

REGISTERING A COMPANY IN MACEDONIA

The Central Register is the body authorized to perform all company registrations and the institution to maintain the all companies Trade Register. As all foreign investors are granted the same rights and privileges as Macedonian nationals, they are entitled to establish and operate all types of self-owned private companies or joint-stock companies. Foreign investors are not required to obtain special permission from state-authorized institutions, other than what is customarily required by law. The law defines five forms of companies: General Partnership, Limited Partnership, Limited Liability Company, Joint Stock Company and Limited Partnership by Shares.

Macedonia has introduced a ONE-STOP-SHOP SYSTEM that enables investors to register their businesses after 4 hours of submitting on application (in practice, it might take 1-2 business days).

WORK VISAS/PERMITS

Foreign residents can easily establish employment in the Republic of Macedonia, after getting an appropriate visa or permit from the Ministry of Foreign Affairs, i.e. Diplomatic-consular offices abroad.

Nationals of EU member-states, as well as nationals of the state-parties to the Schengen agreement may enter the Republic of Macedonia presenting a valid identity card issued by the competent authorities of the EU member-states or of the state-parties to the Schengen agreement.

Type of visas:

- Entry visa
- Business visa,
- Employment visa

WORK VISAS/PERMITS

Visa requirements and procedure:

Visas shall be issued only at the embassies or consulates of the Republic of Macedonia abroad;
The validity of the passport or other travel document of the applicant has to be minimum 3 (three) months;
The applicant is to contact an embassy or the consulate of the Republic of Macedonia for additional information about the conditions and procedure for visa issuance;

Types of permits:

- Work Permit,
- Residence Permit.

LICENSES AND PERMITS

In addition to the registration of all business activities as stipulated by the Company Law, some business activities must obtain additional working licenses or permits before starting their operations. For the companies operating in these fields, the registration process is followed by a licensing process with the relevant authorities covering the matter of licenses and/or permits in their respective business area. Employees in the Central Register are trained to direct newly registered companies to the appropriate licensing authorities.

THE NEW BUSINESS HEAVEN IN EUROPE

With the recent economic reforms, Macedonia has created the most attractive tax package in Europe. These reforms include introduction of flat tax rate of 10% for corporate and personal income, which simplify the tax system and stimulate successful companies to further improve operations and increase profitability.

MARKET ACCESS TO 650 MILLION CUSTOMERS

Macedonia is a signatory of three multilateral Free Trade Agreements:

- SAA (Stabilization and Association Agreement) with the EU member states
- EFTA (Switzerland, Norway, Iceland and Liechtenstein)
- CEFTA (Macedonia, Albania, Moldova, Serbia, Montenegro, Bosnia and Herzegovina and Kosovo)

In addition to the multilateral, Macedonia has also signed two bilateral Free Trade Agreements with the following countries:

- Bilateral Free Trade Agreement with Turkey
- Bilateral Free Trade Agreement with Ukraine

These agreements give Macedonia duty free access to more than 650 million consumers.

Macedonia has also been a member of the World Trade Organization (WTO) since 2003. **TREATIES**

The Republic of Macedonia has signed **investment protection treaties** with the following countries:

Albania, Austria, Belgium, Bosnia, Bulgaria, China, Croatia, Czech Republic, People's Republic of Korea, Finland, France, Germany, Hungary, India, Italy, Malaysia, Netherlands, Poland, Romania, Russia, Serbia, Slovenia, Spain, Sweden, Switzerland, Turkey and Ukraine.

The Republic of Macedonia has signed agreements for **avoidance of double taxation** with the following countries:

Austria, Albania, Belgium *, Belarus, Bulgaria, Ties Britain, Germany, Denmark, Egypt, Estonia, Iran, Ireland, Italy, Qatar, China, Kosovo, Kuwait, Latvia, Lithuania, Morocco, Moldova, Norway, Poland, Romania, Russia, Slovakia, Slovenia, Taiwan, Turkey, Ukraine, Hungary, Finland, France, Netherlands, Croatia, Czech, Switzerland, Sweden, Spain, Serbia, Montenegro. **ACCOUNTING AND AUDIT**

According to the Company Law, all legal entities are obliged to prepare annual accounts at the end of each calendar year. Annual accounts have to be prepared in accordance with local accounting rules. Listed companies, large and medium-sized entities are also obliged to prepare and submit financial statements prepared in accordance with IFRS. Macedonian audit laws stipulate that audit activities are to be performed pursuant to International Standards on Auditing.

The Audit Law defines the conditions under which an entity performing its activities and having a main office in the Republic of Macedonia is obliged to submit financial and accounting statements for a statutory audit: more than 50 employees, and/or turnover and total assets exceeding € 2 million.

The Audit Law requires that an audit be performed by an Audit company registered with the Central Register or by a certified auditor who operates as a sole proprietor in accordance with the Company Law. The Audit Law also enables businesses to undergo voluntary audits. **DISPUTE RESOLUTION MECHANISMS**

Domestic sources of the Macedonian Arbitrary Law include the Constitution of the Republic of Macedonia, the Litigation Procedure Law (Official Paper of SFRY, No. 4/77), the Law on Disputes Settlement (Official Paper of SFRY, No. 43/82), Law on International Trade Arbitrary (Official Paper of RM No. 39/06) and the Macedonian Company Law. Arbitration exists within the Chamber of Commerce since 1993 with a permanent elected court. The international sources of the Macedonian Arbitrary Law include bilateral and multilateral conventions, which Macedonia has signed or inherited from former Yugoslavia on the basis of succession. The Republic of Macedonia is a party to the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards as well as the Geneva Convention on Execution of Foreign Arbitral Awards. Macedonia is also a party to the Washington Convention on the Settlement of Investment Disputes Between States and Nationals of Other States and the European Convention on International Commercial Arbitration. By virtue of the Macedonian Law, ratified international agreements have preference over domestic legislation. **RIGHT TO PRIVATE**

OWNERSHIP AND ESTABLISHMENT

The Constitution of the Republic of Macedonia guarantees an investor's right to property. No person may be deprived of his/her property or the rights deriving from it, unless the use of that property affects the general welfare of the public. Foreign investors may acquire property rights for buildings and for other immovable assets to be used for their business activities, as well as full ownership rights over construction land through a locally registered company. If the property is expropriated or restricted, rightful compensation of its market value is guaranteed. If the foreign company registers a local company according to Macedonian law, it can acquire land with full ownership rights similar to a domestic company. **THE COMPANY LAW**

The Company Law is the primary law regulating business activity in Macedonia. It defines the types of companies, as well as the procedures and regulations for their establishment and operations. Foreign investors receive the same treatment as local companies and therefore do not need any special approvals.

Under the Company Law, trade companies are formed as separate legal entities that operate independently and are distinct from their founders, shareholders, and managers. Depending on the type, trade companies have their own rights, liabilities, names, and registered offices.

The legal framework includes the One-Stop-Shop system that aims to tackle some of the administrative

barriers of entry into the business life in Macedonia. According to the Law of the One-Stop-Shop system, all types of trade companies are registered within 4 hours of submission. Another important feature of the One-Stop-Shop is the electronic distribution service that allows any potential investor or third party to obtain complete electronic information about the operations of companies in the country.

LAW ON INVESTMENT FUNDS

The Law on Investment Funds governs the conditions for the incorporation of investment funds and investment fund management companies. It also regulates the manner in which a company operates and exercises supervisory control of these operations, and the process of selecting a depository bank. The law does not discriminate against foreign investors in the establishment of open-ended or closed investment funds.

PRICE CONTROLS

Price liberalization in Macedonia has been essentially completed. Price controls only exist for a few products. Prices in the energy sector (oil derivatives, electricity) are controlled by independent regulatory bodies.

COMPETITION

The Macedonian Law on Competition ensures that the task of the right of competition is to prevent certain practices and business activities on the market, which certain undertakings will use to achieve an unjustified advantage compared to other undertakings, and to jeopardize the free competition among undertakings.

MONOPOLIES AND ANTITRUST

The Law Against Unfair Competition (LAUC), drafted on the basis of The German Act against Restraints on Competition, came into force on 1 April 2000, thus establishing the Monopoly Authority (MA) as a body within the Ministry of Economy. This law guarantees the protection of competition, in cases where competition is distorted by collusive agreements, abuse of a dominant position in the market, or merger agreements among companies that lead to the creation of a dominant position or the strengthening of existing dominant positions.

ENVIRONMENT PROTECTION

Considerable steps are taken to establish a system of integrated permits for industrial facilities considered to be significant polluters.

The Law on Environment (Official Gazette of RM no. 53/2005; 81/2005; 24/2007; 159/2008) contains two chapters dealing with environmental permits:

- Chapter XII on Integrated Environmental Permits: defines two types of activities ("A" and "B") for which permits are required. A-type installations are those subject to the EU Integrated Pollution Prevention and Control (IPPC) directive 96/61/EC, and B-type activities cover installations below the thresholds determined for A activities;
- Chapter XIII on General Environmental Audit: sets obligations for Operators to carry out a general environmental audit in case of termination of activities of an installation and in case of transfer of the integrated environmental permit.

These chapters are reflective of the EU Directive 96/61/EC and 2008/1/EC on Integrated Pollution Prevention and Control (IPPC). Technological-Industrial Development Zones (TIDZs) are centers in which highly productive clean manufacturing activities are concentrated and new technologies are developed.

Macedonia offers additional incentives for development in the TIDZs, in addition to those normally associated with free economic zones.

Investors in TIDZs are entitled to personal and corporate income tax exemption for the first 10 years. Investors are exempt from payment of value added tax and customs duties for goods, raw materials, equipment and machines. Moreover, up to €500.000 can be granted as incentive towards building costs depending on the value of the investment and the number of employees. Land in a TIDZ in Macedonia is available under long-term lease for a period of up to 99 years.

Other benefits include completed infrastructure that enables free connection to natural gas, water, electricity and access to a main international road network. Investors are also exempt from paying a fee for preparation of the construction site. Fast procedures for business activity registration are provided in TIDZ that further reduce the costs of setting up. **AUTOMOTIVE COMPONENTS**

Macedonia has had a history of auto component manufacturing. Existing component manufacturers in Macedonia supply to the European, Russian, Turkish and African markets, amongst others. Investors in Macedonia can freely export to a market of over 650 million people. The automotive industry in these markets is particularly buoyant as global players over the last ten years have invested over €20 billion in car manufacturing in Central and Eastern Europe alone, and further investment is anticipated.

The educational system is willing to collaborate with incoming investors in finding ways to meet their skills needs, as demonstrated by one of the major universities training 165 students in Java and C++ in anticipation of the needs of Johnson Controls, which has constructed a \$40 million facility outside Skopje to manufacture electronic automotive components. **INFORMATION AND COMMUNICATIONS TECHNOLOGY**

Macedonia has an excellent supply of well-educated IT experts at among the lowest labor costs in the region. Some 500 IT graduates are produced annually in the Universities. A software engineer with 1 to 2 years experience costs from €500 to €600 net per month.

The telecommunications system is first class and is regarded as the best in the region.

A number of international companies such as Seavus (Sweden), Netcetera (Switzerland), M Soft (France), 6PM (UK/Malta) are successfully developing software in Macedonia for the export market and others are providing 24/7 telephone customer support for major multi-national IT companies. **HEALTHCARE PRODUCTS**

With a well established pharmaceutical industry, Macedonia is supplying primarily finished generic products to over 30 countries in the region and beyond. The country has a strong educational bias towards the medical and healthcare professions, with a surplus of qualified medical doctors and pharmacists emerging from the education system every year.

The salary levels of qualified medical staff are substantially lower than those of comparable staff in the EU, to the extent that medical tourism is constantly on the rise. The regulatory environment in Macedonia is highly supportive of new healthcare investments. **AGRIBUSINESS AND FOOD PROCESSING INDUSTRY**

The agribusiness and food processing sector is traditionally one of the strongest sectors of Macedonia's economy. The Government views its development as one of its strategic priorities. Macedonia's EU accession process will involve substantial technical assistance and investment support funds dedicated to the sector.

The sector's numerous competitive advantages include a unique combination of Continental and Sub-Mediterranean climates, environmentally friendly production practices, sound food processing technologies, highly qualified labor available throughout the rural areas, very good access to regional markets and a reputation for quality food products.

There are excellent opportunities for investment in fruits and vegetables - production, storage, distribution and processing industries, together with wine production and sheep and goat cheese production. **CLOTHING, TEXTILES AND LEATHER**

With a long, rich tradition in clothing and textiles, this sector is the second largest export industry in Macedonia. The competitive export advantages include short delivery periods, flexibility of delivery size together with exceptional value for money. In addition to garments, there is manufacturing potential for cotton thread and fabric, wool yarn, fabric and knitted fabric. The country offers potential not only for new foreign direct investment, but also for outsourcing, strategic alliances and joint ventures with many local well established companies.

TOURISM

The Republic of Macedonia is a veritable treasury of culture and art, hosting numerous historical monuments throughout the country. As a continental country influenced by a Mediterranean climate, Macedonia has great potential for the development of both summer and winter tourism. The unpolluted air, soil and water create a unique milieu for eco tourism, placing Macedonia on the top of offers by the world's most popular eco-tourism operators. With over 1,000 churches and monasteries, as well as more than 4,200 archaeological sites,

Macedonia is among the leaders in cultural tourism in Europe. **METALS AND METAL PRODUCTS**

Investment attractiveness of the metal and metal products sector is related to its export potential. In 2006, the basic metals (mainly iron and steel) represented the largest export category. The sector is comprised of some 150 small and medium-sized enterprises, employs over 9,000 employees, and is almost entirely in foreign

ownership. The main products include rolled sheet steel, aluminum bars, rods and profiles, ferrous alloys, seamed tubing and ferrous-nickel products, lead, zinc, copper, gold and silver.

MINERAL RESOURCES

Macedonia has a complex geological structure and a large number of ore deposits. Reserves of lead, zinc, copper-gold and chromium ores are being exploited in a number of locations. Lignite, marble, travertine and other decorative construction stones are widely available

CHEMICALS

Macedonia has a substantial chemical industry with a well developed capacity for the production of basic chemicals, synthetic fibers, polyvinyl chloride, as well as detergents, fertilizers, polyurethane foams and fibers. In addition to opportunities for green field FDI, existing capacities in chemical processing, including cosmetics products, have good growth potential for foreign investors.

ENERGY SECTOR

Energy sector development is a priority in Macedonia, with 70% of the technically available hydro potential open for investment. Numerous investment opportunities exist and the Government encourages investment in both traditional and renewable energy projects.

CONSTRUCTION

Macedonia has a well developed construction industry recognized internationally for its skilled personnel and use of modern technology, particularly in civil engineering and hydro construction. The country is a major supplier of construction labor to Central and Eastern Europe, the Middle East and Russia.

TOBACCO AND CIGARETTES

The production of tobacco is based on cultivating oriental aromatic tobaccos with small leaves. Tobacco is the greatest contributor to the total export of the agricultural-food products, with an export value of approximately €72 million (2010). It is estimated that 42,620 households are engaged in tobacco production and this number has increased significantly over the last few years as a result of high state subsidies in the production of this crop.