

# **LAW ON PROPERTY TAXES**

## **Revised Text<sup>1</sup>**

### **1. GENERAL PROVISIONS**

#### **Article 1**

This Law shall introduce and regulate the following types of property taxes:

1. Property Tax;
2. Inheritance and Gift Tax;
3. Sales Tax of Real Estate and Rights.

#### **PART ONE**

#### **PROPERTY TAX**

#### **Subject to Taxation**

#### **Article 2**

Property Tax shall be paid on the ownership of real estate: non-agrarian land, residential buildings or flats, business areas, administrative buildings, buildings or flats for rest and recreation, garages and other constructions.

Property Tax shall also be paid on the ownership of movable property: a motor car over 1.8 liters of engine volume, a bus, a freight motor vehicle, an articulated lorry, a tractor, a combine, a vessel and a plane.

Property Tax from paragraph 2 of this Article shall be paid unless the separate types of property are indirectly used for performing the activity.

#### **Taxpayer**

#### **Article 3**

A Property Taxpayer shall be a legal and physical entity owner of the property from Article 2 of this Law.

A taxpayer in certain cases may also be the person who usufructs the property.

If the property is owned by several persons, each of them is a Property Taxpayer proportionately with the part owned.

#### **Tax Base**

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<sup>1</sup> The Law was published in the "Official Gazette of the Republic of Macedonia", No.80/93, correction was made in No.3/94, and amendments and modifications in No.71/96 and 54/2000.

#### Article 4

The base of the Property Tax shall be the market value of the real estate and the movable property.

The taxpayer shall express the market value from paragraph 1 of this Article in the tax return.

Should the public revenue office assess that the expressed market value in the tax return from paragraph 1 of this Article is not realistic, it shall determine the property value by comparing its value or the value of the respective property, of another taxpayer.

#### **Tax Rates**

#### Article 5

The Property Tax rates shall be proportional.

The Property Tax rate in Article 2 of this Law shall amount to 0.10%.

#### **Tax Exemptions and Deductions**

#### Article 6

Property Tax shall not be paid on:

- 1) state-owned buildings and land used by the government bodies and the bodies of the local self-government;
- 2) buildings and land used for educational, cultural, scientific, social, medical, humanitarian and sports purposes, except for the buildings, i.e. parts of buildings and land which are being economically exploited or on lease;
- 3) buildings and land owned by the Macedonian orthodox church and the other religious communities or which are used for religious rituals or as homes of their clergy, apart from those used for economic purposes;
- 4) economic buildings in agriculture;
- 5) business buildings and business areas used for the taxpayers work, apart from the administrative buildings;
- 6) buildings of public enterprises and institutions founded by the Parliament of the Republic of Macedonia, the Government of the Republic of Macedonia, the municipalities and the city of Skopje;
- 7) buildings and land of foreign diplomatic and consular representative offices and representative offices of international organizations, if owned by them, on condition of reciprocity.;
- 8) blocks of flats in villages in the mountainous regions which shall be determined by the Government of the Republic of Macedonia;
- 9) dams (accumulations) for water supply, irrigation or water power production, as well as the constructions built for protection of land, water and air;
- 10) urban land;
- 11) buildings of the enterprises for job training, professional rehabilitation and employment of disabled people;

- 12) constructions of infrastructure like: roads, rail tracks, ports, airports and the buildings which are their integral part although they are not used for realization of revenues;
- 13) state-owned land which is not economically exploited or on lease: streets, parks, national parks, forests which are not used for realization of revenues etc.;
- 14) water surfaces not used for economic purposes;
- 15) land used for surface mining, excavation and for geologic exploration and
- 16) agricultural land used for agricultural production.

#### Article 7

The Property Taxpayers for a residential building or flat, where they live with the members of their family shall be entitled to deduction on the calculated tax to the amount of 50%.

#### Article 8

The tax liability for the Property Tax shall occur:

- 1) on the day of issuance of approval of using the real estate by an authorized agency, i.e. from the day of commencing the using of property from Article 2 paragraph 1 of this Law and
- 2) from the day of procurement of property from Article 2 paragraph 2 of this Law.

### PART TWO INHERITANCE AND GIFT TAX

#### **Subject to Taxation**

#### Article 9

Inheritance and Gift Tax shall be paid on real estate and entitlement to usufructuary and real estate usage, which the heirs, i.e. the receivers of gifts inherit, i.e. receive on the basis of the Inheritance Law, i.e. the Gift Agreement.

The Inheritance and Gift Tax shall be paid in cash, claims in money, securities and other movable property, if the market value of the inheritance i.e. gift is higher than the amount of an average annual salary in Macedonia in the previous year, according to the data from the State Statistics Bureau.

#### **Taxpayer**

#### Article 10

Inheritance and Gift Taxpayer shall be a physical and legal entity - resident of the Republic who inherits property referred Article 9 of this Law, as well as a physical and legal entity who receives property as a gift, in the country and abroad.

An Inheritance and Gift Taxpayers shall also be a foreign physical person - nonresident for the real estate and movable property they inherit, i.e. receive as a gift on the territory of the Republic of Macedonia.

### **Tax Base**

#### Article 11

The base for the Inheritance and Gift Tax shall be the market value of the inherited, i.e. the property received as a gift at the moment of creation of the tax liability, withheld for the debts and expenses burdening the property liable to taxation.

#### Article 12

The market value shall be the price of the inherited, i.e. property received as a gift which could be realized in the free exchange from the moment of creation of the tax liability.

The market value of the inherited property or the property received as a gift shall be determined by the public revenue office.

The public revenue office shall establish a commission for determining the market value of the inherited i.e. property received as a gift.

#### Article 13

The tax liability regarding the inheritance shall occur at the moment of validity of the Inheritance Agreement.

The tax liability regarding the gift shall occur on the day of concluding the Gift Agreement.

If the real estate, which is subject to inheritance i.e. gift, is burdened with the entitlement to usufructuary, the liability of inheritance and gift occurs after the termination of the entitlement to usufructuary.

If the sale of the inherited, i.e. movable property received as a gift from Article 9 paragraph 2 of this Law is forbidden by law, the tax liability occurs on the day of the validity of the decision on sale permission, i.e. on the day of the sale.

### **Tax Rates**

#### Article 14

The Inheritance and Gift Tax rates shall be proportional and different depending on the order of succession.

The Inheritance and Gift Tax for the taxpayer in the second order of succession shall be calculated by the **3%** rate, and for the taxpayer in third order of succession or a taxpayer who is not related to the testator shall be calculated by the **5%** rate.

## **Tax Exemptions**

### Article 15

Inheritance and Gift Tax shall not be paid by:

1. The heirs, i.e. receivers of the gift in the first order of succession.
2. The heirs, i.e. receivers of the gift in the second order of succession of one inherited i.e. flat received as a gift, i.e. a family residential building if they had lived with the testator i.e. the donor of the gift in a mutual household at least one year before the death of the testator, i.e. at the moment of receiving the gift, providing they and the members of the family do not have other flat i.e. a residential building.
3. The heirs, i.e. receivers of the gift in the second order of succession whose primary occupation is agriculture, who will inherit, i.e. receive as a gift farming land and economic buildings, if they had lived with the testator, i.e. donor of the gift in a mutual household at the moment of death of the testator, i.e. at the moment of receiving the gift.

### Article 16

Should the heirs concede their inheritance to a person who could gain possession over it even if the heirs did not concede it to them, the tax is paid by the person to whom the inheritance has been conceded.

If the heirs concede their inheritance to a certain person, who could not gain possession over it in case the heirs did not concede it to him, then the heirs who conceded the inheritance shall pay Inheritance Tax, and the person to whom the inheritance has been conceded shall pay Gift Tax.

### Article 17

The government bodies, the bodies of the municipalities and the city of Skopje, the Red Cross organizations, the humanitarian and social institutions, scientific, educational, cultural institutions and religious communities shall be exempt from the Inheritance and Gift Tax for the gift they have received in the form of real estate or movable property, funds and claims in money.

## **PART THREE SALES TAX ON REAL ESTATE AND RIGHTS**

### Article 18

Sales Tax on Real Estate and Rights shall be paid on the realized sale of real estate and rights.

### **Subject to Taxation**

## Article 19

The transfer by compensation of the right to ownership of real estate and rights, the replacement of one real estate with another, as well as another means of acquiring real estate with compensation among legal and physical entities shall be considered sale of real estate and rights regarding this Law.

## **Taxpayer**

### Article 20

A taxpayer of the Sales Tax on Real Estate and Rights shall be a legal and physical entity - seller of the real estate, i.e. the right.

While replacing real estates, a taxpayer shall be the participant in the replacement who gives in return real estate of greater value.

If an ideal part of real estate ownership is transferred, a taxpayer is each separate owner.

If the right to real estate ownership is transferred based on a lifelong support agreement, the receiver of the real estate shall be the taxpayer, i.e. his/her heirs.

## **Tax Base**

### Article 21

A tax base for the Sales Tax on Real Estate and Rights shall be the market value of the real estate and right at the moment of the liability occurrence.

While replacing real estates, the tax base shall be the difference of the market values of the real estate being replaced.

While transferring an ideal part of real estate ownership, the tax base shall be the market value of the ideal part of the real estate.

In the process of sale of the real estate under bankruptcy and executive procedure, the tax base shall be the achieved selling price.

### Article 22

Market value shall be the price of the real estate and the right that could be achieved in the free exchange at the moment of the tax liability occurrence.

The market value of the real estate and rights shall be determined by the public revenue office.

The public revenue office shall establish a commission for the purpose of determining the real estate market value.

## **Tax Rate**

### Article 23

The rate of the Sales Tax on Real Estate and Rights shall be proportional and amount to 3%.

## **Tax Liability Occurrence**

### Article 24

The tax liability for the Sales Tax on Real Estate and Rights shall occur on the day of concluding the agreement on transfer of the ownership right of the other rights as well, i.e. of the real estate replacement.

If a valid agreement regarding the provision from paragraph 1 of this Article has not been concluded, the tax liability occurs on the day when the buyer, i.e. participant in the replacement, has taken the possession of the real estate.

If the transfer of the right to ownership is carried out on the basis of a court's decision or a decision of other government body, the tax liability shall occur on the day of validity of that decision.

If a transfer of other rights is carried out, the tax liability shall occur on the day of concluding this agreement.

If a transfer of the right to ownership of construction facilities in the process of construction is carried out, the tax liability shall occur on the day of delivery of the construction facility to the buyer.

If the agreement on the real estate sale or the court's decision have not been declared or have not been timely declared, the tax liability shall occur on the day of revealing the accomplished sale.

### Article 25

If the transfer of the real estate ownership is carried out on the basis of a longlife support agreement, the tax liability shall occur at the moment of death of the receiver of the support.

## **Tax Exemptions**

### Article 26

Sales Tax on Real Estate and Rights shall not be paid on:

- 1) the sale of real estate in the procedure of agrarian regroupment and expropriation;
- 2) when a foreign diplomatic, i.e. consular representative office transfers the right to real estate ownership, on condition of reciprocity;
- 3) while investing real estate in the capital of joint-stock companies, i.e. limited liability companies;
- 4) when the right to ownership or another right is transferred for the purpose of settling liabilities on the basis of public revenues in the procedure of forced collection;
- 5) on the sale of real estate among government bodies;
- 6) when the right to real estate ownership is transferred to the provider of longlife support who is in the first order of succession of the support receivers only for that part of the real estate which they would inherit pursuant to the Inheritance Law and without providing the support.
- 7) on the first sale of residential buildings and flats which will be carried out in a period of up to five years after the construction with a calculated Value Added Tax.

#### PART FOUR PROPERTY TAXES DETERMINATION AND COLLECTION

##### Article 27

Regarding the tax determination, appeal, forced collection, penalty procedure and other issues not stipulated in this Law, the provisions of the Personal Income Tax Law stipulating the tax determination and collection shall be applied respectively.

##### Article 28

Tax determination and collection referred to in Article 1 of this Law shall be carried out by the public revenue office on the territory of which the property is located.

If the property is located on the territory of two or more municipalities, the tax is determined by the public revenue office for the property value on the territory of the related municipality.

The tax on the inherited, i.e. the movable property received as a gift, shall be determined by the public revenue office on the location of the taxpayer's residence.

##### Article 29

The Property Tax shall be determined on the basis of the tax return data, the taxpayers' ledgers and other data at the disposal of the public revenue office.

##### Article 30

The tax return contents referred to in Article 29 of this Law shall be stipulated by the Minister of Finance.

#### Article 31

The taxpayer of the Property Tax is obliged to submit a tax return until 31st January of the year for which the tax determination is being carried out.

The taxpayer of the Property Tax from paragraph 1 of this Article who has submitted a tax return is not obliged to submit a new tax return for the same property, unless there are changes of data contained in the previously submitted tax return, and which affect the tax liability amount.

The taxpayers are obliged to submit a tax return for the property they acquire or begin to use during the year or if a tax liability occurs on some other basis, within 15 days from the day of acquiring the property, commencement of using the property, i.e. occurrence of tax liability.

A tax return referred to paragraph 1 of this Article shall be submitted to the public revenue office on the territory of which the property is located.

#### Article 32

The public revenue office is obliged to make a decision on the Property Tax amount to 31st March at the latest of the year for which the Property Tax is determined and to submit a decision on the determined tax to the taxpayer.

#### Article 33

The taxpayer of the Inheritance and Gift Tax is obliged to submit a tax return within 15 days from the day of occurrence of the tax liability referred to Article 13 of this Law.

The tax return referred to in paragraph 1 of this Article shall be submitted to the public revenue office on the territory of which the real estate inherited or received as a gift by the taxpayer is located.

If the taxpayer inherits or receives as a gift movable property, the tax return shall be submitted to the public revenue office on the territory of which the taxpayer has residence.

#### Article 34

The court is obliged to submit that decision to the public revenue office on the territory of which the inherited property is located, within 15 days of the validity day of the inheritance decision.

#### Article 35

The public revenue office is obliged to determine the Inheritance and Gift Tax and to submit to the taxpayer a decision of the determined tax within 30 days from the day of receiving the tax return.

#### Article 36

The taxpayer of the Sales Tax on Real Estate and Rights is obliged to submit a tax return within 15 days from the day of the tax liability occurrence as referred to Article 24 of this Law.

The tax return referred to paragraph 1 of this Article shall be submitted to the public revenue office on the territory of which the real estate i.e. the right is located.

#### Article 37

Without proof of the tax paid an attest of the agreement on transfer of ownership of the real estate, i.e. the other right cannot be made, at the competent court, or registration of the transfer of ownership of the real estate i.e. the other right to real estate in the cadastre and other public ledgers, or on the basis of a court verdict, clients' explanations or another document.

#### Article 38

The public revenue office is obliged to determine the Sales Tax on Real Estate and Rights and to submit a decision on the determined tax to the taxpayer, i.e. the buyer of the real estate within 30 days from the day of receiving the registration for the tax liability occurrence.

#### Article 39

The Property Tax shall be paid quarterly and be due for payment in the middle of each quarter.

#### Article 40

The Inheritance and Gift Tax and the Sales Tax on Real Estate and Rights shall be paid within 15 days from the day of the arrival of the decision on the determined tax liability.

### PART FIVE PENALTY PROVISIONS

#### Article 41

The legal entity shall be fined with 40,000 to 200,000 denars for violation unless it submits a tax return (Articles 31, 33 and 36).

The person responsible within the legal entity shall be also fined for the action referred to in paragraph 1 of this Article with 10,000 to 30,000 denars.

The taxpayer - a physical person who will not submit a tax return in the due term, shall be fined with 1,000 to 3,000 denars for violation.

#### Article 42

In addition to the fine referred to in Article 41, a security measure of confiscating their movable property shall be pronounced to the taxpayers who have committed violations more than ones.

The fine referred to in Article 41 shall be five times increased for the taxpayer who has committed a violation more than ones.

#### Article 43

The persons responsible in a government body or court shall be fined for violation with 10,000 to 30,000 denars if:

- 1) they do not submit a copy of the inheritance decision (Article 34) to the authorized body and
- 2) they do not submit a copy of the approval for transfer of the right to ownership (Article 8) to the authorized body for public revenues within the due term.

#### Article 44

The persons responsible in the public revenue office shall be fined for violation with 10,000 to 30,000 denars if they do not pass a decision on the Property Tax amount within the due term (Articles 32, 35 and 38).

### PART SIX TRANSITIONAL AND FINAL PROVISIONS

#### Article 45

With the day of coming into force of this Law, the provisions from Article 13 paragraph 2, Articles from 114 to 133, Article 140, Article 148 paragraph 2, Article 152 and Article 153 of the Personal Income Tax Law ("Official Gazette of the Socialist Republic of Macedonia" 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 from the Articles 6-c and 6-d of the Law on Rates of the Taxes for Citizens ("Official Gazette of the Socialist Republic of Macedonia" 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, 21/90, 21/91 and "Official Gazette of the Republic of Macedonia" No. 38/91, 24/92 and 17/93) and the Law Sales Tax on Real Estate and Rights ("Official Gazette of the Republic of Macedonia" No. 38/91, 24/92 and 17/93) and the Law on Real Estate and Rights Sales Tax ("Official Gazette of the Socialist Republic of Macedonia" No. 40/84, 51/88, 29/89 and 38/90) shall cease to be valid.

#### Article 46

The procedure of determining and collection of taxes in 1993 which is currently under way, shall be terminated according to the provisions from Article 45 of this Law.

#### Article 47

This Law shall become effective on the next day of the day of its publishing in the "Official Gazette of the Republic of Macedonia".