

## TAXATION WITH CORPORATE INCOME TAX

### TAXPAYER

- Legal entity/resident of Republic of Macedonia – who realizes profit by performing activity in the country or abroad.
- Permanent establishment of non-resident – which realizes profit by performing activity on the territory of Republic of Macedonia.

### TAX BASE

The base for calculating of Corporate Income Tax is the difference between the total income and the total expenditures of the taxpayer in amounts determined in accordance with accounting regulations and standards. The tax rate is 10%.

The tax base (the difference between the total income and expenditures) is increased or the amount of unrecognized expenses.

The tax base is decreased for:

- The amount of the collected receivables up to the stated income, for which in previous tax periods was performed increasing of the tax base, according to the taxable amount.
- The amount of the returned part of the loan for which in the previous tax periods was performed increasing of the tax base.
- Amount of dividends derived by a resident of the Republic of Macedonia with participation in the capital of another taxpayer - a resident of the Republic of Macedonia, provided that they are taxable at the rate specified in the Law.
- Part of the loss transferred from previous year.

### TAX EXEMPTIONS

#### Tax exemption for reinvested earnings

The tax base is decreased for the amount of realized investments from the profits (reinvested earnings) for development, i.e. investment in tangible assets (property, facilities and equipment) and intangible assets (patents and a computer software) intended to expand the activity of the taxpayer.

**Exception:** investments in passenger cars, furniture, carpets, audio visual devices, appliances (white goods), pieces of fine and applied arts and other investments that serve for administrative purposes.

#### Tax exemption for taxpayers with special tax status

The user of Technological Industrial Development Zone use tax exemption from corporate income tax within the framework of state assistance under the conditions and procedure established by law for Technological Industrial Development Zones.

## DECREASE OF THE CALCULATED TAX

- The tax obligation is reduced for the amount of the approved tax exemption for purchased and put in use up to 10 fiscal equipment systems for registration of cash payments i.e. fiscal equipment and integrated automated system for management.
- The amount of the tax included in taxable income / profit abroad (withholding tax) up to 10%.
- The tax paid by the subsidiary abroad for profits included in the income of the parent entity in Republic of Macedonia, but more than the amount of tax at the statutory rate of 10%.
- The estimated amount of tax relief for a donation given to: sports federations, Macedonian Olympic Committee, football, basketball, handball and other sports clubs, active athletes from Olympic and non-Olympic sports under the terms and amounts of legally determined procedures.

## REGISTRATION AND ASSESSMENT OF CORPORATE INCOME TAX

Reporting and assessment of the Corporate Income Tax is made on Tax Balance for taxation of the profit (form "DB") that is submitted to the Public Revenue Office no later than 28/29 February in the following year at latest, after the year for which taxation is performed. The tax balance (Form "DB") may be submitted by 15th of March, if the taxpayer has submitted the annual account to the Central Registry of Republic of Macedonia in electronic form.

The taxation of the profit is performed after the end of the business (calendar) year, i.e. after the period in which the taxpayer has performed the business activity.

## SIMPLIFIED TAX REGIME FOR SMALL AND MICRO BUSINESSES

Trade Companies classified as small and micro traders and legal entities residents of Republic of Macedonia, which lead an accountancy and are preparing annual accounts in accordance with the Law on Trade Companies (not performing bank, financial, insurance activities, and activities from the area of games of chance and prize games) which will realize total income at all bases up to 3 million MKD per year, are exempted from payment of annual tax on total income. (Example: A taxpayer, who in 2016 realized total income of 2.500.000 MKD per year, shall not be a subject of taxation with annual tax on total income, i.e. Corporate Income Tax.)

Taxpayers, who have realized total income of 3.000.000 MKD annually, have an obligation to submit the form "DB-VP" to the Public Revenue Office, no later than 28/29 February in the following year at latest, after the year for which taxation is performed. The tax balance of total income (Form "DB-VP") may be submitted by 15th of March if the taxpayer has submitted the annual accounts to the Central Registry in electronic form.

## Possibility for a choice of the taxation model – for realized income from 3 to 6 million MKD

Trade Companies classified as small and micro traders and legal entities residents of Republic of Macedonia, which lead an accountancy and are preparing annual accounts in accordance with the Law on Trade Companies (not performing bank, financial, insurance, and activities from the area of games of chance and prize games), which total income is from 3.000.001 to 6.000.000 MKD per year, have the opportunity to choose to pay either annual tax on total income of 1% or Corporate Income Tax of 10%.



If the taxpayer makes a choice to pay annual tax on total income is required to submit a Tax Balance of Total Income (Form "DB-VP") to the Public Revenue Office no later than 28/29 February in the following year after the year for which taxation is performed. In addition the Tax balance of total income (Form "DB-VP") may be submitted by 15th of March if the taxpayer has submitted the annual account to the Central Registry in electronic form. The selected taxation model "annual tax on total income" shall be implemented within three years, including the year for which the taxpayer made the decision.

## WITHHOLDING TAX

To the legal entities – non-residents of the Republic of Macedonia (foreign legal entities, not considered as permanent establishments of the foreign entity in the Republic of Macedonia), the withholding tax is calculated on the income realized in the Republic of Macedonia, which were not realized in the framework of the business activity of the permanent establishment of the foreign entity on the territory of the Republic of Macedonia, provided that it is not otherwise stipulated with the international agreements for avoiding double taxation.

The tax will be withheld by domestic legal entities, domestic physical persons (registered for performing an activity) and the permanent establishment of the foreign legal entity or the physical person in the Republic of Macedonia, during each payment of the following types of revenues:

- Revenues from dividends;
- Revenues from interest;
- Revenues from copyrights;
- Revenues from entertainment or sports activities that are performed in the Republic of Macedonia;
- Revenues from providing management, consulting, financial services, and services of research and development, if the income is paid by resident or if the income is at the expense of the permanent establishment in the Republic of Macedonia;
- Revenues from insurance premiums for insurance or reinsurance of risks in the Republic of Macedonia;
- Revenues from telecommunications services between Republic of Macedonia and foreign country; and
- Revenues from renting of property in the Republic of Macedonia.

### Not a subject of taxation:

- Transfers of the part of the profit of the permanent establishment of a foreign legal entity in the Republic of Macedonia, to which the Corporate Income Tax was previously paid;
- The revenue from interest on debt instruments issued and/or guaranteed by the Government of the Republic of Macedonia, the National Bank of the Republic of Macedonia and the Banks or other financial institutions that operate as a representative of the Republic of Macedonia Government;

- Revenue from interest on deposits in the bank located in the Republic of Macedonia; and
- Revenue made by representation or consulting with state securities on the international financial market.

The taxation is performed regardless of whether the incomes are paid in the Republic of Macedonia or abroad. The tax rate is 10%, if it is not otherwise stipulated with the agreements for avoiding double taxation.

If the recipient of the income on which is applicable withholding tax is a resident of a country with which the Republic of Macedonia has signed an agreement for the avoidance of double taxation and double exemption, the taxation and the applied tax rate may not exceed the tax rate applicable to income determined in the agreement. Tax exemption or the lower tax rate specified in the Agreement with a foreign country shall apply to income on which the withholding tax is applied, if the income payer has a prescribed form verified by the competent tax authority of the foreign country and by the Public Revenue Office, or approval for tax exemption issued by the Public Revenue Office.

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The persons who have an obligation to withhold the tax, before they make payment to the foreign legal entity, have an obligation to ask the PRO for a „Tax Identification Number" to the foreign legal entity.

The foreign legal entities provide to the subjects that pay the income and to the Public Revenue Office an appropriate proof for application of the lower or for the application of the zero tax rate, determined by the Agreements for avoiding double taxation on the prescribed forms - Request for relief or exemption of tax, based on the Agreements for avoiding double taxation, divided according to the type of the income paid out: dividends, interest, copyrights and other incomes.

If during the income payment a withheld tax is not being paid, in accordance with the Agreement provisions, the income recipient (foreign legal entity) may submit Request for tax exemption and a Form "Confirmation of resident status" from the authorized tax body abroad, in a manner and according to the procedure determined by the Public Revenue Office.

The Forms and the Confirmation should be verified by the authorized tax body abroad during each payment, except in case there are frequent payments (on the same ground), when the verified Form is submitted during the payments that are made after each twelve (12) months.

The taxpayer who has an obligation to withholding of tax, once per year submits to the Public Revenue Office a Report on the paid in withholding tax (form "DD-I").

### **More information!**

The PRO website [www.ujp.gov.mk/en](http://www.ujp.gov.mk/en) provides you with a fast and easy access to publications, tax information and forms. We recommend you to download tax information for taxation of Corporate Income Tax via <http://www.ujp.gov.mk/en/vodic/category/688>

For more information regarding Corporate Income Tax, you can also contact us via e-mail: [info@ujp.gov.mk](mailto:info@ujp.gov.mk)