

LAW ON VALUE ADDED TAX

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I. GENERAL PROVISIONS

Article 1

(1) This Law shall introduce the Value Added Tax and shall arrange for its calculation and collection.

(2) Value Added Tax as a tax on general consumption, shall be calculated and collected during all stages of production and supply, and shall also cover the wholeservice sector, except as otherwise provided in this Law.

II. SUBJECT TO TAXATION

Article 2

The following shall be subject to Value Added Tax:

1. Supply of goods and services (hereinafter: Supply) in the country for a consideration, carried out by the taxpayer within the scope of his business; and
2. Importation of goods.

1. Supply of goods

Article 3

(1) Supply of goods referred to in this Law shall be any transfer of the right to disposition of any movable and immovable tangible property;

(2) Supply of goods, with reference to paragraph 1 of this Article, shall also include:

1. Furnishing of electrical energy, gas, heating and air conditioning;
2. Supply of goods pursuant to a leasing agreement, according to which the right to ownership is transferred to the lessee upon payment of the last instalment the latest;
3. Supply of goods from consignment warehouses;
4. Delivery of goods by the owner to the commissioner and delivery of goods by the commissioner to the recipient of such goods;
5. Transfer of ownership of goods on the basis of a law or an order issued by or on behalf of a public authority body;
6. Supply of goods manufactured or made of material or elements purchased by the supplier, which are not considered as parts or other ancillary items. The same shall refer to construction of immovable.

(3) Supply of goods with consideration shall mean:

1. Taking goods that are part of the enterprise property for personal purposes by the taxpayer, or by the persons employed thereto or for other purposes not related to his business activity;
2. Supply of goods by commercial companies and other associations to owners of equity, to members of their families and to close relatives without consideration; and

3. Keeping goods by a taxpayer or by his successor upon termination of a business activity.

Article 4

(1) When the supply of goods is made as consideration for supply of other goods or performance of services, any such supply shall be deemed as separate supply of goods and services.

(2) In case of chain supply, involving the same goods, where the right to retain the goods is transferred directly from the first transferor to the last recipient of the goods, any such chain supply shall be deemed as separate supply subject.

(3) In case of supply of goods where the taxpayer is mediating on behalf and for the account of another person, it shall be deemed that the supply is made by the other person.

Article 5

Transfer of the entire or part of the property, with or without consideration, or as an equity, when the buyer, who is a taxpayer, or upon transfer becoming a taxpayer, continues to perform the same business, shall not be deemed as a supply of goods referred to in Article 3 of this Law. In such case it shall be deemed that the buyer takes the place of the transferor.

2. Supply of Services

Article 6

(1) Supply of services referred to in this Article shall mean any activity, which is not a supply referred to in Article 3 of this Law.

(2) The following shall also be deemed as supply of services referred to in paragraph 1 of this Article:

1. Performance of a service in accordance with a law, or pursuant to an order issued by or on behalf of a public administration body;
2. Assuming an obligation to refrain, in whole or in part, from performing some activity, or tolerate some activity or situation;
3. Transfer and assignment of copyrights, patents, licenses, trademarks and other like rights;
4. Supply of food and beverages to be consumed on the spot.

(3) The following shall also be deemed as supply of services with consideration:

1. Using goods that are part of the property of the enterprise for personal purposes by a taxpayer, or by persons employed thereto, or for other purposes not related to such business activity;
2. Performing services by the taxpayer for personal purposes, for the purposes of persons employed thereto or for other purposes not related to his business activity without consideration; and
3. Performing services by commercial companies and other associations to owners of equity, to members of their families and to close relatives without consideration;

Article 7

(1) When the supply of services is performed as consideration for supply of goods or for supply of other services, each supply shall be deemed as separate supply of goods or services.

(2) When the taxpayer acting on his behalf and for the account of another person is included in the performance of such service, it shall be deemed that the taxpayer accepted and performed such service.

3. Mixed Supply

Article 8

(1) When the supply of goods, as a main transaction, is accompanied supply of other goods or by performance of other services, as an ancillary transaction, such supply shall be deemed as supply of goods.

(2) When the supply of services, as a main transaction, is accompanied by a supply of other services or goods, as an ancillary transaction, such supply shall be deemed as supply of services.

4. Taxpayer

Article 9

(1) A taxpayer shall be a person permanently or temporarily performing an independent business activity, irrespective of the purposes and results from such business activity.

(2) The business activity referred to in paragraph 1 of this Article shall be any activity by manufactures, merchants and persons performing services, including mining, agriculture and forestry activities, as well as waiver of tangible and intangible goods to be used, for the purpose of generating income.

(3) It shall not be deemed as independent business activity, the activity performed by:

1. Physical persons employed in an enterprise on individual or collective associated basis and on such basis receive salary and are entitled to respond to instructions by their employer; and
2. Branch offices, subsidiaries or other separate units or parts of an enterprise.

Article 9a

(1) Several VAT registered entities may be considered as a single VAT registered taxpayer, pursuant to Article 51 of this Law, if they decide so due to their proprietary, organizational or managerial relation.

(2) When the competent tax authority identifies certain proprietary, organizational or managerial relation among particular entities registered as separate VAT taxpayers, it shall order them, by the means of decision, to register as a single taxpayer, should it detect violation of the tax principles or possibility for violation thereof.

(3) The VAT-related rights and responsibilities of the entities registered as separate VAT taxpayers that shall be registered as a single taxpayer, shall be transferred to the new taxpayer.

(4) The Minister of Finance shall approve more detailed regulations stipulating the criteria on the basis of which proprietary, organizational and managerial relation could be determined, the manner of application of the provisions of the VAT Law with respect to the entities referred to in paragraphs 1 and 2 of this Article, as well as the cases of violation of the tax principles or the possibility for violation thereof.

Article 10

(1) The state bodies, local self-management bodies and other public and legal bodies shall not be taxpayers for the part of their activities covering the execution of public functions even in cases when they collect taxes, fees, contributions or other considerations in connection with such activities.

(2) The state bodies, local self-management bodies and other public and legal bodies shall be taxpayers in cases when within their business activity perform supply subject to taxation by other taxpayers referred to in this Law.

5. In the Country

Article 11

The term “In the country” as referred to in this Law shall mean the territory of the Republic of Macedonia, except for the free zones, customs zones and warehouses.

6. Supply in Free Zones, Customs Zones and Warehouses

Article 12

Supply for final consumption in free zones, customs zones or warehouses shall be deemed as supply in the country.

6. Place of Supply of Goods

Article 13

The place of supply of goods shall be:

1. The place where the goods are at the time of supply, when such goods are not transported or delivered;
2. The place where the goods are when the transportation or delivery takes place, when the goods are transported or delivered by the transferor, by the recipient or by a third person;
3. The place where the goods are assembled or installed, when the goods are assembled or installed by the transferor or by other person on behalf of such transferor.
4. The place where the goods are accepted, when furnishing electrical energy, gas, heating energy, air conditioning.

7. Place of Supply of Services

Article 14

(1) The place of supply of services shall be the place where the supplier of services has headquarters or branch office where such services are physically supplied. When there is no such place, the place where the supplier of services has permanent place of living or residence shall be deemed as a place of supply of such services;

(2) Notwithstanding the provision of paragraph 1 of this Article, the place of supply of services shall be:

1. The section or part of a section on which the transportation of goods is performed;
2. The place where the immovable property is, in case of a service related to such property, including intermediary services in the supply of immovable, assessment of a property, preparation, construction and inspection of civil engineering activities;
3. The place where the services are carried out physically, such as:
 - a) Cultural, artistic, scientific, educational, sports, entertainment or similar activities, including the activities by the organizers of such services;
 - b) Assessment of tangible movable property, including provision of professional opinion regarding such tangible movable property;
 - c) Works carried out on the tangible movable property; and

d) Ancillary transportation services such as loading, unloading, re-loading, storage or other services normally related to the transportation, and

4. The place of supply where intermediary service is made, in case of agency services.

(3) Notwithstanding paragraph 1 of this Article, the place of supply of services shall be deemed such place where the recipient of the service has physical headquarters or branch office where such service is physically carried out, or in the absence of such a place, the place of supply is the place where the recipient has permanent place of living or residence, in case of the following services:

1. Services in the field of marketing and public relations;
2. Banking and financial services and insurance and re-insurance services, except hiring safes;
3. Undertaking an obligation to refrain from providing any activity, in whole or in part, or tolerate any activity or situation;
4. Legal, economic and technical consulting services, in particular supplied public notaries, solicitors, auditors, tax advisors, accountants and engineers, as well as other like activities;
5. Services for electronic data processing and provision of information, including know-how and expertise;
6. Provision of personnel;
7. Renting tangible movable property, other than all means of transportation;
8. Telecommunication services;
9. Transfer and assignment of copyrights, patents, licenses, trade marks and other like rights; and
10. Agency services related to the services referred to in this paragraph.

Provisions referred to in paragraph 2 of this Article shall have a priority to the provisions of this paragraph.

(4) The Minister of Finance shall, for the purpose of avoiding double taxation, tax evasion or violation of the conditions of competitiveness, be authorized to define more precisely the place of supply of services depending on the place where such services are provided, notwithstanding paragraphs 1 and 3 of this Article.

8. Import of Goods

Article 15

Import as referred to in this Law shall mean:

1. Entry of goods through the customs border in the Republic of Macedonia; and
2. Entry of goods from free zones, customs zones and warehouses in the country.

III. TAX BASE

1. Tax Base for Supply in the Country

Article 16

(1) The tax base for calculating value added tax shall be the total amount of consideration received, or to be received, for the delivery, in which the value-added tax is not included.

(2) Consideration, as referred to in paragraph 1 of this Article, shall mean money, goods, services and other benefits, according to their market value paid or to be paid by the buyer of such goods or by the recipient of such goods, or by other person.

Article 17

The tax base shall include:

1. Taxes, including excise taxes, fees, contributions and other charges regulated by separate laws, except the Value Added Tax;
2. Related costs for packing, loading, unloading, transport and insurance, as well as fees and other costs charged by the taxpayer to the buyer of such goods or to the recipient of such services; and
3. Subsidies directly connected to the price of supply of such goods or services.

Article 18

(1) The tax base shall not include:

1. Price deduction as discount for payment made prior to the supply.
2. Price discount, rebate and other types of deductions approved to the buyer of such goods or to the recipient of such services at the time of delivery, provided that they are separately stated in the invoice and entered in the accounting books; and
3. Amount received by the taxpayer from the buyer of such goods or the recipient of such services as payment for costs incurred on their behalf and for their account, provided that such amount is stated in the accountancy books.

Article 19

(1) Special types of tax base shall be:

1. In cases referred to in Article 3, paragraph 3 of this law, the purchase price or, when there is no such price the cost of the goods at the time of supply;
2. In cases referred to in Article 6, paragraph 3 of this Law, the expenses incurred for the services performed;
3. When the consideration for delivery of goods or performance of services is within a supply of other goods or services, in whole or in part, the market value of such goods or services delivered;
4. In case of supply at auction, the final price obtained; and
5. In case of supply of second-hand goods, including second hand motor vehicles, artistic and collection items and antiquities, the difference between the purchasing and selling price in, when tax is not due for such supply by the taxpayer.

(2) When the supply is made by:

1. Commercial companies and other associations to persons and to owners of equity, to members of their families and to their close relatives;
2. Physical persons to their close relatives; and
3. Taxpayers to their workers and to their close relatives, the taxable shall be the amounts referred to in paragraph 1, sub-paragraph 1 and 2 of this Law, when such amounts are exceeding the consideration referred to in Articles 16, 17 and 18 of this Law.

(3) In cases referred to in paragraph 1 and 2 of this Article, the value added tax shall not be deemed integral part of the tax base.

Article 20

When the consideration due by the buyer of the goods or the consumer of the services is stated in foreign currency, it shall be converted into Macedonian Denar at the exchange rate established by the National Bank of Macedonia on the day of such delivery in accordance with Article 31 of this Law.

2. Tax Base For Importation Of Goods

Article 21

(1) The tax base during importation of goods shall be the value of the imported goods as determined according to the customs regulations. When the imported goods are not subject to the customs regulations or customs clearance, the tax base shall be determined according to the consideration paid or should have been paid, or when unknown, or when the consideration is unrealistically presented, according to the value as determined by the relevant customs body.

(2) The tax base referred to in paragraph 1 of this Article shall include:

1. Customs duty, taxes, including excise tax, fees, other import levies, except the value added tax;
2. Relevant costs, including the costs for commission fees, packing, transport and insurance, incurred to the first place of the end destination of the goods in the country, as stated in the transport documents or, in the absence of such data, to the place of first unloading of such goods.

(3) When the goods are temporarily exported abroad to be repaired, overhauled or otherwise improved, and re-imported in the country by the exporter or by other person on his behalf, the tax base shall be the consideration paid for performed operations, or when such consideration is not paid, or it is unknown, the value determined according to the customs regulations, including the amounts referred to in paragraph 2, subparagraphs 1 and 2 of this Article. This shall also apply when instead of improved goods other goods are imported, the quantity and quality corresponds to the exported goods.

3. Change of Tax Base

Article 22

(1) In case the tax base is changed because the goods are sent back, or the contract is cancelled, or when the prices are changed after the supply of the good is made, the taxpayer supplying the goods must readjust the tax charged on his supply, while the taxpayer to whom the supply is made must readjust the deduction on the tax credit, in accordance with such change within the tax period in which such change occurred.

(2) In case the value added tax, for which a deduction is granted, calculated and paid at importation, is additionally reduced or paid at a later date, the importer shall be liable to readjust the deduction on the tax credit within the tax period in which the change occurred.

IV. TAX EXEMPTIONS

1. Tax Exemptions In the Country Not Entitled to Tax Credit Deduction

Article 23

The following shall be exempted from Value Added Tax:

1. Supply of residential building and apartments in that part used for housing purposes, except the first supply that shall be made within five years after the construction;
2. Rental of residential building and apartments when used for housing purposes;
3. Supply of postal and tax stamps at their nominal value, envelopes, post cards and other items of postal value on which a postal stamp is affixed, as well as control stamps;

4. Postal services supplied by the Macedonian Post Office; and
5. Supply of banking and financial services, such as:
 - a) Supply, including intermediary services, related to foreign exchange, banknote and coins used as a legal tender in the country and abroad, except banknote and coins commonly not used as legal tender or are of numismatic value;
 - b) Supply, including intermediary activities, related to shares, equity in enterprises or associations, bonds and other securities, except keeping and managing securities;
 - c) Social insurance funds management and special investment funds;
 - d) Granting credits and intermediary activities related to credits, as well as credit management by the person that granted such credit;
 - e) Supply, including intermediary services, related to operations with current accounts, deposits, savings, payments, transfer orders, bills, checks, bank accounts, credit cards, remittances, except collection of third party claims;
 - f) Granting credit guarantees or other types of collateral, intermediary services related thereto, as well as management of credit guarantees by the person granting such credit;
6. Insurance and re-insurance services, including related services provided by insurance brokers and agents;
7. Games of chance and lotteries, whose operation is regulated by the Law on Games of Chance and Lotteries;
8. Supply by institutions in the field of culture for creating, publishing and protection of cultural and artistic works, as well as supply for botanical gardens, zoos, animal parks, archives and record keeping centers. This shall also apply to other taxpayers performing cultural activity when an opinion by the Ministry of Culture is provided;
9. Services by broadcasting and television stations, except commercial activities;
10. Health services provided by hospitals, clinics, health centers, medical and chemical laboratories for diagnostics, rehabilitation centers and other like institutions;
11. Services and supply of goods by institutions for social welfare and protection, including services to homes for hospitalization, care and treatment to old people;
12. Services within the scope of children and youth protection and supervision, as well as supply of goods related to such services;
13. Services within the scope of children and youth accommodation for the purpose of their upbringing, education or training, as well as supply of goods related to such services; and
14. Services provided within the scope of a professional activity by doctors dentists and dental technicians, or by other medical professions offering medical and health care, as well as supply of dental prosthetics by dentists and dental technicians, except:
 - a) Services performed by beauty and massage salons;
 - b) Services by persons using non-traditional methods of treatment; and
 - c) Veterinary services;
15. Transportation services of ill and injured persons with vehicles specially designed for that purpose;
16. Supply of human blood, mother's milk and human organs, cells and tissues;
17. Educational services, such as:
 - a) Education and upbringing of children and youth;
 - b) Services for professional training and re-training, as well as activities by centers and schools for foreign languages;
18. Services by funeral homes and crematories, as well as supply of goods related to such services;
19. International transportation of passengers; and

20. Supply of goods, as well as their use as referred to in Article 6, paragraph 3, sub-paragraph 1 of this Article, when the right to deduction of previous tax credits during their supply, their production or their importation as referred to in Article 35 is excluded; This shall not refer to supply excluded from tax exemption referred to in sub-paragraph 1 of this Article.

1. Tax Exemption In the Country Entitled Tax Credit Deduction

Article 24

The following shall be exempted from Value Added Tax:

1. Supply of goods to be transported or dispatched abroad by the taxpayer, by the recipient of such goods or by a third person upon their order, when the recipient of such goods has headquarter abroad. The goods supplied may be processed or reprocessed by or on behalf of a third person prior to exportation, upon an order by the recipient of such goods;
2. Supply of goods to be transported or dispatched from the country to free zones, customs zones or warehouses;
3. Services related to import, export and transit, such as:
 - a) International transportation of goods for export and other services directly related to the exportation of such goods;
 - b) International transportation of goods for import, as well as other services related to such import, when the value of such goods is included in the tax bases as referred to in Article 21, paragraph 2, sub-paragraph 2 of this Law;
 - c) services directly related to import referred to in Article 27, paragraph (1) item 2 and Articles 27-a and 27-c
4. Services performed on movable tangible goods supplied or imported in the country for the purpose of such services and exported by the performer of such services, by foreign customer or by a third person on their behalf;
5. Services performed by intermediaries, who act on behalf and for the account of other person, when such activities are related to the supply referred to in this Article;
6. Supply of gold and other precious metals for Central Banks;
7. Supply, modification, repair, maintenance, chartering and leasing aircraft used mainly in international commercial air traffic, as well as supply, rental, repair and maintenance of goods used for equipping such aircraft;
8. Supply of goods and services related with satisfying direct needs of the aircraft referred to in sub-paragraph 7 of this Article; and
9. International air transport of passengers. Such tax exemption shall be applied to airlines with headquarter abroad only when there is a reciprocity.

Article 25

- (1) A buyer – physical entity, which has no place of residence or stay in the territory of the Republic of Macedonia, shall be entitled to value added tax refund for the goods purchased in the Republic of Macedonia the value of which exceeds Denar 5.000 including value added tax, which he/she takes out from the Republic of Macedonia before the expiry of the third month after the month they were bought”.
- (2) The right to value added tax refund referred to in paragraph (1) of this Article shall not refer to mineral oils, alcohol and alcoholic beverages, as well as tobacco products.
- (3) The Minister of Finance shall prescribe the manner of value added tax refund and the contents of the request for value added tax refund.

Article 26

- (1) The exportation shall be deemed as made when:
1. The goods crossed the customs border of the Republic of Macedonia; and
 2. The goods reach the free zones, customs zones and warehouses, provided that such goods are not intended for final consumption.
- (2) Foreign recipient referred to in Article 24, sub-paragraph 1 of this Law, is a person having physical headquarters, branch office, permanent place of living or residence abroad. A branch office of foreign recipient located in the country shall not be deemed as foreign recipient.
- (3) Foreign customer referred to in Article 24, sub-paragraph 4 of this Law is a person fulfilling the conditions referred to in paragraph 2.
- (4) The taxpayer shall be liable to submit evidence that conditions for tax exemption referred to in Article 24 of this Law, and in paragraph 1 of this Article, are met. The Minister of Finance shall regulate in details the conditions regarding the tax exemption.

3. Tax Exemptions at Importation

Article 27

- (1) The import of the following goods shall be exempt from value added tax:
- 1) goods the sales of which is exempt from value added tax in the country under Articles 23 and 24 items 6, 7 and 8 of this Law;
 - 2) goods which move from one place to another in the transit customs procedure, within the customs area of the Republic of Macedonia;
 - 3) goods re-imported in unchanged condition as during their first import, and
 - 4) goods imported:
 - a) by heads of states and their representatives in special missions, as well as members of their escort, for their official needs and for personal usage,
 - b) by international and interstate organizations seated in the Republic of Macedonia, i.e. their representative offices in the Republic of Macedonia, at the time of their activity in the Republic of Macedonia, for their official needs,
 - c) by diplomatic and consular representative offices of foreign countries in the Republic of Macedonia, for their official needs,
 - d) by heads of states of foreign diplomatic representative offices in the Republic of Macedonia and members of their closer families for their personal usage,
 - e) by the diplomatic staff of foreign diplomatic representative offices in the Republic of Macedonia and members of their closer families for their personal usage,
 - f) by the consular staff of foreign consular representative offices in the Republic of Macedonia and members of their closer families for their personal usage, and
 - g) by the staff of foreign diplomatic and consular representative offices in the Republic of Macedonia for household items imported within 12 of the day from their arrival in the Republic of Macedonia.
- (2) The exemption referred to in paragraph (1) item 4 of this Article cannot be used by citizens of the Republic of Macedonia, or foreign citizens granted a right to permanent stay in the Republic of Macedonia;
- (3) For the purposes of exemption from value added tax for the goods referred to in paragraph (1) item 4 of this Article, customs regulations shall be applied that set the

criteria and the manner of implementation of the exemption from import duties, as well as the type, the quantity and the purpose of the goods referred to in paragraph (1) item 4 of this Article which can be exempt from import duties;

(4) Goods referred to in paragraph (1) item 4 of this Article cannot be alienated within three years from the day of import without payment of VAT.

Article 27-a

(1) Import of the goods intended for the following purposes shall be exempt from value added tax:

- a) goods to be presented to the customs authorities, and, when applicable, to be treated as temporary stored goods,
- b) to be entered in a free zone or free warehouse; and
- c) to be placed in a procedure of customs clearance or customs import procedure for improvement according to the system of deferred payment, under the customs regulations.

(2) Exemption from VAT in accordance with paragraph (1) of this Article could be effected provided the goods are not placed in free circulation, i.e. are not intended for final consumption.

(3) Goods intended for sale in duty free shops at airports open for international air transport shall also be exempt from payment of VAT, provided the passengers take them out as luggage in the allowed quantities in other countries by plane.

Article 27-b

(1) The following entities shall be exempt from import VAT:

- 1) passengers from abroad, for items for personal usage during travel (personal luggage), not subject to any applicable restrictions or prohibitions, regardless whether they carry it with them or have had it transported;
- 2) passengers from the country, for other items of small value in addition to the items from personal luggage they take in from abroad, not being of commercial nature.

Exemption under this item is not applied to national passengers that have multiple entries in the customs area during a day. The crew and the persons operating public transportation vehicles are not considered as national passengers.

Exemptions do not refer to tobacco and tobacco products, alcohol and alcoholic beverages, as well as perfumes and eaux de toilette;

3) citizens of the Republic of Macedonia and foreign citizens, for items of non-commercial nature with small values that are received from abroad temporarily.

Exemptions do not refer to tobacco and tobacco products, alcohol and alcoholic beverages, as well as perfumes and eaux de toilette;

4) citizens of the Republic of Macedonia and foreign citizens, for medications for personal usage they carry with them or receive them in package from abroad;

5) operators of motor vehicles and motorcycles, for fuel and oil in the tanks installed in the motor vehicles and motorcycles;

6) citizens of the Republic of Macedonia and foreign citizens that have permanent residence in the Republic of Macedonia for personal items they have inherited abroad. Exemptions do not refer to alcohol and alcoholic beverages, tobacco and tobacco products, commercial motor vehicles, items for usage in trade or in professional activity the deceased person used in conducting trade or professional activity, stocks of raw materials, finished goods or intermediate

goods and live animals and agricultural products above the quantities normal for usual family needs;

7) citizens of the Republic of Macedonia living in the border area, for plant or animal products (items) obtained on their own properties in the border area of a neighbouring country, as well as for offspring and other products obtained from the cattle they own in those properties for fieldwork, pasture or spending the winter;

8) citizens of the Republic of Macedonia living and foreign citizens, for decorations, medals, trophies, plaques and similar objects of symbolic nature obtained abroad at contests, exhibitions and international events. Exemptions do not refer to alcohol and alcoholic beverages and tobacco and tobacco products;

9) scientists, writers and artists for their own works they take in from abroad;

10) government bodies or registered humanitarian or charitable organizations for the goods they import free of charge, which are intended for free distribution among the victims of natural disasters or other disasters or for goods that would remain a property of these organizations and that are intended for distribution free of charge among the victims of those disasters. The exemption does not refer to a material and equipment intended for reconstruction of areas hit by natural or other disaster. The exemptions refers only to organizations that keep appropriate accounting and enable the competent authorities to control their operations and which, if necessary, provide a guarantee as a payment securing instrument;

11) registered humanitarian organization or charities, for the goods they import free of charge for carrying out their humanitarian activities; Exemptions do not refer to tobacco and tobacco products, alcohol and alcoholic beverages, as well as motor vehicles (except ambulances). The exemptions refers only to organization that keeps appropriate accounting and enables the competent authorities to control their operations and which, if necessary, provides a guarantee as a payment securing instrument;

12) public museums and public art galleries, for collections and artefacts received as a gift;

13) public libraries, for library material received as a gift;

14) public archives, for reproduced archive material received as a gift;

15) therapeutic substances from human origin, reagents for determination of blood types and types of tissues;

16) laboratory animals and biological and chemical substances for research;

17) samples of goods with small value which, according to their type and quantity, cannot be used for other purposes;

18) goods to be used at fairs, trade exhibitions or similar events; Exemption does not refer to alcohol and alcoholic beverages, tobacco and tobacco products and fuels, either liquid, solid or gas;

19) goods imported for examination, research, analysis or testing; Exemption does not refer to goods used for examination, research, analysis or testing for sales improvement purposes;

20) trademarks, models and designs and their related documents, as well as applications for recognition of patents etc., submitted to the copyright protection agencies or agencies for protection of industrial property;

21) touristic advertising materials for distribution free of charge, the main purpose of which is to present the tourist offer;

22) pharmaceutical products for healthcare or veterinary purposes used in international sporting events organized in the Republic of Macedonia;

- 23) materials required for fixing and protection of the goods during transport;
- 24) pads and food for cattle and animals during their transport;
- 25) materials for construction, maintenance and decoration of monuments to victims of war or of graveyards of the victims of war;
- 26) body coffins, burial urns with ash and related burial items;
- 27) documents sent free of charge to government bodies;
- 28) issues of foreign governments and official international bodies to be distributed free of charge;
- 29) items filed as evidence or similar purposes to the courts or other government bodies;
- 30) specimen signatures and printed circular letters referring to signatures sent as part of the usual exchange of information between public services or banks;
- 31) official printed materials sent to the National Bank of the Republic of Macedonia;
- 32) reports, statements, notes, prospectuses, application forms and other documents prepared by firms registered abroad and sent to the owners or holders of securities issued by those firms;
- 33) files, archives, printed forms and other documents used in international meetings, conferences or congresses, as well as reports on these assemblies;
- 34) schemes, mechanical drawings, sketches, descriptions and other similar documents imported so as to obtain or fulfil orders abroad or to participate in competitions held in the customs area;
- 35) documents used to organize examinations in the customs area by institutions seated abroad;
- 36) printed forms used as official documents in international sales of vehicles or goods, within international conventions;
- 37) printed forms, labels, tickets or similar documents sent by foreign forwarding companies or hotels to the travel agencies seated in the customs area;
- 38) printed forms and tickets, bills of lading, and other commercial or office documents already used;
- 39) official forms printed by foreign countries or by international bodies and printed materials in accordance with international standards, sent by foreign associations to be distributed to the respective associations seated in the customs area;
- 40) photos, slides and standard photographic base papers, regardless whether they are subtitled, sent to news agencies or to newspaper and magazine publishers;
- 41) goods received as gifts from foreign donors, as well as imported goods bought with money received as gift to government bodies, municipalities and the city of Skopje and to public legal entities; and
- 42) goods required for implementation of projects financed with resources of foreign donors on the basis of agreements between the Government of the Republic of Macedonia and foreign donors, including a clause that the donated funds cannot be used to pay import duties.

(2) For the purposes of exemption from value added tax for the goods referred to in paragraph (1) of this Article, customs regulations shall be applied that set the conditions for and the manner of implementation of the exemption from import duties, as well as the type, the quantity and the purpose of the goods referred to in paragraph (1) of this Article which can be exempt from import duties.

(3) Goods referred to in paragraph (1) of this Article cannot be alienated within three years from the day of import without payment of VAT.

(4) The Minister of Finance shall adopt more detailed regulations on the manner of implementation of the tax exemption referred to in paragraph (1) item 42 of this Article.

Article 27-c

(1) Goods temporarily imported and fully exempt from paying tariff duties shall also be exempt from payment of value added tax. Those goods shall include the following:

- 1) transport vehicles;
- 2) personal items and goods for sporting purposes, imported by passengers;
- 3) materials intended for help in disasters;
- 4) medical, surgical and laboratory equipment;
- 5) animals;
- 6) goods to be used in border areas;
- 7) audio, video and data media;
- 8) advertising materials;
- 9) professional equipment;
- 10) pedagogical materials and scientific equipment;
- 11) package;
- 12) moulds, matrix, designs, sketches, models, measurement, testing and verification instruments and similar items;
- 13) special tools and instruments;
- 14) goods for testing or subject to testing;
- 15) samples of goods;
- 16) supplementary products;
- 17) goods for exhibitions, fairs, meetings and similar events or for sale;
- 18) spare parts, supplies and equipment; and
- 19) other goods temporary imported or imported in cases not having economic impact.

(2) Exemption from value added tax for the goods referred to in paragraph (1) of this Article shall be granted in accordance with the terms and the conditions set in the customs regulations that grant temporary import and full exemption from tariff duties for the goods referred to in paragraph (1) of this Article.

V. TAX RATES

Article 28

The Value Added Tax shall be calculated by applying proportional tax rates on taxable supply of goods and services and imports, such as:

1. According to the general tax rate of 18%; and
2. According to preferential tax rate of 5%.

1. General Tax Rate

Article 29

The general tax rate of 18% shall be applied to all supply and importation, except for supply and importation taxable with preferential rate.

2. Preferential Tax Rate

Article 30

(1) 5% preferential tax rate shall be applied in the sales and import of the following

goods:

1. Food products;
 2. Potable water from public water-supply systems and drainage of urban wastewater ;
 3. Publications, such as: books, pamphlets and similar printed material, newspapers and other periodicals, children's picture books, children's sketch drawing and painting pads, cartographic items of any kind, except for publications mainly used for advertisement purposes, as well as publications with pornographic contents;
 4. Seeds and planting materials for production of agricultural crops;
 5. Fertilizers;
 6. Materials for plant protection;
 7. Foils made of plastic mass for usage in the agriculture;
 8. Agricultural machines;
 9. Pharmaceuticals and medical devices (devices to fit into or replace anatomic part of the body or physiological process, orthopedic devices, devices for removal of anatomic, i.e. functional disorders, as well as wheelchairs);
 10. Machines for automatic processing of data and their units (computers) and
 11. Thermal solar systems and components.
- (2) Preferential tax rate of 5% shall also be applied to the sales of the following services:
1. transportation of persons and their accompanying luggage;
 2. software for machines for automatic processing of data and their units (computers) and
 3. services related to maintaining public sanitation and waste disposal.
- (3) Government of the Republic of Macedonia shall closely determine the goods and services referred to in paragraphs (1) and (2) of this Article, subject to preferential VAT tax rate.

VI. TIME WHEN TAX LIABILITY OCCURS

Article 31

- (1) Tax liability shall occur as follows:
1. The time when goods are supplied. When goods are dispatched or transported, the time the transportation or dispatch begins. When the supply includes assembling or installing, the time when such works are completed; and
 2. The time when the service is completely delivered;
- (2) In case the payment is made prior to the supply, the time when the tax liability occurs shall be the time the payment is received, up to the tax level for the amount received.
- (3) In case of periodical or continuous supply for which subsequent payments are prescribed, the time when the tax liability occurs shall be the day on which the invoice is issued for the relevant period or, if earlier, the day on which the payment for the relevant period is received.
- (4) When an economically divisible supply is extended and performed in segments, the time when the tax liability occurs shall be the day the delivery of the relevant segment of the goods is made.
- (5) When machines for sales of goods or performance of services, working with coins, bank-notes or chips are used, the time when tax liability occurs shall be the day such coins, bank-notes or chips are taken out from the machine.
- (6) The time when tax liability occurs during importation of goods shall be:
1. The day when the liability for paying the customs duty and other import levies,

or the day of importation of goods in the country occurs, in case of goods exempted from customs duty; and

2. The time when the goods under arrangements of free zones, customs zones, warehouses, or when the goods are in transit or temporary imported, are released for free supply.

VII. TAX DEBTOR

Article 32

Tax debtor shall be:

1. Taxpayer in cases referred to in Article 2, sub-paragraph 1 of this Law;
2. Person importing goods in cases referred to in Article 2, sub-paragraph 2 of this Law;
3. Person who issues invoices referred to in Article 55, paragraphs 1 and 2 of this Law;
4. The recipient of goods or services, when such person is a taxpayer or an institution referred to in Article 10, paragraph 1 of this Law, in case of supply made by a taxpayer without headquarters or without a branch office in the Republic of Macedonia. In such cases, the liability for calculating the tax (Article 40), for submitting tax return (Article 41), for tax payment (Article 43) and interest payment in case of delayed payment of the tax (Article 44) shall be born by the tax debtor.

VIII. DEDUCTION OF TAX CREDIT

1. Conditions for Tax Credit Deduction

Article 33

- (1) A tax credit shall be the amount for which the outstanding Value Added Tax amount for the supply made in a given tax period is deducted.
- (2) The tax credit referred to in paragraph 1 of this Article shall apply to:
 1. The Value Added Tax for supply provided to the taxpayer by other taxpayers;
 2. The Value Added Tax for payments made by the taxpayer for supply referred to in sub-paragraph 1 of this paragraph, when such payments are still outstanding;
 3. Value Added Tax paid for importation of goods.

Article 34

- (1) The right to deduction referred to in Article 33 of this Law may be exercised:
 1. When the taxpayer who, within the scope of his business activity uses supplied or imported goods, respectively services for the purpose of his business activity;
 2. On the basis of invoice issued in accordance with Article 53 of this Law, or customs declaration, on which collected tax on import is separately stated, and when such documents are recorded in the accounting books of the taxpayer.
- (2) The right to tax credit deduction shall occur at the time when all the conditions referred to in Article 33 of this Law, and paragraph 1 of this Article are met.
- (3) The Minister of Finance shall be authorized to adopt closer regulations regarding the cases and conditions under which the obligation to issue an invoice as referred in Article 53 of this Law or to present separate data in such invoice may be disregarded for the purpose of simplifying the right to tax deduction.

2. Exemption of the Right to Tax Credit Deduction

Article 35

The taxpayer shall not be entitled to tax credit deduction in case of:

1. purchase or importation of goods or performed services used for supply tax:
 - a) exempted as referred to in Article 23 of this Law or
 - b) being abroad who was exempted from the tax according to Article 23 in this Law, if it is realized in the country;
2. purchase, production and importation of bicycles, motor vehicles with less than 4 wheels (L category), vehicles transporting passengers, which have eight seats the most not counting the driver's one and not exceed the weight of 3500 kg (M1 category), not including combined transport vehicles, aircrafts, vessels as well as spare parts, fuel and disposable purchased for such vehicles, for their rental, maintenance and repair and for other services related to their use. This shall not apply to cases when the taxpayer uses such transportation means and other goods during the calendar year only for the following purposes:
 - a) Supply of such transportation vehicles and other vehicles
 - b) Rental of such transportation vehicles
 - c) Transportation with such vehicles
 - d) Training drivers with such vehicles, and
 - e) Maintenance and repair of such transportation vehicle and other goods;
3. Expenditures for presentation of the enterprise or its owner (entertainment, gifts, vacation, recreation and amusement);
4. Supply or import of refrigerators, audio and video devices, carpets, artistic items for the purpose of furnishing his business premises;
5. Costs for transportation of people;
6. Cost for accommodation in hotels or similar facilities or for catering; and
7. The Value Added Tax outstanding by the person issuing the invoice as referred to in 55, paragraphs 1 and 2 of this Law;

3. Tax Credit Division

Article 36

(1) When the supplied or imported goods or provided services are used by the taxpayer both for supply entitled to tax credit deduction, and not entitled to tax credit reduction, such person may deduce only such portion of the tax credit covering the supply entitled to the right of tax credit deduction. The tax excluded from the right to deduction referred to in Article 35 sub-paragraph 2 through 7 of this Law shall not be taken into consideration during the separation.

(2) The Minister of Finance shall be authorize to adopt closer regulations for implementing paragraph 1 of this Article and thus approve some deductions.

4. Correction of Tax Credit Deduction

Article 37

(1) When, for some investment goods, there is a change of circumstances decisive for approving tax credit during the calendar year of their first use, and when such change occurs within 5 years from the initial using of such goods, a settlement of such change shall be made for each calendar year by correcting the deduction of the tax credit covering the costs incurred for their purchase or production. For immovable this term shall be ten years.

- (2) When correction is made as referred to in paragraph 1 of this Article, the start for each calendar year shall be one fifth in cases referred to in the first sentence, respectively one tenth in cases referred to in the second sentence of the tax credit covering the investment goods. Depending on the case, shorter terms may be applied.
- (3) Change of circumstances shall also occur when the taxpayer alienates or designate for his own use the investment goods intended for a specific purpose as referred to in Article 3, paragraph 3 sub-paragraph 1 of this Law prior to the expiration of the relevant term for correction referred to in paragraph 1 and 2 of this Article, and when the alienation or own consumption may be differently assessed for the purposes of the previous tax, other than their use during the first calendar year.
- (4) Paragraph 3 of this Article shall also apply when the alienation or selfconsumption occurred in the calendar year of their first use.
- (5) The change referred to in paragraph 3 and 4 of this Article shall be made in such a manner as to mean that the investment goods are used for the business activity of the taxpayer according to relevant changed circumstances in the period from such alienation or self-consumption until the expiration of the relevant term for correction and thereafter.
- (6) The Minister of Finance shall be authorized to adopt closer regulations for implementing paragraphs 1 through 5 of this Article and approve some exemptions.

IX. SPECIAL PROVISIONS FOR TOUR-OPERATORS

Article 38

- (1) The provisions of this Article shall apply to tourist services provided by a taxpayer, when he acts before the passengers on his behalf (hereinafter: Touroperators) and receives goods and services from third persons which are of direct benefit of the passenger (hereinafter: previous tourist services).
- (2) Tourist services provided by the tour-operator shall be deemed as a single service. The place of such service shall be established in accordance with Article 14, paragraph 1 of this Law.
- (3) Notwithstanding Articles 16, 17 and 18 of this Law, tax base of the service by the tour-operator shall be the difference between amount paid by the passenger for the tourist trip and the amount paid by the tour-operator for the previous tourist services. The value added tax shall not constitute integral part of the tax base. In the cases referred to in Article 19, paragraph 1, sub-paragraph 2, and in paragraph 2 of this Law, instead the amount paid by the passenger for the tourist services, the amount stated in the this Article shall be applied. The tour operator may determine the tax base either for different groups of tourist services or jointly for all groups of tourist services, instead of determining such tax base separately for each tourist service.
- (4) Notwithstanding Article 33 and 34 of this Law, the tour-operator shall not be authorized to deduct the value added tax as tax credit separately stated in the invoice for previously performed tourist services.
- (5) The Minister of Finance shall be authorized to regulate the manner of meeting the obligations related to the bookkeeping notwithstanding Article 52 of this Law.

X. TAXATION

1. Tax Period

Article 39

(1) Tax period shall be the period for which the value added tax is calculated and paid. Tax period shall be the calendar month, or, if the total turnover in the last calendar year did not exceed an amount of Denar 25 million, the tax period shall be the calendar quarter.

(2) Notwithstanding paragraph 1 of this Article, with respect to the voluntarily registered taxpayers pursuant to Article 51, paragraph 4 of this Law, the tax period shall be the calendar year. Should the taxpayer perform his/her activity in only one part of the calendar year, only this period shall be deemed tax period.

2. Tax Calculation

Article 40

(1) The taxpayer shall calculate the Value Added Tax for relevant tax period based on all the supply made, when in that period there is tax liability referred to in Article 31 of this Law. When the calculation is made, the correction referred to in Article 22 paragraph 1 shall be taken into consideration, as well as the outstanding amounts referred to in Article 55 paragraph 2 of this Law.

(2) The tax calculated as referred to in paragraph 1 of this Article shall be deduced by the tax credit that may be deduced as referred to in Article 33 through 36 of this Law, which applies for the same tax period for which the tax is calculated. When the assessment of tax credit is made, the corrections referred to in Article 22 and 37 shall be taken into consideration.

(3) If, for taxation purposes, the circumstances from a certain calendar year were decisive and they can be determined only temporarily during that calendar year, in such case, the taxpayer is obliged to make the final calculation of the taxes in the tax return for the last tax period of that calendar year.

(4) When goods are imported, the Value Added Tax shall be calculated by the relevant Customs authority conducting the procedure for customs clearance.

3. Submission of the Tax Return

Article 41

(1) The taxpayer is obliged to submit tax return for each tax period within 15 days after the expiry of the tax period in which he/she calculates the tax him/herself.

(2) The tax return shall also be filed within the period referred to in paragraph 1 of this Article in cases when the taxpayer made no supply subject to taxation in the relevant tax period.

(3) Notwithstanding paragraph 1 of this Article in case of termination of activity performance by the taxpayer, pursuant to Article 39, paragraph 2, he/she is obliged to submit tax return within 15 days after the expiry of the calendar month in which the activity was terminated.

(4) The tax returns shall be submitted to the relevant Revenue authority where the taxpayer is registered.

(5) The Minister of Finance shall regulate the form and contents of the tax return.

Article 41-a

(1) Should the taxpayer determine that he/she declared incorrect and incomplete sales, taxes or tax credits in certain tax return for the appropriate tax period, he/she is obliged to adjust the tax return by submitting new adjusted tax return for that tax period. The adjustment shall not be done by presenting the differences in the amounts, but by presenting the full amounts.

(2) Notwithstanding paragraph 1 of this Article, the taxpayer is obliged to adjust the incorrect and incomplete tax return in the last tax return of the calendar year to which the error refers, if it is a matter of over-declared or under-declared tax in the given tax period that is lower than 1% of the declared tax, but not exceeding 2,000 denars.

Article 42

(1) The relevant Revenue authority shall assess the Value Added Tax with for the given tax period with a decision, in cases when:

1. The taxpayer failed to file the tax return within the required periods;
2. The calculation of the tax is inaccurate or if the assessment does not reflect the real supply; and
3. The audit reveals that the book-keeping evidence of the taxpayer is incomplete or contains inaccurate data,

(2) When assessing the tax referred to in paragraph 1 of this Article, the provisions of the Law on Personal Income Tax shall apply.

4. Tax Payment

Article 43

(1) The taxpayer shall be liable to pay the calculated tax for the relevant tax period as referred to in Article 40, paragraph 1 and 2 of this Law.

(2) The tax calculated and declared for the appropriate tax period shall be paid by the taxpayer within the deadlines stipulated in Article 41, paragraphs 1 and 3 of this Law, to which the tax return refers.

(3) The taxpayer shall be liable to pay the tax assessed as referred to in Article 42 of this Law within a period of 15 days from the day the decision on assessing the tax is received.

(4) The taxpayer shall be liable to deposit the outstanding tax on the accounts opened in accordance with the relevant regulations.

(5) The value-added tax on importation, shall be paid at the same time when customs duties are paid.

(6) Collection of the tax referred to in paragraph 5 of this Article shall be made by the relevant customs authority and shall state it on the customs declaration.

(7) The goods may be released from customs control only when the value added tax is collected.

(8) The customs authority shall be liable to deposit the collected tax on the account of the state budget within three days from its collection.

(9) The Minister of Finance shall be authorized to regulate in which cases and under what circumstances the collection of value added tax during importation may be delayed, and at the same time to deduct it as tax credit in the same tax period in which it occurred, for the purpose of avoiding any difficulty during importation.

Article 44

(1) When the taxpayer fails to pay the tax upon expiration of the terms referred to in Article 43 of this Law, he shall be liable to pay interest at a rate of 0.05% for each day of

delay.

Note: According article 180 from Tax procedure law (Official Gazette No.13/2006), article 44 shall cease to apply with application as of April 1, 2006.

5. Tax Refunding

Article 45

(1) When the amount of the tax credit in a given tax period is higher than the tax assessed for the supply, the difference shall be refunded to the taxpayer based on his written claim stated in the tax return. When the taxpayer fails to submit such a written claim for tax refunding, such difference shall be transferred in the succeeding tax period as progressive tax.

(2) Refunding the tax difference referred to in paragraph 1 of this Article shall be made within 30 days from the date the tax return is submission.

(3) Should the relevant Revenue authority is prevented to audit the tax return by reason of negligence by the taxpayer, the term referred to in paragraph 2 of this Article shall be delayed until conditions are created to make such audit.

(4) The outstanding taxes (Value Added Tax and other taxes) due by the taxpayer, as well as the default interests shall be settled with the claims for refunding referred to in paragraph 1 of this Article.

(5) When the value added tax on importation is assessed and collected for goods that are tax exempted, or when greater tax is collected than the outstanding amount according to this Law, such collected tax, respectively excess charged tax shall be refunded to the person not entitled or in part entitled to deduct the tax credit, within the terms referred to in paragraph 2 of this Article.

(5) When refunding of the tax is not made within the period referred to in paragraph 2 and 3 of this Article, then interest will be paid to the taxpayer at the rate of of 0.05% for each day of delay.

Article 46

Notwithstanding the provisions referred to in Articles 39 through 45 of this Law, and in cases of reciprocity, taxpayers without headquarters or a branch office in the country, and without performing any supply in the country, or without outstanding sales tax shall, upon their request, be entitled to refund the tax credit that may be deduced as referred to in Articles 33 through 36 of this Law, according to a special procedure regulated by the Minister of Finance.

Article 47

(1) Not-for-profit organizations shall, upon their request, be entitled to refund the tax for supply of goods and for importation, under the following conditions:

1. The supply or importation of goods may not be tax exempted;
2. the Value Added Tax for supply of goods should be separately stated on the invoice as referred to in Article 53 of this Law and collected when the sellingpurchasing price is paid.
3. the outstanding tax for importation should be paid; and the goods must be transported abroad and used there for humanitarian, charitable or educational purposes.

(2) The Minister of Finance shall be authorized to regulate the procedure for the refunding and the conditions for verifying the right to such refunding.

Article 48

(1) A foreign diplomatic or consular mission purchasing goods or services for official purposes shall, upon request by such mission, be entitled to refund the Value Added Tax, when the invoice is paid and when the Value Added Tax is separately stated on the invoice by the taxpayer as referred to in Article 53 of this Law. The refunding shall be made on the basis of special agreements concluded with the sending state, according to the conditions of reciprocity. The refunding shall be denied when the amount stated on the invoice does not exceed the value of Den. 5.000, including the Value Added Tax.

(2) The head of diplomatic mission, the members of the diplomatic personnel of a foreign diplomatic mission, as well as consular officers of foreign diplomatic mission shall be entitled to refund the Value Added Tax referred to in paragraph 1 of this Article, when such persons acquired goods or services intended for personal needs or for the needs of the members of their families in their respective households. In such case, the refunding shall be limited to a total amount of Den. 50.000 for the relevant calendar year. When purchasing a motor vehicles tax shall be refunded only once within a period of three years, except in case of urgent supply for replacing previous vehicle after it is stolen or heavily damaged. The Value Added Tax for such a purchase shall not be included in the maximum amount of Den. 50.000 for refunding.

(3) When a new motor vehicle is purchased to replace the old one before the expiration of three years from the purchase of such replaced vehicle, the refunding amount shall be deduced, taking into consideration the remaining portion of the value of such replaced vehicle, should tax refunding be permitted for such supply.

(4) The Minister of Finance shall be authorized to regulate the details regarding the procedure of refunding.

Article 49

(1) The international organizations and their members shall, upon their request, be entitled to Value Added Tax refunding for supply of goods or services according to the conditions and limitations established with the international agreements.

(2) The Minister of Finance shall be authorized to regulate the details regarding the procedure of refunding.

6. Tax Enforcement

Article 50

When the value added tax is not collected within the terms referred to in Article 43 of this Law, it shall be effected by force in accordance with the Law on Calculation and Collection of Public Revenues.

Note: According article 180 from Tax procedure law (Official Gazette No.13/2006), article 50 shall cease to apply with application as of April 1, 2006.

XI. REGISTRATION

Article 51

(1) All taxpayers whose total supply for the previous calendar year shall exceed the amount of Den. 1.300.000 or whose total supply as projected at the beginning of the business activity shall exceed this amount, shall be liable for registration of value added tax. The obligation for registration of the value added tax shall not apply to taxpayers referred to in Article 32 sub-paragraph 4 and Article 46 of this Law.

(2) Total supply shall be the sum of the supply made by the taxpayer during a calendar

year subject to taxation according to Article 2, sub-paragraph 1 of this Law, including the tax related thereto except for the supply that is tax exempted being not entitled to tax credit deduction. When a taxpayer performs its business activity only in one part of the calendar year, the physical total supply shall be calculated at the level of the total supply for the whole calendar year.

(3) Taxpayer – country residents not liable to registration referred to in paragraph 1 first sentence, shall not be liable to pay value added tax for goods and services performed. They shall not be authorized to separately state tax in the invoices or in other documents, and shall not be entitled to tax credit deduction.

(4) Taxpayers referred to in paragraph 3 of this Article may make a voluntary registration for value added tax at the beginning of each calendar year. In such case paragraph 3 of this Article shall not apply.

(5) Taxpayers referred to in paragraph 1, first sentence and paragraph 4 of this Article shall be liable to submit an application for registration of value added tax with the competent Revenue Authorities. The Minister of Finance shall establish the form and contents of such application.

(6) The competent Revenue Authorities shall make the entry into the registry of the value added tax taxpayers at the beginning of the calendar year, and to such taxpayers shall issue a certificate for registration. When the taxpayer starts his business activity during the calendar year, the registration shall begin with the start of the business activity. In the cases referred to in paragraph 2 of Article 9a of this Law, the competent tax authority shall register the taxpayer in the VAT taxpayers registry immediately after the identification.

(7) Taxpayer referred to in paragraph 1, the first sentence, paragraph 4 and paragraph 6, the third sentence, of this Article, shall remain registered at least within five calendar years, irrespective of the value of the total supply. During this period paragraph 3 of this Article shall not apply. When the total supply in the fifth calendar year does not exceed the amount referred to in paragraph 1, the taxpayer may, upon the expiration of the term to submit an application for canceling his registration for value added tax to the competent Revenue authority, which shall pass a decision for erasing from the register of value added taxpayers.

(8) Notwithstanding the deadline stipulated in paragraph 7 of this Article, termination of registration may be carried out within a deadline shorter than 5 calendar years and upon decision by the competent tax body.

(9) The competent tax body can terminate the registration when:

- a) in the previous calendar year the taxpayer submitted tax returns without declaring sales tax and without declaring credit tax deduction;
- b) in two previous calendar years the taxpayer submitted tax return without declaring sales tax; except in the cases when during the same period, he/she declared in the tax return only sales exempt from tax credit deduction or previous tax resulting from sales of investment goods towards the taxpayer or imported by him/her.
- c) events referred to in article 9-a paragraphs (1) and (2) of this law occur.

(10) Taxpayers referred to in paragraph 1, first sentence and paragraph 4 of this Article, shall submit the application by January 15 the latest of the current year. When the taxpayer starts his business activity during the calendar year, the application shall be submitted within 8 days from the day he started his business activity.

(11) Taxpayers shall submit the request for cancellation of value added tax registration by January 15 the latest of the year in which they want to stop the registered for value added tax.

XII. ADMINISTRATIVE OBLIGATIONS

1. Book-keeping Liabilities

Article 52

(1) The taxpayer shall be liable to maintain complete and accurate bookkeeping for the base of tax calculation, especially the supply made and the tax credit that may be deducted in a manner that shall facilitate easy auditing of such bookkeeping.

(2) The bookkeeping referred to in paragraph 1 of this Article must separately provide data regarding:

1. Supply of goods made by the taxpayer, and specifically regarding:
 - a) The tax base for such supply; and
 - b) The tax due for such supply.

The book-keeping must indicate the manner in which distribution of tax base is made for taxable supply, distributed in accordance with the tax rates, for exempted supply entitled to tax credit reduction and for exempted supply not entitled to tax credit reduction;

2. The supply made to the taxpayer, regarding:
 - a) The tax base for such supply,
 - b) Tax credit for such supply.
3. The importation made by the taxpayer, regarding:
 - a) Tax base for importation; and
 - b) Tax for such importation.
4. Corrections made on the tax base and on the tax credit deductions.
5. The tax due as referred to in Article 55 paragraph 1 and 2 of this Law;
6. The tax credit that may be deducted;
7. Separation of tax credits; and
8. The level of tax to be collected.

(3) The taxpayer is obliged to calculate and record the appropriate annual amounts at the end of the calendar year.

(4) Taxpayer may also meet the bookkeeping liabilities referred to in paragraph 2, sub-paragraph 1 of this Article in such a manner that he shall maintain evidence of tax bases and of taxes as one sum (gross-evidence). In such case, he shall be liable, at the end of each tax period, to divide the sum of the gross amounts of such tax base and tax and to indicate them as such.

(5) The recipient of the goods or services shall be liable to maintain evidence on the due tax bases in the cases referred to in Article 32, sub-paragraph 4 of this Law.

(6) The bookkeeping shall be maintained based on the received and issued invoices, customs documents or other relevant evidence within the terms stipulated for tax collection.

(7) The Ministry of Finance shall be authorized to define more precisely the provisions for fulfilling the bookkeeping liabilities and for cases when exemptions are made meeting such liabilities.

2. Issuing of Invoice

Article 53

(1) The taxpayer shall be liable to issue an invoice, upon request for delivery made to other taxpayers.

(2) Any document issued by the taxpayer or other person upon his order for delivered supply, shall be considered as an invoice referred to in paragraph 1 of this Article. The

calculation with which the taxpayer is calculating given taxable supply provided to him by another taxpayer shall also be deemed as an invoice.

(3) When a consideration is received only for partially made delivered supply, before the deal is completed, the taxpayer shall issue separate invoices for each partially made supply.

(4) The taxpayer shall issue an invoice for each previously made payment (advance payment), before the supply is made.

(5) When exchanging goods or services, each individual taxpayer shall issue and invoice.

(6) When an invoice is issued both for taxable supply and non-taxable supply, such supply shall be stated separately. When non-taxable supply is made, it shall be stated on the invoice that “ the Value Added Tax is not calculated”.

(7) The taxpayer shall issue the invoice in two copies. The first copy shall be submitted to the recipient, respectively supplier of the goods, while the other copy shall be kept in his evidence.

(8) The invoice shall be issued on the day the supply is made, and within 5 working days the latest.

(9) In case of consideration before the supply is made, the invoice shall be issued the same day when the advance payment is received, and within the term referred to in paragraph 8 of this Article the latest

(10) The invoice must state the following data:

1. Place, date of issuance and number,
2. The name (title) and address of the taxpayer that makes the supply and his tax number registered for value added tax;
3. The name (title) and the address of the recipient of such goods, or services and his tax number registered for value added tax;
4. The day the supply is made;
5. The quantity and description of such supply;
6. The amount of consideration for supply made without the Value Added tax;
7. The tax rate applied;
8. The amount of calculated Value Added tax;
9. The total amount of the consideration for the supply made and the amount of the Value Added Tax; and
10. Signature and seal of the person issuing the invoice.

(11) The Minister of Finance shall be authorized to approve some exceptions regarding invoice issuance, and define more precisely in which cases and under what conditions:

1. There shall be no obligation to issue an invoice; and
2. The person may refrain from stating some data when issuing and invoice.

Article 54

(1) A taxpayer delivering taxable goods to recipients of goods or services who are not taxpayers (end consumers) or to taxpayers which do not request for an invoice as referred to in Article 53, paragraph 1, shall be liable to state the supply through a cash-register and to issue a bill, irrespective whether required by the recipient of such goods or services.

(2) The bill referred to in paragraph 1 of this Article shall be the cash-register strip, receipt or other like document that must contain the following data:

1. Place, data of issuance and number,
2. Name and address of the taxpayer making the supply and his tax number registered for value added tax;
3. The quantity and description of the supply;

4. The total amount including the Value Added tax.

(3) The liability to issue a bill referred to in paragraph 1 of this Article shall not include supply of daily newspapers, tobacco processing, as well as supply made on outdoor markets and open spaces.

(4) The Minister of Finance shall be authorized to approve some exemptions regarding the liabilities referred to in paragraph 1 of this Article.

Abolish - (article 54 is abolished with article 25 from the Law on Registering Cash Payments -Official Gazette No.31/2001)

Article 55

(1) When a person without an authorization separately states the Value Added Tax on the invoice, he shall be liable to pay such stated amount. The tax amount shall be paid it within the period of 5 working days from the day the invoice was issued.

(2) When a taxpayer states separately on the invoice for supply made a higher tax than the amount due according to this Law, he shall be liable to pay the excess amount of tax.

(3) The provision referred to in paragraph 2 of this Article shall not apply when correction of the tax is made. In such case Article 22, paragraph 1 of this of this Law shall apply.

Article 56

(1) The invoices and other documents issued in accordance with this Law as well as the taxpayers' business books shall be kept for at least five years after the expiration of the calendar year to which they refer.

(2) When a complaint is submitted in accordance with Article 58 of this Law, the deadline period referred to in paragraph 1 of this Article shall begin after completion of the appeal procedure.

XIII. LEGAL PROTECTION

1. Expiration

Article 57

(1) The right to assess and collect Value Added tax, interest and costs for compulsory collection shall expire after 5 years from the close of the calendar year in which the tax liability occurred.

(2) The taxpayer's right to refund the Value Added Tax, interest, costs for compulsory collection and fines not entitled to be paid, shall expire after 5 years from the close of the year in which the payment is made.

(3) After every discontinuation of the expiration period referred to in paragraphs 1 and 2 of this Article, a new deadline shall begin.

(4) The right to tax assessment, collection and refunding shall anyhow expire after the expiration of ten years of the calendar year in which tax assessment or collection is to be made, respectively in which the amounts are paid.

Note: According article 180 from Tax procedure law (Official Gazette No.13/2006), article 57 shall cease to apply with application as of April 1, 2006.

2. Appeal Procedure

Article 58

(1) The taxpayer shall be entitled to submit an appeal against the decision by the tax authority imposing additional assessment of Value Added Tax, as well as against the decision for refusing the right to deduction or payment of tax credit.

(2) The appeal shall be submitted to the Ministry of Finance, through the relevant revenue authority within 15 days after the submission of the decision referred to in paragraph 1 of this Article.

(3) The appeal shall not delay the execution of the decision referred to in paragraph 1 of this Article.

(4) An administrative procedure against the decision of second instance issued by the Ministry of Finance may be initiated before the Supreme Court of the Republic of Macedonia within 30 days after the decision is received.

(5) The appeal against the decision for tax assessment and payment by the customs authorities may be submitted in accordance with the customs regulations.

Note: according article 180 from Tax procedure law (Official Gazette No.13/2006), article 58 shall cease to apply with application as of April 1, 2006.

XV. PENALTY PROVISIONS

Article 59

(1) Legal entity – taxpayer shall be fined with EUR 4,000 to EUR 5,000 in Denar equivalent for an offence if:

1. it does not submit or fails to submit tax return within the stipulated deadline (Article 41, paragraphs (1) to (4));
2. it fails to pay in the value added tax on the determined account (Article 43, paragraph (4));
3. it fails to register for the value added tax (Article 51, paragraphs (1), (10) and 62);
4. it fails to keep records, or keeps records inaccurately and incorrectly (Article 52, paragraph (1));
5. it fails to issue invoice within the stipulated deadline or issues inaccurate invoice (Article 53) and
6. it fails to store the invoices and other documents and the business books within the stipulated deadline (Article 56, paragraph (1)).

(2) The responsible person at the legal entity shall also be fined with EUR 1,000 to EUR 2,000 in Denar equivalent for the offences referred to in paragraph (1) of this Article.

Article 60

Physical person – taxpayer shall be fined with EUR 500 to EUR 1,000 in Denar equivalent for the offences referred to in Article 59, paragraph (1) of this Law.

Article 60-a

The responsible person within the legal entity and the physical person taxpayer who fail to submit a tax return within the stipulated deadline or fail to pay in the tax arrears on the designated account, in order to acquire greater property benefit or value, may be punished for a criminal deed with one to five year imprisonment.

XV. TRANSITIONAL AND FINAL PROVISIONS

Article 61

- (1) The provisions of this law shall be applied to all the supply and importation made after March 31, 2000.
- (2) The provisions of Article 37 of this Law shall be applied to investment goods supplied or produced by the taxpayer after March 31, 2000.
- (3) The Law on Sales Tax for Products and Services shall remain in force regarding all activities regulated thereto, subject to taxation made before April 1, 2000. If the taxpayer issues an invoice prior to this date for a supply made after March 31, 2000, Article 24 paragraph 3 sub-paragraph 1 from the Law mentioned in this paragraph will not be applied.
- (4) When the supply is made in segments as referred to in Article 31, paragraph 4 of this law, this Law shall apply to such supply in segments made after March 31, 2000, and the Law on Sales Tax for Products and Services shall be applied on the segment supply made prior to April 1, 2000.

Article 62

The taxpayers liable for registration starting from the day of the application of this Law according to Article 51 of this Law or making voluntary registration are obliged to apply to the tax authorities by March 1, 2000.

Article 63

- (1) Taxpayers registered for the purposes referred to in Article 51 of this Law, having stocks intended for further sale on March 31, 2000, when the sales tax on products calculated by the previous participants in the sale is calculated and paid together with the selling price, or tax paid at importation according to the Law on Sales Tax of Goods and Services, shall be entitled to deduce the sales tax on products and services as tax credit. Such deduction shall not be approved for products used by the taxpayer for tax exempted sales referred to in Article 23 of this Law.
- (2) The amount deducted as tax credit referred to in paragraph 1 of this Article shall be settled by December 31, 2000 by partial amounts with the Value Added Tax that should be paid.
- (3) The Minister of Finance shall regulate the details for the assessment procedure and the conditions for exercising the right to tax deduction referred to in paragraph 1 of this Article.

Article 64

Detailed regulations regarding the implementation of this Law shall be adopted within 60 days from the day this takes effect.

Article 65

The Law on Sales Tax for Products and Services ("Official Gazette of the Republic of Macedonia" No. 34/92; 62/92; 63/92; 3/93; 4/93; 80/93; 42/95; 4/96; 71/96; 5/97; 10/97; 28/97; 13/98; and 39/99), shall cease to apply on the day the Law on Value Added tax becomes enforceable.

Article 66

This Law shall come into force on the eight days after publication in the "Official Gazette of the Republic of Macedonia", and shall be applied from April 1, 2000.

**PROVISIONS OF THE LAW FOR MODIFICATIONS AND
AMENDMENTS OF THE VALUE ADDED TAX LAW
NOT INCLUDED IN THE FINAL VERSION OF THE TEXT
(*“Official Gazette of Republic of Macedonia” No. 86/99*)**

Article 14

First supply of the flats and housing buildings which construction started before April 1, 2000, are exempted for the Value Added Tax until December 31, 2000, while the taxpayers retain tax credit deduction for the same period.

Article 16

This Law comes into force on the eight day after it is published in the Official Gazette of Republic of Macedonia and will be implemented from April 1, 2000, except for the provision for Article 12 of this Law, which will be implemented on the day the Law comes into force.

(*“Official Gazette of Republic of Macedonia” No. 21/2003*)

Article 24

5% preferential tax rate shall be applied on the first sales of residential buildings and flats, in the part in which they are used for housing purposes, but only if their construction commenced before the day of application of this Law and if the buildings are completed by December 31, 2003, and are supplied by March 31, 2004.

Note: With Constitutional Court Decision published in the Official Gazette No.17/2004, with apply from 24 March 2004 is abolishing article 24 in the part "*and if the buildings are completed by December 31, 2003, and are supplied by March 31, 2004.*"

Article 25

This Law shall enter into force on the day it is published in the "Official Gazette of the Republic of Macedonia", and shall be applied as of April 1, 2003.

(*“Official Gazette of Republic of Macedonia” No. 33/2006*)

Article 6

This Law shall enter into force on the eighth day from the day it is published in the "Official Gazette of the Republic of Macedonia" and shall apply as of January 1, 2006.

(*“Official Gazette of Republic of Macedonia” No. 101/2006*)

Article 2

Provisions referred to in Article 1, paragraph (1), item 8 of this Law shall be applied by 30th June 2010.

Article 3

This Law shall enter into force the next day following the day it is published in the Official Gazette of the Republic of Macedonia and shall apply as of 1st October 2006.

(“Official Gazette of the Republic of Macedonia”, No. 114/2007)

Article 4

Provisions referred to in Article 1, paragraph 1, items 10 and 11 and paragraph (2), item 2 of this Law shall be applied by 30th December 2012.

Article 5

This Law shall enter into force on the eighth day from the day it is published in the „Official Gazette of the Republic of Macedonia“.