I. GENERAL PROVISIONS

Article 1

This Law introduces and regulates the following kinds of property taxes:

1. Property tax;
2. Inheritance and endowment tax; and
3. Tax on sales of real estate and rights.

PART ONE
PROPERTY TAX

Subject of Taxation

Article 2

Property tax is paid on ownership of real estate for: non-arable land, residential buildings or apartments, business premises, administrative buildings, buildings or apartments for vacation and recreation, garages and other building structures.

Property tax is paid on ownership of movable property for: passenger motor vehicles over 1.8 liter motor capacity, buses, freight motor vehicles, freight trailer vehicles, tractors, combines, floating vessels and aircraft.

Property tax under paragraph 2 of this article is to be paid, unless the designated types of properties do not serve directly for the performance of the activity.

The Taxpayer

Article 3

Taxpayers liable to property tax are legal entities and physical persons, owners of property designated under article 2 of this Law.

Taxpayers liable to property tax, in specific cases, may also be beneficiaries of the property.

If property is owned by more than one person, each person is liable to property tax, proportionately to the proprietor's share.

Tax Base

Article 4
The market value of the real estate and movable property represents the tax base of property tax.

The market value under paragraph 1 of this article is indicated by the taxpayer in the tax return.

If the public revenue authority concludes that the indicated market value in the tax return under paragraph 2 of this article is not authentic, the value of the property shall be determined by comparison with the value of an identical or similar property belonging to another taxpayer.

**Tax Rates**

*Article 5*

The rates of the tax on property are proportional.

The rate of the tax on property, under article 2 of this Law, equals 0.10%.

**Tax Exemptions and Deductions**

*Article 6*

Property tax is not imposed on the following instances:

1) buildings and lands in public property used by government bodies and local self management;

2) buildings and lands used for educational, cultural, scientific, social, health, humanitarian and sport purposes, excluding buildings and building premises and lands that are under economic exploitation or lease;

3) buildings and lands owned by the Macedonian Orthodox Church and other religious communities, or those used for religious ceremonies or as residences of their officials, excluding those used for commercial purposes;

4) commercial buildings in agriculture;

5) commercial buildings and business premises used by the taxpayer to perform an activity, excluding administrative buildings;

6) public enterprise buildings and institutions established by the Assembly of the Republic of Macedonia, the Government of the Republic of Macedonia, municipalities and the city of Skopje;

7) buildings and lands of foreign diplomatic and consular missions and of international organizations, in their proprietorship and based on reciprocity;

8) residential buildings in rural settlements in mountainous regions, that are designated by the Government of the Republic of Macedonia;

9) dams (reservoirs) for water supply, irrigation or production of water power as well as structures built for protection of land, waters and atmosphere;

10) construction grounds;

11) buildings and establishments for professional training,
professional rehabilitation and employment of the disabled;

12) infrastructures such as: roads, railways, harbors, airports and their constituent structures, that are not employed in collecting incomes;

13) government owned lands that are not under economic exploitation or lease, such as: streets, parks, national parks and forests that are not employed in collecting incomes;

14) water areas which are not employed in economic purposes;

15) lands used for surface mining and for geological research; and

16) agricultural lands used for farming.

Article 7

The taxpayer of property tax on residential buildings and apartments, in which the taxpayer resides with family members, is entitled to a reduction of up to 50% on the computed tax.

Article 8

The tax liability of property tax enters force:

1) on the date of issuing the permit for real estate usage from the competent authorities or from the date of utilization of the real estate, under article 2 paragraph 1 of this Law, and

2) on the date of purchase of the property, under article 2 paragraph 2 of this Law.

PART TWO
INHERITANCE AND ENDOWMENT TAX

Subject of Taxation

Article 9

Inheritance and endowment tax is paid on real estate and benefaction and utilization rights of real estate inherited by the successors and endowment recipients or acquired by the inheritance law or agreement of endowment.

Inheritance and endowment tax is paid on cash, money claims, securities and other movable property, if the market value of the inheritance or endowment is higher than the amount of the average annual salary in the
Republic in the previous year, according to the data provided by the Republic Bureau of Statistics.

**The Taxpayer**

Article 10

The taxpayer of inheritance and endowment tax is a legal entity or physical person - resident of the Republic, who has inherited property stipulated under article 9 of this Law, as well as a legal entity or physical person, endowed property in the country and abroad.

The taxpayer of inheritance and endowment tax is also a foreign physical person - non-resident of the real estate and movable property which is inherited or endowed on the territory of the Republic.

**Tax Base**

Article 11

The market value of the inherited or endowed property, at the moment of imposing the tax liability, reduced by the debts and expenses of the property which is subject to taxation, represent the tax base of the inheritance and endowment tax.

Article 12

The market value means the value of the inherited or endowed property which could be reached in the free exchange at the moment of creation of the tax obligation.

The market value of the inherited or endowed property is defined by the public revenue authority.

In order to define the market value of the inherited or endowed property the public revenue authority shall establish a commission.

Article 13

The tax liability regarding inheritance incurs the moment the inheritance decision goes into effect.

The tax liability pertaining to endowment enters force on the date of conclusion of the endowment agreement.

If the real estate, which is the subject of inheritance or endowment, is liable to beneficial rights, the inheritance and endowment responsibilities incur with the termination of the beneficial rights.

If the sale of inherited or endowed movable property, under article 9 paragraph 2 of this Law, is forbidden by law, the tax liability incurs on the date the decision permitting sale goes into effect, that is, on the date of the sale.

**Tax Rate**

Article 14
The rates on inheritance and endowment tax are proportionate and different, depending on the line of heritage.

Tax on inheritance and endowment, for taxpayers of the second line of heritage, is computed at a 3% rate, and for heirs of the third line of heritage or taxpayers who are not related to the bequeathor, the tax is computed at a 5% rate.

**Tax Exemptions**

**Article 15**

Inheritance and endowment tax is exempt for the following:

1) Heirs or recipients of endowments of the first line of heritage.

2) Heirs or recipients of endowments of the second line of heritage for inherited or endowed apartments or family residences, if the bequeathor resided in the same household at least one year before death, or from the moment of receipt of the endowment, under condition that the recipient and his family members do not own other apartments or family residences.

3) Heirs or recipients of endowments of the second line of heritage, whose primary activity is agriculture, and who are to inherit or be endowed agricultural land and commercial buildings, if they have resided with the bequeathor in the same household at the time of his death, i.e., during receipt of the endowment.

**Article 16**

If an heir, who has assumed inheritance, withdraws it in favor of another person, who would have acquired the inheritance regardless of the heirs revocation, the tax on the inherited property is paid by the person who is granted ownership.

If an heir withdraws his inheritance in favor of another person that would not have otherwise acquired it, the heir that has withdrawn the inheritance is to pay tax on the same, while the person that has acquired the inheritance is to pay endowment tax.

**Article 17**

Government organs, municipal bodies, bodies of the city of Skopje, organizations of the Red Cross, humanitarian and social institutions, scientific, educational, cultural institutions and religious communities are exempt from inheritance and endowment tax for receipt of endowments in the form of real estate, movable property, funds and claims.

**PART THREE**

**TAX ON SALES OF REAL ESTATE AND RIGHTS**

**Article 18**

Earnings from sales of real estate and rights are liable to sales tax on real estate and rights.
Subject of Taxation

Article 19

Sales of real estate and rights, under this Law, implies to transfer of ownership of real estate and rights through compensation, exchange of one real estate with another and other modes of acquiring real estate through compensation between legal entities and physical persons.

The Taxpayer

Article 20

A taxpayer of tax on sales of real estate and rights is a legal entity and physical person - vendors of the real estate or rights.

In cases of exchange of real estate, the taxpayer is the participant in the transaction, who in exchange offers real estate of higher value.

If equivalent ownership portions of real estate are transferred, each separate owner is liable to taxation.

If the ownership right of the real estate is transferred by agreement for providing lifelong care, the taxpayer is the recipient of the estate or his successors.

Tax Base

Article 21

The base of tax on sales of real estate and rights is the market value of the real estate and right, at the moment of incidence of the tax liability.

In cases of exchange of real estate, the tax base represents the difference between the market value of the estates that are being exchanged.

In cases of transfer of equivalent ownership portions of real estate, the market value of each estate represents the tax base.

During the sale of real estate that is insolvent or under executory proceedings, the attained sales price represents the tax base.

Article 22

The market value indicates the price of real estate and rights, which can be obtained through free sales, during the incidence of tax liability.

The public revenue authority determines the market value of the real estates and rights.

The public revenue authority constitutes a committee for determining the market value of real estates.

Tax Rate
Article 23

The rate of tax on sales of real estate and rights is proportionate and equals 3%.

Tax Liability

Article 24

The tax liability of tax on sales of real estate and rights incurs on the date of conclusion of the agreement for transfer of ownership and other rights or exchange of real estate.

If a valid agreement has not been concluded, as stipulated in the provision under paragraph 1 of this article, the tax liability incurs on the date the purchaser or participant in the exchange become rightful owners of the estate.

If the transfer of ownership rights is administered by a court decision or a decision of relevant government organs, the tax liability incurs on the date the decision goes into effect.

If other rights are being transferred, the tax liability incurs on the date of conclusion of the agreement.

If the transfer of ownership rights refer to buildings under construction, the tax liability incurs on the date the building is presented to the purchaser.

If an agreement for sales of real estate or a court decision have not been registered at all or in due time, the tax liability incurs on the date of disclosure of the executed sales.

Article 25

If the transfer of real estate ownership is settled by agreement for providing lifelong care, the tax liability incurs at the time of death of the lifelong care recipient.

Tax Exemptions

Article 26

Tax rates on real estate sales and rights are exempted in the following instances:

1) for sale of real estates in the pre-allotment and expropriation procedures;

2) when foreign diplomatic and consular missions transfer real estate ownership rights based on reciprocity;

3) when real estates are invested in the capital of corporations or incorporated companies;

4) when ownership and other rights are transferred for settlement of public revenue obligations in forced collection of payments;

5) for sales of real estate among government organs; and

6) when ownership rights of real estate are transferred to the
lifelong care donor, who compared to the recipient, is a first line successor, only for the portion of the real estate that would be inherited according to the Inheritance Law.

PART FOUR
DETERMINATION AND COLLECTION OF PROPERTY TAX

Article 27
In reference to the method of determining tax, appeals, forced collection, penalty procedures and other issues that are not regulated by this Law, the provisions of the Law on Personal Income Tax, which regulate the determination and collection of tax, shall be applied.

Article 28
The determination and collection of property tax under article 1 of this Law is conducted by the public revenue authority in charge of the region where the property is located.

If the property is located on the region of two or more municipalities, the tax is determined by the public revenue authority for the value of the property which is located on the respective municipality.

The public revenue authority determines the tax on the inherited or endowed movable property at the place of residence of the taxpayer.

Article 29
Property tax is determined on the basis of the figures indicated in the tax return, the taxpayers business records and other information that are at the disposal of the public revenue authority.

Article 30
The content of the tax return under article 29 of this Law is designated by the Minister of Finance.

Article 31
The taxpayer of property tax is obliged to submit the tax return by January 31 for the taxable year.

The tax payer of the property tax referred to paragraph 1 of this Article who has submitted tax return does not have an obligation to submit new tax return for the same property, unless there is a change of the information contained at the previously submitted tax return, and which were influenced by the height of the tax obligation.

For property that is acquired, utilized in the course of the year or if the tax liability is imposed on other grounds, the taxpayer is obliged to submit a tax return within 15 days from the date of acquiring the property, from the date the property is utilized or from the incidence date of the tax liability.
The tax return stipulated under paragraph 1 of this article is submitted to the public revenue authority in charge of the region on which the property is located.

Article 32

The public revenue authority is obliged to bring a decision regarding the tax amount, latest by March 31 in the year that property tax is determined, and to release the decision of the determined tax to the taxpayer.

Article 33

The taxpayer of inheritance and endowment tax is obliged to submit a tax return within 15 days from the incidence date of the tax liability as stipulated under article 13 of this Law.

The tax return under paragraph 1 of this article is submitted to the public revenue authority in charge of the region on which the inherited or endowed real estate is located.

If the taxpayer inherits or is endowed movable property, the tax return is submitted to the public revenue authority of the place of residence of the taxpayer.

Article 34

The Court is obliged within a period of 15 days, from the date the inheritance decision enters force, to submit the decision to the public revenue authority in charge of the region of the inherited property.

Article 35

The public revenue authority is obliged within a period of 30 days, from the receipt date of the tax return, to determine the inheritance and endowment tax and to issue a decision of the determined tax to the taxpayer.

Article 36

The taxpayer of tax on sales of real estate and rights is obliged to submit a tax return within 15 days from the date of incidence of the tax liability, as stipulated under article 24 of this Law.

The tax return under paragraph 1 of the article is submitted to the public revenue authority in charge of the region on which the real estate (and rights) is located.

Article 37

Without evidence of paid tax, agreements on transfer of real estate ownership and other rights can not be verified in the jurisdictional court, nor can the transfer of ownership rights of real estate and other estate rights be recorded in the land register and other public registers.

Article 38
The public revenue authority is obliged, within a period of 30 days from the date of receipt of the tax liability application, to determine the tax on sales of real estate and rights and to issue a decision of the determined tax to the taxpayer and the purchaser of the estate.

Article 39

Property tax is paid quarterly and payments are due at the middle of each quarter.

Article 40

Inheritance and endowment tax and tax on sales of real estate and rights is paid within a period of 15 days from the date of receipt of the decision on determined tax liability.

PART FIVE

PENALTY CLAUSES

Article 41

If the tax return is not submitted within the set period (articles 31, 33 and 36), the legal entity shall be fined with a penalty from four to twenty salaries for business violations.

The person in charge of the legal entity shall also be fined with a penalty from one to three salaries for violation under paragraph 1 of this article.

The taxpayer - physical person, who has failed to submit a tax return within the set period, shall be fined with a penalty from one tenth to one half of a salary.

Article 42

In addition to the penalty under article 41, a protective measure shall be pronounced for expropriation of the movable property against the taxpayer who has committed a violation more than once.

The penalty under article 41 shall be increased five times for taxpayers who have committed more than one violation regarding real estates.

Article 43

The person in charge of the government organ shall be fined with a penalty from one to three salaries or taken to court for violations listed below:

1) for failing to submit a copy of the inheritance decision (article 34) to the authorized public revenue authority; and

2) for failing to submit a copy of the permit for transfer of ownership rights (article 8) to the authorized public revenue authority within the set period.

Article 44
The person in charge of the public revenue authority shall be fined with a penalty from one to three salaries for failing to bring a decision of the amount of tax on property within the set period (articles 32, 35 and 38).

PART SIX
TRANSITIONAL AND CONCLUDING PROVISIONS

Article 45

The provisions under article 13 paragraph 2, articles 114-133, article 140, article 148 paragraph 2, article 152 and article 153 from the Law on Citizens’ Taxes (Official Gazette of SRM No. 12/87, 50/87, 7/88, 51/88, 7/89, 18/89, 46/89, 4/90, 47/90, 21/91 and Official Gazette of the Republic of Macedonia No. 5/92 and 4/93) and the provisions under articles 6-c and 6-d from the Law on the Citizens’ Tax Rates (Official Gazette of SRM No. 50/82, 38/83, 3/85, 16/85, 44/85, 46/86, 44/87, 50/87, 7/88, 28/88, 42/88, 51/88, 46/89, 4/90, 15/90, 23/90, 30/90, 47/90, 21/91 and Official Gazette of the Republic of Macedonia No. 38/91, 24/92 and 17/93) and the Law of Sales Taxes on Real Estates and Rights (Official Gazette of SRM No. 40/84, 51/88, 29/89 and 38/90) shall terminate on the date this Law enters into force.

Article 46

The procedure for determining and collecting taxes due for 1993, which is underway, shall be concluded according to the regulations under article 45 of this Law.

Article 47

This Law enters into force on the eighth day after publication in the Official Gazette of the Republic of Macedonia.