



Tax Card 2025

Tax services

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KPMG in North Macedonia

Taxation of corporate profits

Corporate Income Tax (CIT) is due from profits realized by resident legal entities as well as by non-residents with a permanent establishment in the country. The tax rate is flat and set at 10% from the tax base, which is defined as the accounting profit for the fiscal period (usually the calendar year), as adjusted for tax purposes with items such as non-deductible expenses and non-taxable income.

Non-deductible expenses

Most of the expenses which are incurred for accounting purposes but are not recognized for tax purposes are permanently unrecognized for CIT purposes (i.e. permanent differences), such as expenses not related with taxpayer's business activity, entertainment expenses, unjustified shortages, wastages above the normative standards, and other items specifically identified by the law. Employees' related expenditures and directors' remuneration are tax deductible up to the amount prescribed by the law.

Temporary tax differences and tax credits

The major items which are recognized only under certain conditions and can lead to potential tax credits in future periods (i.e. temporary differences) relate to impairment loss for bad and doubtful debts (except for banks, insurance companies and saving houses) and loan receivables which are not collected by year-end.

The collection of any bad and doubtful debt and/or loan receivables which were added back to the tax base and taxed in a previous period, will lead to the right to a tax credit, by reducing the tax base for the period in which they were collected.

Non-taxable income

Dividends received from resident taxpayers are exempt from the tax base provided that CIT was paid on the profit from which those dividends are derived from.

Depreciation/amortization expenses

Depreciation/amortisation of assets is recognized for tax purposes up to the amount calculated with the specific depreciation/amortisation rates prescribed for tax purposes. Depreciation/amortisation expenses above that limit, can be used as a tax credit in subsequent periods.

Tax losses

Accounting losses reduced for the amount of non-deductible expenses can be carried forward and offset against future tax bases in the following three years.

The right to utilize the losses is subject to a prior approval from the tax authorities.

Capital gains

No specific tax treatment. Capital gains form part of the accounting profit for the year, and thus are part of the tax base as well.

Transfer pricing

Transactions between related parties (including interest charges) are recognized for tax purposes at arm's length, i.e.

should transactions deviate from the market level, the differences could lead to additional income being assessed and/or an expense being unrecognized for tax purposes.

Taxpayers with revenue above MKD 300 million (approx. EUR 5 million), are required to prepare and keep transfer pricing documentation, that is to be present to the tax authorities upon request.

Thin capitalisation

Interest on loans extended by: (i) direct shareholders holding at least 20% of company's share capital ("qualifying shareholder"); (ii) third party, while the loan is guaranteed by a qualifying shareholder, or (iii) bank in relation with a deposit provided by the qualifying shareholder, is considered non-deductible for tax purposes should the loan amount exceed threefold the amount of the equity attributable to the respective shareholder.

The interest not recognized for tax purposes is determined as the amount

of interest on the portion of the loan exceeding threefold the amount of the equity attributable to the qualifying shareholder.

Thin capitalisation rules do not apply to:

- newly established entities in the course of the first three years of their establishment; and
- loan facilities whereby qualifying shareholders are banks or other financial institutions.

Tax incentives

- Reinvested profit: The tax base for a current year can be reduced for the amount of last year's profit which have been re-invested during the current year by purchasing qualifying fixed assets;
- Technological Industrial Development Zones: Operators in such zones are entitled to a 10-year tax holiday.

Withholding tax

Income accrued and paid by Macedonian entities to foreign resident legal entities is subject to WHT at the rate of 10%, provided that the income is not generated through a permanent establishment of the foreign entity in North Macedonia.

Withholding tax is applied on the following types of income:

- dividends;
- interest;
- royalties;
- entertainment or sporting activities;
- management, consulting and financial services;
- research and development services;
- telecommunication services;
- insurance and re-insurance premiums;
- rental of real estate located in North Macedonia.

is considered a tax resident, its provisions are applied with priority over the Macedonian legislation. The application of the DTT provisions is subject to a separate procedure. For a listing of the existing treaties, see overleaf.

If there is a Double Tax Treaty (DTT) in force between North Macedonia and the country where the recipient of the income

Pillar Two Law

On 27 December 2024, the Macedonian Parliament adopted the Law on Minimum Global Corporate Income Tax (the Law), that introduces the Pillar Two rules prescribed by OECD/G-20, and that prescribe a minimum tax rate of 15% for multinational companies as well as large-scale domestic groups (i.e. groups having turnover of over EUR 750 million in two of the past four years). The Law was published on 3 January 2025, in Official Gazette No. 3/2025.

According to the elaborate to the Law that was submitted to Parliament, its provisions are aligned with EU Directive 2022/2523.

Further to the elaborate to the Law, the minimum effective taxation of such groups is set at 15%, and is to be assured with the following rules for additional taxation:

1. Domestic Top-up Tax – DMTT, according to which Macedonian subsidiaries or permanent establishments of foreign groups would pay Top-up Tax on their excess

- profits;
2. Income Inclusion Rule - IIR, according to which a Macedonian tax resident ultimate parent of a multinational group or large-scale domestic group would compute and pay its allocable share of top-up tax in respect of the low-taxed constituent entities of the group;
3. Undertaxed Payment Rule – UTPR, according to which a Macedonian subsidiary or permanent establishment that is a part of a multinational group would have an additional cash tax expense equal to its share of top-up tax that was not charged under the IIR in respect of the low-taxed constituent entities of the group.

The Law entered into force on the day of its publishing in Official Gazette and is to apply for the fiscal year starting on 1 January 2024 except for the UTPR that will start to apply as of 1 January 2025. As of 2020 a new Motor Vehicle Tax Law (MVT Law), was introduced, regulating the taxation of motor vehicles after their exclusion from the scope of excisable goods.

VAT

VAT is levied on (i) supplies of goods or services with a place of supply in North Macedonia, (ii) import of goods into North Macedonia.

VAT Rates

The standard VAT rate that applies to most VAT taxable supplies is 18%. A reduced VAT rate of 5% applies mainly to supply of the following goods and services:

- Food products
- Drinking water provided from public systems
- Publications
- Seeds and planting materials
- Agricultural machines and plastic foils for use in agriculture
- Pharmaceutical and medical devices
- Computers
- Transportation of persons
- Software
- Solar heating systems and their components
- Medical equipment and other devices for the purpose to facilitate or treatment of a disability which are for the personal use by disabled persons;
- First supply of residential buildings and apartments when used for housing purposes (until 31 December 2015)
- Crude oil for production of food for human consumption
- Communal and waste disposal services
- Accommodation services (overnight accommodation) or bed and breakfast, half board or full board accommodation
- Livestock feed, livestock feed additives, and livestock
- Baby products
- School supplies

Furthermore, a 10% preferential VAT rate applies with respect to the supply of food and beverages for on-site consumption and catering services excluding alcoholic beverages. Products for human consumption which are not subject to the 5% VAT rate, will be subject to the 10% rate.

VAT exemptions

VAT exempt supplies with right to input VAT credit for the related purchases, amongst other, include the following:

- Export of goods
- Services related to export, import or transit of goods
- Goods supplied in free trade zones, except for supplies to end users
- Supply of services with place of supply outside North Macedonia if considered VAT taxable when supplied within the territory of the country

Exempt supplies with no right to input VAT credit for related the purchases, amongst other, include the following:

- Banking and financial services
- Insurance and re-insurance services
- Healthcare
- Education
- Supplies and renting of buildings and apartments used for dwelling purposes, except for their first sale if performed within five years from their

completion

Refunds of input VAT incurred by foreign persons are available for purchases made in North Macedonia, based on the reciprocity principle. Specific conditions should be met by the foreign taxable person. The refund of input VAT is requested following a statutory procedure.

VAT registration

All taxable persons carrying out independent business activity are required to apply for a mandatory VAT registration if their annual VAT taxable turnover exceeds (or is expected to exceed) MKD 2,000,000 (approx. EUR 32,520). Voluntary registration is allowed as well.

Apart from the above, a foreign taxable person without a headquarter or a fixed establishment in North Macedonia supplying goods and services therein (except such that are taxable by the recipient under the reverse charge mechanism) is required to register for VAT purposes and to appoint a tax representative who would be liable for its VAT compliance in North Macedonia.

Payroll related taxes and charges

Macedonian resident individuals are subject to personal income tax (PIT) on their worldwide income, whereas non-resident taxpayers are subject to tax only on income derived from Macedonian sources. The provisions of an effective DTT have supremacy over the local legislation.

Individuals are considered to be residents for tax purposes in North Macedonia if they (i) have permanent dwelling in North Macedonia or (ii) reside in North Macedonia for more than 183 days in a 12-month period.

The personal income tax rate is 10%.

PIT Exemptions

The types of income exempt from personal income tax include, amongst others:

- Compensation for periods of unemployment
- Per diem allowances and expenses

for business trips within the approved limits

- Salaries paid by employers carrying out business activities in Technological Industrial Developing Zones for a period of ten years from the commencement of the activities in such a zone
- Certain types of compensation provided under the Law on Labour Relations
- Children allowances
- Interest on demand deposits, term deposits and current accounts, as well as interest under securities issued by the Republic of North Macedonia.

PIT Allowances

Allowances, amongst other, include:

- Personal allowance which for 2025 is set in the amount of MKD 123,240 (approx. EUR 2 thousand), on an annual basis;

- Donations made to certain qualified legal entities – up to 20% of the annual tax liability but not more than MKD 24,000 (approx. EUR 390);
- Statutory deductions for particular types of income (such as income from immovable property, royalties, etc.) determined either as a fixed percentage of the gross income or at the level of the actual expenses incurred, if these are properly evidenced with documents. The statutory deductions vary in the range of 10% to 80% depending on the type of realized income.

Relief from tax

A tax credit may be used for foreign taxes paid provided the relevant conditions are met. Relief from tax may also be sought under the provisions of an existing DTT.

Social security and health insurance

Salaries are subject to mandatory contributions for pension and disability insurance, health insurance, unemployment insurance and additional

health insurance.

The rates for 2025 are in total 28%, calculated as a percentage of the gross salaries, and are divided as follows:

- Pension and disability contributions - 18.8 %;
- Health insurance contributions - 7.5%;
- Contributions for the unemployment insurance - 1.2%
- Additional health insurance contributions in case of accidents at work and work-related injuries - 0.5%.

Social contributions are fully borne by the employees while the employer is obliged to deduct and remit the contributions on behalf of the employees.

The maximum amount of the insurable income for persons included in the system of mandatory pension insurance is limited to twelve average monthly salaries in North Macedonia, based on the average salary published for 2025 by the State Statistical Office. This threshold for 2025 amounts to MKD 1,010,464 (approx. EUR 16,430). The minimum amount of insurable income as a base for payment of

social security contribution is 50% of the average monthly salary, i.e. MKD 31.577 (approx. EUR 510).

The mandatory contributions made on the account of the individual are fully deductible from the taxable income.

Capital gains/losses

PIT is due on capital gains realized by the sale of securities (including shares in investments funds), shares in companies and immovable property (the taxation of capital gains realized from the sale of securities will not apply on sales of securities purchased before 31 December 2022).

Certain exemptions or reliefs apply in regard to the taxation of capital gains from the sale of immovable property depending of certain conditions such as holding period.

Property, Gift and Inheritance taxes

Annual Property tax in the range of 0.10% to 0.20% is due on the market value of the property held by individuals and by companies.

Transfer tax in the range of 2% to 4% on the market value of the immovable property is due upon transfer of the immovable property. Transfer tax is due by the seller of the property unless otherwise agreed between the parties.

Gift and inheritance tax rates range between 2% and 5% of the market value of the property depending on the relationship between the beneficiary and the donor/testator. No gift/inheritance tax is levied when the beneficiaries are spouses or immediate family members.

Property, transfer, gift and inheritance tax rates are determined by the municipality where the respective immovable property is located.

Excise duties

Excise duties are levied on certain domestic or imported goods such as alcohol and alcoholic beverages, tobacco products, energy products and electricity (currently, the excise for certain types of excisable products such as natural gas and electricity is set at zero).

Tax liable persons for excise duties are licensed producers and importers of the goods listed above. The tax can be determined in a percentage (proportional excise), in an absolute amount per measurement unit (specific excise) or as a combination of both (combined excise duty). Certain exemptions of excise duties are provided for by the law.

Motor Vehicle Tax

The MVT Law provides that motor vehicles are subject to tax before their registration, in cases when on the territory of NMK

- such vehicles are produced; or
- or have been modified from one into another type; or
- such vehicles are being imported.

The tax base is determined as a combination of the value of the vehicle, vehicle's CO2 emissions, the engine power, engine volume, etc...

Accordingly, the MVT Law will mostly apply in cases of import of vehicles, the taxpayer being the importer, and the tax base is determined by the customs authorities.

Filing deadlines

- Annual Corporate Income Tax returns - 28 (29) February of the following year. If the Annual Account is submitted electronically via e-tax system, then the CIT return could be submitted until 15 March
- Annual personal income tax returns – 31 May of the following tax year
- Salary calculations are submitted to the Public Revenue Office electronically on a monthly basis by 10th and the payment is due by the 15th in the current month for the previous month
- VAT returns – by 25th of the month following the period to which the VAT return relates
- Monthly excise returns – by 15th of the month following the month to which the excise return relates

North Macedonia's Double Tax Treaties

Albania	India	Poland
Austria	Iran	Qatar
Azerbaijan	Ireland	Romania
Belarus	Israel	Russian Federation
Belgium	Italy	Saudi Arabia
Bosnia and Herzegovina	Kazakhstan	Serbia
Bulgaria	Kosovo	Slovakia
China, People's Republic	Kuwait	Slovenia
Croatia	Latvia	Spain
Czech Republic	Lithuania	Sweden
Denmark	Luxembourg	Switzerland
Estonia	Moldova	Taiwan
Finland	Montenegro	Turkey
France	Morocco	Ukraine
Germany	Netherlands	United Arab Emirates
Hungary	Norway	United Kingdom

North Macedonia's Social Security Agreements

Austria	France	Romania
Australia	Germany	Serbia
Albania	Hungary	Slovenia
Bosnia	Italy	Slovakia
Belgium	Kosovo	Switzerland
Bulgaria	Luxembourg	Sweden
Canada	Montenegro	Turkey
Croatia	Netherlands	United Kingdom
Czech Republic	Norway	
Denmark	Poland	

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This card was prepared in June 2025 as a quick reference tool for the most common tax rates and issues. Any special regimes have been deliberately omitted.

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