

INPATRIATES Macedonia

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

Personal income tax shall be applied to any resident of the Republic of North Macedonia, on the income earned in the country and abroad. A resident, in terms of this Law, shall be any individual who has a permanent or temporary residence on the territory of the Republic of North Macedonia. The individual has a residence if he is resident in the country continuously, or with interruptions, for 183 or more days in any 12-month period on the territory of the Republic of North Macedonia.

If a double tax treaty (DTT) is in place, the 183-day residency principle is applicable in accordance with the provisions of the treaty.

A foreign tax resident is any individual who is not a Macedonian tax resident.

Annual tax return

Each tax resident of the Republic of North Macedonia is obligated to register on the <https://e-pdd.ujp.gov.mk/> application of Public Revenue Office.

Public Revenue Office prepares annual tax return for the taxpayer which contains all data on the generated income and the advance tax paid during each calendar year, until April 30th of the following year for the previous year.

Income taxpayer is obligated to confirm/correct the accuracy of the data from the submitted filled-in annual tax return until May 31st of the following year for the previous year.

Income taxpayer is obliged to pay the difference between the determined income tax liability and the amount determined with a decision of Public Revenue office at latest June 30th of the current year for the previous year.

If the income taxpayer has paid, as an advance payment, a higher amount of tax than the due amount, Public Revenue Office is obligated to return the difference to the taxpayer based on a request that the taxpayer stated in the annual tax return. If the taxpayer fails to state such request, the difference shall be transferred as an advance payment of income tax for the next tax period.

Payment of personal income tax - general rules

Before any payment of personal income tax to private individuals, legal entities are obligated to prepare calculations and submit to Public Revenue Office for approval. Upon approval, legal entities can proceed with payments through commercial banks.

In other cases, the resident taxpayer is obligated to electronically report the taxable income to Public Revenue Office on monthly basis, 10th of the month for the previous month. After approval by Public Revenue Office the resident taxpayer is obligated to pay personal income tax, 15th of the month for the previous month. This is also applicable for taxable income generated abroad.

REGISTRATION/FORMALITIES

Foreigners are guaranteed the same labor rights as Macedonian citizens. A foreign individual can legally work in Macedonia only upon obtaining a work permit first.

There are three types of work permits depending on the nature and duration of the work to be undertaken in Macedonia:

- Personal work permit;
- Employment work permit;
- Work permit for exercising work without employment in the country.

The permit is issued by the Employment Agency of Macedonia and the procedure is conducted through the Macedonian Embassy in the resident country of the foreign applicant. According to the latest amendments of Trade Companies Law and Law on social contributions, the Managers (members of Board of Directors) of Macedonian companies, who are not employed nor insured by any other way in any other company, should pay social contributions by themselves for the remuneration fee they receive from the MK Company. This obligation does not refer to foreign individual who are residents in countries with which North Macedonia has concluded agreement for social contributions and which are employed/have social insurance in their resident countries.

INCOME TAX RATES AND SOCIAL SECURITY CONTRIBUTIONS

INCOME TAX RATES

Tax rate	Types of income	Notes
10%	Personal income (salary, pension, and other reimbursements arising from employment)	flat tax rate is applicable until 31 December 2022
10%	Income from rent and other property rights	flat tax rate is applicable until 31 December 2022
10%	Income from royalties (copyrights) and industrial property rights	flat tax rate is applicable until 31 December 2022
10%	income from sale of own agricultural products	flat tax rate is applicable until 31 December 2022
10%	Income from earned capital (dividends, interest etc.)	flat tax rate is applicable until 31 December 2022
15%	Income from gains from games of chance	flat tax rate is applicable until 31 December 2022
10%	Income from insurance	flat tax rate is applicable until 31 December 2022
10%	Other incomes (sponsorship, donation etc.)	flat tax rate is applicable until 31 December 2022

As of 1 January 2020, until 31 December 2022, a 10% flat tax rate is applicable on individual's income from work, self-employment income, income from royalties and industrial property rights, income from sale of own agricultural products, rental income, income from capital, capital gains, and insurance income, as well as other taxable income not categorised separately in the legislation. The applicable tax rate on the gains realised from games of chance is 15%.

The taxation of interest on time saving deposits and capital gains realised from sale of securities and shares released from investment funds is postponed until 1 January 2023.

As of 1 of January 2023, below changes will be applicable:

- 1) Income from work, income from an independent activity, income from copyright and related rights and income from the sale of own agricultural products - personal income tax will be paid based on progressive tax rates as follows:
 - Up to MKD 1,080,000, annually - personal income tax rate at 10%
 - Above MKD 1,080,001, annually - MKD 108,000 plus personal income tax rate at 18% on the amount exceeding MKD 1,080,000
- 2) Income from industrial property rights, income from lease and sublease, capital income, capital gains, income from insurance and other income - personal income tax will be paid at a single rate of 15%. As an exception to above rule, regarding capital gains generated from sale of securities and shares issued by investment funds, personal income tax will be paid at rate of 15% if the holder owns them up to 1 year and 10% for the period 1 to 10 years. Tax rate on interest on saving deposits will be 10%.
- 3) Games of chance - personal income tax will be paid at a single rate of 15%.

INCOME TAX RATES AND SOCIAL SECURITY CONTRIBUTIONS

Income tax rates (continue)

Withholding Tax

A non-resident shall be able to apply the provisions of the valid agreement for avoidance of double taxation between Macedonia and the other country, if the individual proves the status of a tax residence in the other country with which North Macedonia has concluded the agreement.

If the recipient of the income subject to a withholding tax is a tax resident of a foreign state with which North Macedonia has concluded an agreement on avoidance of double taxation, the tax rate applied must not be higher than the amount of the tax rate prescribed for that type of income under the agreement.

Tax exemption or tax relief prescribed in the agreement with the foreign country can be applied to the taxable income, if the taxpayer provides appropriate forms verified by the Public Revenue Office and the appropriate Tax office in the foreign country, or by approval for tax exemption/relief issued from the Public Revenue Office in North Macedonia.

The Public Revenue Office will issue a declaration on the tax paid in the Republic of North Macedonia on request of the non-resident within a period of 30 days as of the day of submission of the request.

SOCIAL SECURITY CONTRIBUTIONS

Employers are obligated to calculate and withhold from employees' gross salary and pay into the accounts of respective funds the compulsory social security contributions and personal income tax (PIT). The current level of the compulsory social security contributions is as follows:

- Pension and disability insurance: 18.8%
- Health insurance: 7.5%
- Employment insurance: 1.2%
- Additional health insurance: 0.5%
- Personal income tax: 10%

The legislation prescribes the minimum and the maximum base for calculation of the social security contributions.

Minimum salary on which social contributions are calculated and paid is 50% of the average salary paid in North Macedonia. For 2022 is MKD 21.755 gross.

Maximum salary on which social contributions are calculated and paid is 16 average salaries paid in North Macedonia. For 2022 is MKD 696.144 gross, above the limit only personal income tax is paid.

Average salary for 2022 is MKD 43.509 gross.

The Public Revenue Office is the authorised body to control the calculation and the payment of compulsory social contributions and PIT on salaries. All employers send their calculations to the PRO that controls them and, if correct, issues a declaration of acceptance that is afterwards presented to the respective depository bank, in order to perform the payment of mandatory social security contributions, PIT, and net salaries.

For further information and to register for future updates contact expat@bdo.global

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