenue Office, on the basis of filed request on a form RDO-VP.

The request referred to in paragraph 2 of this Article shall be filed to the Public Revenue

Office – Regional Office covering the company, by end of February at the latest in the year that follows the year for which the tax on total revenues is calculated.

The Public Revenue Office shall issue a decision to the company on the amount of the calculated tax on total revenues by June 30 at the latest in the year following the year for which tax is calculated.

Companies shall be obliged to pay the tax within 30 days after they receive the decision. The Minister of Finance shall prescribe the format and the contents of RDO-VP form.

Article 38-f

Deletion from the registry

Companies shall be deleted from the registry referred to in Article 38-e of this Law, if:

- 1) the Public Revenue Office, while reviewing of the annual accounts and business books of the company establishes that the company failed to fulfil the conditions referred to in Article 38-c of this Law, i.e. if the total revenue earned in the previous year is by more than 10% higher than the maximum set revenue. In the case referred to in paragraph 1 item 1 of this Article the company shall be obliged to pay the profit tax in the amount of the earned profits in a manner determined with the provisions of this Law, and the paid tax on total revenues shall be considered as advance payment of profit tax;
- 2) the Public Revenue Office establishes that these are associated entities which realize significant mutual turnover at prices that differ from the prices established with independent entities so as to achieve lower payments of the tax of this Law and
- 3) the Public Revenue Office establishes that the company assumes liabilities and presents expenditures related to the operations of an associated entity.

Article 38-g

Keeping accounting records and usage of fiscal devices

Companies that pay annual tax on total revenues shall keep simplified accounting records stipulated by Law.

Companies that pay annual tax on total revenues and that sell goods and services for cash, shall be obliged to record the turnover via an approved fiscal system for registering cash payments.

VIII. ENDORSEMENT AND COLLECTION

Article 39

The tax period for which profit tax is determined covers one calendar year.

If the taxpayer operated in a period shorter than one calendar year, the period of the year in which he operated will be considered a tax period.

Article 39-a

The taxpayer shall be obliged to perform clearance and settlement of the profit tax on the basis of the form-tax balance which shall be submitted to the public revenue authority within the period set for submission of the annual account, pursuant to the Company Law and the accounting regulations.

Article 40

Monthly advance payments of the profit tax shall be determined in an amount of 1/12 of the tax set in the tax balance for the previous year increased by the percentage of the cumulative increase of the retail prices in the country in the previous period of the year i.e. up to 31st January of the following year in relation to the average retail prices in the previous year.

Monthly advance payments shall be paid within 15 days after the expiry of each calendar month.

Tax on the basis of payment of dividends and other distributions of the profit shall be determined by the taxpayer in a form - calculation of tax on paid dividend or other distribution of profit, the contents of which shall be stipulated by the Minister of Finance in the regulation referred to in Article 49 of this law.

Article 41

The taxpayer is obliged to pay difference between the made advance payment and the actual liability of paying the calculated profit tax within 30 days of the deadline for submitting the annual financial statement.

If the taxpayer of the profit tax has made a greater tax payment than the one he was due to make, he may demand a refund of the paid surplus from the Public Revenue Office.

The Public Revenue Office is obliged to refund the paid surplus of the profit tax to the taxpayer at the taxpayer's request, within 30 days of the day the request for a refund was submitted.

If the taxpayer of the profit tax does not demand a refund of the paid tax surplus, the paid tax surplus will be considered an advance payment for the following period.

Article 42 deleted

Article 43

The Public Revenue Office controls the procedure of computation, payment and return of the profit tax.

Article 44

The National Statistics Office announces the percentage of the retail price increase in the country, under article 40 paragraph 1 of this Law, by the 10th day of the month.

IX. OFFENCE AND PENALTY PROVISIONS

Article 44-a

The responsible person at the legal entity that provides false data on the level of tax base or fails to file a form - tax balance and annual account for calculation and payment of profit tax so as to acquire greater benefits or value for himself/herself or for anyone else, shall be punished with imprisonment of six months to five years and fine.

If the amount of the obligation referred to in paragraph 1 of this Article is significant, the perpetrator will be imprisoned for at least four years and fined.

If the violation referred to in paragraph 1 was committed by a legal entity, the legal entity shall be fined.

Article 45

The taxpayer that gives false data on the set tax base and the tax reliefs in the tax calculation form, due to which lower tax base was set, shall be fined for an offence up to ten times of the amount of the less paid tax.

For the offence referred to in paragraph 1 of this Article, the responsible person at the profit taxpayer shall be fined with EUR 500 to EUR 1,000 in denar equivalent.

Article 45-a

The taxpayer - legal entity - paying entity shall be fined with EUR 2,000 to 3,000 in denar equivalent, should it fail to calculate and pay the tax on the respective suspense account (Article 29-a paragraph 1).

For the offence referred to in paragraph 1 of this Article, the responsible person at the legal entity and the natural person – payer, shall be fined with EUR 500 to EUR 1,000 in denar equivalent.

Article 45-b

The taxpayer - legal entity - shall be fined with EUR 2,000 to EUR 3,000 in Denar equivalent if:

- 1) it presents the total revenues incorrectly (Article 38-d paragraph 1);
- 2) fail to pay the determined tax within the prescribed deadline (Article 38-e paragraph 5) and
- 3) in the relations with the associated entities it undertakes activities due to reduced payment of tax (Article 38-f items 2 and 3).

For the offences referred to in paragraph 1 of this Article the responsible person at the legal entity shall be fined with EUR 500 to EUR 1,000 in Denar equivalent.

Article 46

The taxpayer - legal entity shall be fined with EUR 2,000 to 3,000 in denar equivalent,

should it fail to file to the public revenue authority a calculation on the prescribed form (Articles 39-a and 40).

For the offence referred to in paragraph 1 of this Article, the responsible person at the legal entity shall be fined with EUR 500 to EUR 1,000 in denar equivalent.

Article 47

The taxpayer - legal entity shall be fined with EUR 2,000 to 3,000 in denar equivalent, should it fail to pay the monthly advance payment of profit tax and the amount of the tax included in the paid dividend or other distribution of the profit within the stipulated deadline (Article 40).

For the offence referred to in paragraph 1 of this Article, the responsible person at the legal entity shall be fined with EUR 500 to EUR 1,000 in denar equivalent.

Article 47-a

The taxpayer - legal entity shall be fined with EUR 2,000 to 3,000 in denar equivalent, should it fail to pay the difference between the paid advance payment and the real obligation of the calculated profit tax within the stipulated deadline (Article 41 paragraph 1).

For the offence referred to in paragraph 1 of this Article, the responsible person at the legal entity shall be fined with EUR 500 to EUR 1,000 in denar equivalent.

Article 47-b deleted

Article 48

In addition to the fine for the offences referred to in Article 45 paragraph 1 of this Law, a measure – temporary prohibition for conducting an activity for six months to two years shall be prescribed for the perpetrator, and the responsible person at the legal entity shall be prohibited to work in a profession, an activity or a duty for one to three years.

Article 48-a deleted

X. TRANSITIONAL AND CONCLUDING PROVISIONS

Article 49

The Minister of Finance shall issue further regulations specifying the manner of computation and payment of the profit tax, as well as regulations concerning the prevention against double exemption or double taxation and will determine the tax balance form, used for computation and payment of the profit tax, within a period of 30 days of the date this Law comes into effect.

Article 50

The provisions in Articles 25 and 26 of this Law referring to the taxation of capital gains realized from

a sale of securities will be applied from 1 January 2006 onwards.

Article 36
(Official Gazette of the RM no. 139/2006 from 30.12.2006)

Provisions referred to in Article 33 of the Profit Tax Law (Official Gazette of the RM nos. 80/93, 33/95, 43/95, 71/96, 5/97, 28/98, 11/2001, 2/2002, 44/2002, 51/2003 and 120/2005), regarding tax exemption on the basis of foreign investments made until end-2006, shall apply at the latest in a period of three years from the day this Law enters into force.

Article 37
(Official Gazette of the RM no. 139/2006 from 30.12.2006)

Notwithstanding provisions referred to in Article 16 of this Law, amending Article 28 in the Profit Tax Law, profit tax rate in 2007 shall be 12%.

Notwithstanding the provision referred to in Article 17 of this Law, amending Article 29-c in the Profit Tax Law, profit tax rate for income referred to in Article 29-b, items 1, 4, 5, 6, 7, 9, 10 and 11 of this Law, i.e. withholding tax rate, in 2007 shall be 12%.

Article 38
(Official Gazette of the RM no. 139/2006 from 30.12.2006)

Provision referred to in Article 19 of this Law, amending Article 31 retaining to reduction of the tax base for the reinvested profit in the basic version of the Law, shall also apply to profit realised in 2006.

Total reduction referred to in paragraph 1 of this Article shall not be more than 50% of the amount of the tax base for 2007.

Profit realised in the annual account in 2006, which through distribution is set aside in the capital of the taxpayer and which is invested in 2007, shall be reduced by the amount of the applied tax exemption related to investments in fixed assets presented in the 2006 tax balance.

Article 19
(Official Gazette of the RM no. 159/2008 from 22.12.2008)

Dividends and other distributions of the profit to be paid after the application of this law and referring to realized profits up to 31st December 2008 shall not be taxed.

Article 20
(Official Gazette of the RM no. 159/2008 from 22.12.2008)

Monthly advance payments for the 2009 profit tax shall be determined from the amount of the tax included in the unrecognized expenditures in the 2008 tax balance reduced for the amount of the tax credit and tax exemptions stated in the same balance.

Article 21
(Official Gazette of the RM no. 159/2008 from 22.12.2008)

Provisions in Article 16-a of this Law referring to taxpayers who exercised the right to tax reduction in 2007 and 2008 pursuant to the provisions in Article 31 of the Law shall apply up to full depreciation (write-off) or other manner of alienating assets.

Article 22
(Official Gazette of the RM no. 159/2008 from 22.12.2008)

Minister of Finance shall stipulate the form- calculation of tax on paid dividend or other distribution of the profit within 30 days from the day of entering into force of this law.