



April,
2020

TAX ALERT

Several tax measures have been adopted for protection against the economic effects of COVID-19

As a measure for protection against the economic effects caused by COVID-19, the Government of the Republic of North Macedonia adopted several Decrees with force of law in the field of taxation that entered into force on 25.03.2020.

As a result of the reduced workload due to the global crisis caused by COVID-19, companies are facing decreased revenue and impaired liquidity. In this regard, the Government has adopted several Decrees aimed at softening the economic effects from this crisis through certain tax exemptions and tax reliefs.

1. Corporate tax measures

The enacted Decree for application of the Law on Corporate Income Tax ("CIT") during the state of emergency ("Corporate Tax Decree") introduces exemption from payment of the monthly CIT advance payments for the duration of the state of emergency.

Corporate taxpayers who have suffered losses in their operations due to the spread of COVID-19 are entitled to exemption from payment of CIT advance payments for March, April and May 2020. This right applies to taxpayers who carry out catering, tourism and transport activities. This exemption is conditioned on the fulfillment of certain conditions, explained below. Also, the exemption applies to taxpayers from other business sectors, if they meet additional requirements, in addition to those that applicable to the above most affected business sectors.

In order to exercise this right, taxpayers must submit a Request for exemption from CIT advance payments to the Public Revenue Office, which can be done electronically through the e-tax system.



pwc



Conditions for taxpayers engaged in catering, tourism and transport activities

- 1) Not paying dividends to the owners, bonus (profit participation) or other type of annual remuneration to employees and management since the date of entry into force of this Decree (25 March 2020) until the expiration date of this exemption (15 June 2020) and
- 2) Not reducing the number of employees counting from the date of entry into force of this Decree within three months after its expiry date, except in cases of death, retirement or dismissal by the employees.

Conditions for taxpayers from other business sectors

- 1) All conditions prescribed for taxpayers in the catering, tourism and transport business, plus one of the following conditions:
 - the taxpayer's total revenue for the respective month is decreased by at least 40% compared to the revenue in February 2020, or the decrease of the total FY2020 revenue is more than 40% compared to the same period in the previous year, or
 - the number of employees who do not work or do not contribute to the economic activity of the taxpayer, due to the measures adopted in an state of emergency, is at least 25% of the total number of employees in February 2020, or
 - the taxpayer has closed at least 50% of its sales outlets (subsidiaries, sales facilities).

The taxpayer who has used this exemption and has not fulfilled the conditions set out in this Corporate Tax Decree is obliged to pay the monthly CIT advance payments, along with a penalty interest.

2. Personal income tax measures

By the Decree on the application of Law on personal income tax ("PIT") during the state of emergency ("Personal Tax Decree"), the self-employed taxpayers, who have suffered losses due to the spread of COVID-19, are entitled to an exemption from the amount of PIT advance payments for March, April and May 2020.

The exercise of this right shall apply to taxpayers who carry out catering, tourism and transport activities and who will not decrease their number of employees for a period of three months after the expiration of this Personal Tax Decree, except in the case of death, retirement or termination of employment by the employees.

The exemption also applies to self-employed taxpayers operating in other business sectors, if they meet one of the conditions prescribed for taxpayers - legal entities operating in other business sectors, listed on the right side of the table above. The administrative aspects for exercising this right are the same as for legal entities.

3. Measures regarding penalty interest

The Decree on the application of the Law on tax procedure during an state of emergency ("Tax Procedure Decree"), decreased the amount of the penalty interest rate for tax liabilities and secondary tax liabilities for the duration of the state of emergency.

Namely, the daily interest rate which is calculated and paid on late payment or overpaid taxes and auxilliary tax liabilities is reduced from currently 0.03% to 0.015% for each day of delay.



How can we help you ?

PricewaterHouseCoopers DOOEL can provide you with:

1. Advice on the application of the Decrees to the relevant tax laws during the state of emergency;
2. Assistance during the administrative procedure for the implementation of these tax exemptions and reliefs;
3. Advice on various issues related to the introduction of tax measures to protect against the economic effects of COVID-19.

For more details on the above provisions please refer to your usual contact within PricewaterhouseCoopers or the persons indicated in the Contacts Section.



Contact

Our

Team

Miroslav Marchev

Director, Tax and Legal Services

mob: +389 70 270 177

E-mail: miroslav.marchev@pwc.com

Ana Shajnoska Georgijevska

Senior Tax Manager

mob: +389 72 307 509

E-mail: ana.shajnoska@pwc.com

Eli Bocevski Grueska

Tax Manager

mob: + 389 72 307 510

E-mail: eli.bocevski.grueska@pwc.com

PricewaterhouseCoopers DOOEL

16, 8 September Blvd.

Hyperium Business Centre, 2nd floor,
Skopje

Tel: +389 2 3140 900

Legal Disclaimer: The material contained in this alert is provided for general information purposes only and does not contain a comprehensive analysis of each item described. Before taking (or not taking) any action, readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.