

LAW ON¹
VALUE ADDED TAX
(Official Gazette of RM N^o 44/99,59/99,86/99,11/2000)

I. GENERAL PROVISIONS

Article 1

(1) This Law shall introduce the Value Added Tax and shall arrange for its calculation and collection.

(2) Value Added Tax as a tax on general consumption, shall be calculated and collected during all stages of production and supply, and shall also cover the whole service sector, except as otherwise provided in this Law.

II. SUBJECT TO TAXATION

Article 2

The following shall be subject to Value Added Tax:

1. Supply of goods and services (hereinafter: Supply) in the country for a consideration, carried out by the taxpayer within the scope of his business; and
2. Importation of goods.

1. Supply of goods

Article 3

(1) Supply of goods referred to in this Law shall be any transfer of the right to disposition of any movable and immovable tangible property;

(2) Supply of goods, with reference to paragraph 1 of this Article, shall also include:

1. Furnishing of electrical energy, gas, heating and air conditioning;
 2. Supply of goods pursuant to a leasing agreement, according to which the right to ownership is transferred to the leasee upon payment of the last installment the latest;
 3. Supply of goods from consignment warehouses;
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4. Delivery of goods by the owner to the commissioner and delivery of goods by the commissioner to the recipient of such goods;

5. Transfer of ownership of goods on the basis of a law or an order issued by or on behalf of a public authority body;

6. Supply of goods manufactured or made of material or elements purchased by the supplier, which are not considered as parts or other ancillary items. The same shall refer to construction of immovable.

(3) Supply of goods with consideration shall mean:

1. Taking goods that are part of the enterprise property for personal purposes by the taxpayer, or by the persons employed thereto or for other purposes not related to his business activity;

2. Supply of goods by commercial companies and other associations to owners of equity, to members of their families and to close relatives without consideration; and

3. Keeping goods by a taxpayer or by his successor upon termination of a business activity.

Article 4

(1) When the supply of goods is made as consideration for supply of other goods or performance of services, any such supply shall be deemed as separate supply of goods and services.

(2) In case of chain supply, involving the same goods, where the right to retain the goods is transferred directly from the first transferor to the last recipient of the goods, any such chain supply shall be deemed as separate supply subject.

(3) In case of supply of goods where the taxpayer is mediating on behalf and for the account of another person, it shall be deemed that the supply is made by the other person.

Article 5

Transfer of the entire or part of the property, with or without consideration, or as an equity, when the buyer, who is a taxpayer, or upon transfer becoming a taxpayer, continues to perform the same business, shall not be deemed as a supply of goods referred to in Article 3 of this Law. In such case it shall be deemed that the buyer takes the place of the transferor.

2. Supply of Services

Article 6

(1) Supply of services referred to in this Article shall mean any activity, which is not a supply referred to in Article 3 of this Law.

(2) The following shall also be deemed as supply of services referred to in paragraph 1 of this Article:

1. Performance of a service in accordance with a law, or pursuant to an order issued by or on behalf of a public administration body;
2. Assuming an obligation to refrain, in whole or in part, from performing some activity, or tolerate some activity or situation;
3. Transfer and assignment of copyrights, patents, licenses, trademarks and other like rights;
4. Supply of food and beverages to be consumed on the spot.

(3) The following shall also be deemed as supply of services with consideration:

1. Using goods that are part of the property of the enterprise for personal purposes by a taxpayer, or by persons employed thereto, or for other purposes not related to such business activity;
2. Performing services by the taxpayer for personal purposes, for the purposes of persons employed thereto or for other purposes not related to his business activity without consideration; and
3. Performing services by commercial companies and other associations to owners of equity, to members of their families and to close relatives without consideration;

Article 7

(1) When the supply of services is performed as consideration for supply of goods or for supply of other services, each supply shall be deemed as separate supply of goods or services.

(2) When the taxpayer acting on his behalf and for the account of another person is included in the performance of such service, it shall be deemed that the taxpayer accepted and performed such service.

4. Mixed Supply

Article 8

(1) When the supply of goods, as a main transaction, is accompanied supply of other goods or by performance of other services, as an ancillary transaction, such supply shall be deemed as supply of goods.

(2) When the supply of services, as a main transaction, is accompanied by a supply of other services or goods, as an ancillary transaction, such supply shall be deemed as supply of services.

4. TAXPAYER

Article 9

(1) A taxpayer shall be a person permanently or temporarily performing an independent business activity, irrespective of the purposes and results from such business activity.

(2) The business activity referred to in paragraph 1 of this Article shall be any activity by manufactures, merchants and persons performing services, including mining, agriculture and forestry activities, as well as waiver of tangible and intangible goods to be used, for the purpose of generating income.

(3) It shall not be deemed as independent business activity, the activity performed by:

1. Physical persons employed in an enterprise on individual or collective associated basis and on such basis receive salary and are entitled to respond to instructions by their employer; and
2. Branch offices, subsidiaries or other separate units or parts of an enterprise.

Article 10

(1) The state bodies, local self-management bodies and other public and legal bodies shall not be taxpayers for the part of their activities covering the execution of public functions even in cases when they collect taxes, fees, contributions or other considerations in connection with such activities.

(2) The state bodies, local self-management bodies and other public and legal bodies shall be taxpayers in cases when within their business activity perform supply subject to taxation by other taxpayers referred to in this Law.

5. In the Country

Article 11

The term “In the country” as referred to in this Law shall mean the territory of the Republic of Macedonia, except for the free zones, customs zones and warehouses.

6. Supply in Free Zones, Customs Zones and Warehouses

Article 12

Supply for final consumption in free zones, customs zones or warehouses shall be deemed as supply in the country.

7. Place of Supply of Goods

Article 13

(1) The place of supply of goods shall be:

1. The place where the goods are at the time of supply, when such goods are not transported or delivered;
2. The place where the goods are when the transportation or delivery takes place, when the goods are transported or delivered by the transferor, by the recipient or by a third person ;
3. The place where the goods are assembled or installed, when the goods are assembled or installed by the transferor or by other person on behalf of such transferor.
4. The place where the goods are accepted, when furnishing electrical energy, gas, heating energy, air conditioning;

8. Place of Supply of Services

Article 14

(1) The place of supply of services shall be the place where the supplier of services has headquarters or branch office where such services are physically supplied. When there is no such place, the place where the supplier of services has permanent place of living or residence shall be deemed as a place of supply of such services;

(2) Notwithstanding the provision of paragraph 1 of this Article, the place of supply of services shall be:

1. The section or part of a section on which the transportation of goods is performed;
2. The place where the immovable property is, in case of a service related to such property, including intermediary services in the supply of immovable, assessment of a property, preparation, construction and inspection of civil engineering activities;
3. The place where the services are carried out physically, such as:
 - a) Cultural, artistic, scientific, educational, sports, entertainment or similar activities, including the activities by the organizers of such services;

b) Assessment of tangible movable property, including provision of professional opinion regarding such tangible movable property;

c) Works carried out on the tangible movable property; and

d) Ancillary transportation services such as loading, unloading, re-loading, storage or other services normally related to the transportation, and

4. The place of supply where intermediary service is made, in case of agency services.

(3) Notwithstanding paragraph 1 of this Article, the place of supply of services shall be deemed such place where the recipient of the service has physical headquarters or branch office where such service is physically carried out, or in the absence of such a place, the place of supply is the place where the recipient has permanent place of living or residence, in case of the following services:

1. Services in the field of marketing and public relations;

2. Banking and financial services and insurance and re-insurance services, except hiring safes;

3. Undertaking an obligation to refrain from providing any activity, in whole or in part, or tolerate any activity or situation;

4. Legal, economic and technical consulting services, in particular supplied public notaries, solicitors, auditors, tax advisors, accountants and engineers, as well as other like activities;

5. Services for electronic data processing and provision of information, including know-how and expertise;

6. Provision of personnel;

7. Renting tangible movable property, other than all means of transportation;

8. Telecommunication services;

9. Transfer and assignment of copyrights, patents, licenses, trade marks and other like rights;

and

10. Agency services related to the services referred to in this paragraph.

Provisions referred to in paragraph 2 of this Article shall have a priority to the provisions of this paragraph.

(4) The Minister of Finance shall, for the purpose of avoiding double taxation, tax evasion or violation of the conditions of competitiveness, be authorized to define more precisely the place of supply of services depending on the place where such services are provided, notwithstanding paragraphs 1 and 3 of this Article.

9. Import of Goods

Article 15

Import as referred to in this Law shall mean:

1. Entry of goods through the customs border in the Republic of Macedonia; and
2. Entry of goods from free zones, customs zones and warehouses in the country;

III. TAX BASE

1. Tax Base for Supply in the Country

Article 16

(1) The tax base for calculating value added tax shall be the total amount of consideration received, or to be received, for the delivery, in which the value-added tax is not included.

(2) Consideration, as referred to in paragraph 1 of this Article, shall mean money, goods, services and other benefits, according to their market value paid or to be paid by the buyer of such goods or by the recipient of such goods, or by other person.

Article 17

(1) The tax base shall include:

1. Taxes, including excise taxes, fees, contributions and other charges regulated by separate laws, except the Value Added Tax;
2. Related costs for packing, loading, unloading, transport and insurance, as well as fees and other costs charged by the taxpayer to the buyer of such goods or to the recipient of such services; and
3. Subsidies directly connected to the price of supply of such goods or services.

Article 18

(1) The tax base shall not include:

1. Price deduction as discount for payment made prior to the supply.

2. Price discount, rebate and other types of deductions approved to the buyer of such goods or to the recipient of such services at the time of delivery, provided that they are separately stated in the invoice and entered in the accounting books; and

3. Amount received by the taxpayer from the buyer of such goods or the recipient of such services as payment for costs incurred on their behalf and for their account, provided that such amount is stated in the accountancy books.

Article 19

(1) Special types of tax base shall be:

1. In cases referred to in Article 3, paragraph 3 of this law, the purchase price or, when there is no such price the cost of the goods at the time of supply;

2. In cases referred to in Article 6, paragraph 3 of this Law, the expenses incurred for the services performed;

3. When the consideration for delivery of goods or performance of services is within a supply of other goods or services, in whole or in part, the market value of such goods or services delivered;

4. In case of supply at auction, the final price obtained; and

5. In case of supply of second-hand goods, including second hand motor vehicles, artistic and collection items and antiquities, the difference between the purchasing and selling price in, when tax is not due for such supply by the taxpayer.

(2) When the supply is made by:

1. Commercial companies and other associations to persons and to owners of equity, to members of their families and to their close relatives;

2. Physical persons to their close relatives; and

3. Taxpayers to their workers and to their close relatives, the taxable

shall be the amounts referred to in paragraph 1, sub-paragraph 1 and 2 of this Law, when such amounts are exceeding the consideration referred to in Articles 16, 17 and 18 of this Law.

(3) In cases referred to in paragraph 1 and 2 of this Article, the value added tax shall not be deemed integral part of the tax base.

Article 20

When the consideration due by the buyer of the goods or the consumer of the services is stated in foreign currency, it shall be converted into Macedonian Denar at the exchange rate established by the National Bank of Macedonia on the day of such delivery in accordance with Article 31 of this Law.

2. Tax Base For Importation Of Goods

Article 21

(1) The tax base during importation of goods shall be the value of the imported goods as determined according to the customs regulations. When the imported goods are not subject to the customs regulations or customs clearance, the tax base shall be determined according to the consideration paid or should have been paid, or when unknown, or when the consideration is unrealistically presented, according to the value as determined by the relevant customs body.

(2) The tax base referred to in paragraph 1 of this Article shall include:

1. Customs duty, taxes, including excise tax, fees, other import levies, except the value added tax;
2. Relevant costs, including the costs for commission fees, packing, transport and insurance, incurred to the first place of the end destination of the goods in the country, as stated in the transport documents or, in the absence of such data, to the place of first unloading of such goods.

(3) When the goods are temporarily exported abroad to be repaired, overhauled or otherwise improved, and re-imported in the country by the exporter or by other person on his behalf, the tax base shall be the consideration paid for performed operations, or when such consideration is not paid, or it is unknown, the value determined according to the customs regulations, including the amounts referred to in paragraph 2, sub-paragraphs 1 and 2 of this Article. This shall also apply when instead of improved goods other goods are imported, the quantity and quality corresponds to the exported goods.

3. Change of Tax Base

Article 22

(1) In case the tax base is changed because the goods are sent back, or the contract is cancelled, or when the prices are changed after the supply of the good is made, the taxpayer

supplying the goods must readjust the tax charged on his supply, while the taxpayer to whom the supply is made must readjust the deduction on the tax credit, in accordance with such change within the accounting period in which such change occurred.

(2) In case the value added tax, for which a deduction is granted, calculated and paid at importation, is additionally reduced or paid at a later date, the importer shall be liable to readjust the deduction on the tax credit within the accounting period in which the change occurred.

IV. TAX EXEMPTIONS

1. Tax Exemptions In the Country Not Entitled to Tax Credit Deduction

Article 23

The following shall be exempted from Value Added Tax:

1. Supply of residential building and apartments in that part used for housing purposes, except the first supply that shall be made within five years after the construction ;
2. Rental of residential building and apartments when used for housing purposes;
3. Supply of postal and tax stamps at their nominal value, envelopes, post cards and other items of postal value on which a postal stamp is affixed, as well as control stamps;
4. Postal services supplied by the Macedonian Post Office; and
5. Supply of banking and financial services, such as:
 - a) Supply, including intermediary services, related to foreign exchange, banknote and coins used as a legal tender in the country and abroad, except banknote and coins commonly not used as legal tender or are of numismatic value;
 - b) Supply, including intermediary activities, related to shares, equity in enterprises or associations, bonds and other securities, except keeping and managing securities;
 - c) Social insurance funds management and special investment funds;
 - d) Granting credits and intermediary activities related to credits, as well as credit management by the person that granted such credit;

e) Supply, including intermediary services, related to operations with current accounts, deposits, savings, payments, transfer orders, bills, checks, bank accounts, credit cards, remittances, except collection of third party claims;

f) Granting credit guarantees or other types of collateral, intermediary services related thereto, as well as management of credit guarantees by the person granting such credit;

6. Insurance and re-insurance services, including related services provided by insurance brokers and agents;

7. Games of chance and lotteries, whose operation is regulated by the Law on Games of Chance and Lotteries;

8. Supply by institutions in the field of culture for creating, publishing and protection of cultural and artistic works, as well as supply for botanical gardens, zoos, animal parks, archives and record keeping centers. This shall also apply to other taxpayers performing cultural activity when an opinion by the Ministry of Culture is provided;

9. Services by broadcasting and television stations, except commercial activities;

10. Health services provided by hospitals, clinics, health centers, medical and chemical laboratories for diagnostics, rehabilitation centers and other like institutions;

11. Services and supply of goods by institutions for social welfare and protection, including services to homes for hospitalization, care and treatment to old people;

12. Services within the scope of children and youth protection and supervision, as well as supply of goods related to such services;

13. Services within the scope of children and youth accommodation for the purpose of their upbringing, education or training, as well as supply of goods related to such services; and

14. Services provided within the scope of a professional activity by doctors dentists and dental technicians, or by other medical professions offering medical and health care, as well as supply of dental prosthetics by dentists and dental technicians, except:

a) Services performed by beauty and massage salons;

b) Services by persons using non-traditional methods of treatment; and

c) Veterinary services;

15. Transportation services of ill and injured persons with vehicles specially designed for that purpose;

16. Supply of human blood, mother's milk and human organs, cells and tissues;

17. Educational services, such as:

- a) Education and upbringing of children and youth;
- b) Services for professional training and re-training, as well as activities by centers and schools for foreign languages;

18. Services by funeral homes and crematories, as well as supply of goods related to such services;

19. International transportation of passengers; and

20. Supply of goods, as well as their use as referred to in Article 6, paragraph 3, sub-paragraph 1 of this Article, when the right to deduction of previous tax credits during their supply, their production or their importation as referred to in Article 35 is excluded; This shall not refer to supply excluded from tax exemption referred to in sub-paragraph 1 of this Article.

1. Tax Exemption In the Country Entitled Tax Credit Deduction

Article 24

The following shall be exempted from Value Added Tax:

1. Supply of goods to be transported or dispatched abroad by the taxpayer, by the recipient of such goods or by a third person upon their order, when the recipient of such goods has headquarter abroad. The goods supplied may be processed or reprocessed by or on behalf of a third person prior to exportation, upon an order by the recipient of such goods;

2. Supply of goods to be transported or dispatched from the country to free zones, customs zones or warehouses;

3. Services related to import, export and transit, such as:

a) International transportation of goods for export and other services directly related to the exportation of such goods;

b) International transportation of goods for import, as well as other services related to such import, when the value of such goods is included in the tax bases as referred to in Article 21, paragraph 2, sub-paragraph 2 of this Law;

c) Services directly related with the import activities referred to in Article 27, paragraph 1, sub-paragraphs 2, 3 and 4 of this Law;

4. Services performed on movable tangible goods supplied or imported in the country for the purpose of such services and exported by the performer of such services, by foreign customer or by a third person on their behalf;

5. Services performed by intermediaries, who act on behalf and for the account of other person, when such activities are related to the supply referred to in this Article;

6. Supply of gold and other precious metals for Central Banks;

7. Supply, modification, repair, maintenance, chartering and leasing aircraft used mainly in international commercial air traffic, as well as supply, rental, repair and maintenance of goods used for equipping such aircraft;

8. Supply of goods and services related with satisfying direct needs of the aircraft referred to in sub-paragraph 7 of this Article; and

9. International air transport of passengers. Such tax exemption shall be applied to airlines with headquarter abroad only when there is a reciprocity.

Article 25

Supply of goods exported by the recipient as his personal luggage shall be exempted from tax as referred to in Article 24, sub-paragraph 1 of this Article, when:

1. The recipient has permanent place of living or residence abroad;
2. The goods are exported within 3 months from the date of bill or invoice issuance;
3. The total value of such supply of goods exceeds the value of Den. 5.000, including the value added tax,

Article 26

(1) The exportation shall be deemed as made when:

1. The goods crossed the customs border of the Republic of Macedonia; and
2. The goods reach the free zones, customs zones and warehouses, provided that such goods are not intended for final consumption.

(2) Foreign recipient referred to in Article 24, sub-paragraph 1 of this Law, is a person having physical headquarters, branch office, permanent place of living or residence abroad. A branch office of foreign recipient located in the country shall not be deemed as foreign recipient.

(3) Foreign customer referred to in Article 24, sub-paragraph 4 of this Law is a person fulfilling the conditions referred to in paragraph 2.

(4) The taxpayer shall be liable to submit evidence that conditions for tax exemption referred to in Article 24 and 25 of this Law, and in paragraph 1 of this Article, are met. The Minister of Finance shall regulate in details the conditions regarding the tax exemption.

3. Tax Exemptions at Importation

Article 27

(1) The following import of goods shall be exempted from Value Added Tax:

1. Goods whose supply is exempted from Value Added Tax in the country, in accordance with Article 23 and 24, sub-items 6, 7 and 8 of this Law;

2. Goods falling within the arrangements of goods in transit, except in cases when customs clearance for goods in transit is made according to the Customs Law;

3. Goods imported in free zones, customs zones and warehouses on the basis of special regulations, provided that such goods are not intended for final consumption while they are under such special arrangements;

4. Goods falling under the provisions for temporary imported goods and re-exported arrangements;

5. Goods imported by:

a) Foreign diplomatic or consular mission for official use;

b) The head of diplomatic mission or diplomatic personnel of a foreign diplomatic mission, as well as by consular officers of foreign diplomatic mission, as well as by consular officials of foreign consular mission intended for personal needs or for the needs of the members of their families in their respective households. During importation of motor vehicles tax exemption shall be granted only once within a period of three years, except in case of urgent supply for replacing previous vehicle after it is stolen or heavily damaged.

Tax exemption shall be granted on the basis of special agreements concluded with the sending country, based on the principle of reciprocity;

6. Goods imported by international organizations and by their members according to the conditions and within the restrictions stipulated by international conventions;

7. Goods re-imported in the same state during their temporary export;

8. Goods to be exhibited at fairs and commercial exhibitions that would subsequently be exported;

9. Oil and lubricants in tanks that are incorporate in motor vehicles in the factory;
 10. Goods given as gifts by foreign donors to domestic public institutions or to registered domestic humanitarian not-for-profit organizations and non governmental organizations without consideration;
 11. Personal works of scientists, writers and artist;
 12. Goods given as gifts intended for scientific research in public scientific institutions, as well as free of charge publications of a scientific, professional, education or cultural nature to cultural, educational, scientific and the like institutions;
 13. Court or archive evidence;
 14. Tourist and information material used for presentation of foreign tourist offers;
 15. Awards, medals, sports or the like trophies received abroad during competitions, exhibitions or events; and
 16. Goods brought by passengers as their personal luggage or low value commodities when entering the country, which are brought from abroad or received by citizens from Republic of Macedonia and foreign citizens, and are not intended for resale in accordance with the custom regulations.
- (2) When applying tax exemptions referred to in paragraph 1, sub-paragraph 5, 6, 8, 9, 10, 12, 14 and 15 of this Article, the Article 178 of the Customs Law shall also apply for the purpose of additional value added tax collection.

V. TAX RATES

Article 28

The Value Added Tax shall be calculated by applying proportional tax rates on taxable supply of goods and services and imports, such as:

1. According to the general tax rate of 19%; and
2. According to reduced tax rate of 5%

1. General Tax Rate

Article 29

The general tax rate of 19% shall be applied to all supply and importation, except for supply and importation taxable with reduced rate.

2. Reduced Tax Rate

Article 30

(1) Reduced tax rate of 5% shall be applied to the following supply and importation of:

1. Food products for human consumption, except for alcoholic beverages and soft drinks;
2. Basic agriculture, fishery and bee-keeping products, except for flowers, plants and parts of such plants intended for decoration purposes;
3. Animal feed, except for domestic pats;
4. Water, except for mineral water and soda water in packing ready for consumption;
5. Electrical energy, lignite, brown coal, hard coal, charcoal, coal briquettes, fire wood, wood briquettes, mazut, gas, air conditioning and heating;
6. Drugs, substitution of body parts, orthopedic apparatuses and devices, devices for eliminating functional defects, as well as wheel chairs, for humans;
7. Detergents for washing dishes and clothing, toilet soaps, washing soaps, tooth paste, powder and cream for children, baby oil, baby milk, hair and bathing shampoo (except for domestic pats), condoms and birth-control device and hygienic pads; and
8. Publications, such as: books, pamphlets and the like printed material, newspapers and other periodicals, children's picture books, children's sketch drawing and painting pads, cartographic items of any kind, except for publications mainly used for advertisement purposes, as well as publications with pornographic contents.

(2) Reduced tax rate of 5% shall also be applied to the provision of the following services:

1. Transportation of passengers;
2. Waste disposal and services for maintaining public sanitation; and
3. Services by solicitors, notary public, accountants and auditors

(3) The Government of the Republic of Macedonia shall prescribe in details the goods and services referred to in paragraph 1 and 2 of this Article.

VI. TIME WHEN TAX LIABILITY OCCURS

Article 31

(1) Tax liability shall occur as follows:

1. The time when goods are supplied. When goods are dispatched or transported, the time the transportation or dispatch begins. When the supply includes assembling or installing, the time when such works are completed; and
2. The time when the service is completely delivered;

(2) In case the payment is made prior to the supply, the time when the tax liability occurs shall be the time the payment is received, up to the tax level for the amount received.

(3) In case of periodical or continuous supply for which subsequent payments are prescribed, the time when the tax liability occurs shall be the day on which the invoice is issued for the relevant period or, if earlier, the day on which the payment for the relevant period is received.

(4) When an economically divisible supply is extended and performed in segments, the time when the tax liability occurs shall be the day the delivery of the relevant segment of the goods is made.

(5) When machines for sales of goods or performance of services, working with coins, bank-notes or chips are used, the time when tax liability occurs shall be the day such coins, bank-notes or chips are taken out from the machine.

(6) The time when tax liability occurs during importation of goods shall be:

1. The day when the liability for paying the customs duty and other import levies, or the day of importation of goods in the country occurs, in case of goods exempted from customs duty; and
2. The time when the goods under arrangements of free zones, customs zones, warehouses, or when the goods are in transit or temporarily imported, are released for free supply.

VII. TAX DEBTOR

Article 32

Tax debtor shall be:

1. Taxpayer in cases referred to in Article 2, sub-paragraph 1 of this Law;
2. Person importing goods in cases referred to in Article 2, sub-paragraph 2 of this Law;
3. Person who issues invoices referred to in Article 55, paragraphs 1 and 2 of this Law;
4. The recipient of goods or services, when such person is a taxpayer or an institution referred to in Article 10, paragraph 1 of this Law, in case of supply made by a taxpayer without headquarters or without a branch office in the Republic of Macedonia. In such cases, the liability for

calculating the tax (Article 40), for submitting tax return (Article 41), for tax payment (Article 43) and interest payment in case of delayed payment of the tax (Article 44) shall be born by the tax debtor.

VIII. DEDUCTION OF TAX CREDIT

1. Conditions for Tax Credit Deduction

Article 33

(1) A tax credit shall be the amount for which the outstanding Value Added Tax amount for the supply made in a given accounting period, respectively tax period is deducted.

(2) The tax credit referred to in paragraph 1 of this Article shall apply to:

1. The Value Added Tax for supply provided to the taxpayer by other taxpayers;
2. The Value Added Tax for payments made by the taxpayer for supply referred to in subparagraph 1 of this paragraph, when such payments are still outstanding;
3. Value Added Tax paid for importation of goods.

Article 34

(1) The right to deduction referred to in Article 33 of this Law may be exercised:

1. When the taxpayer who, within the scope of his business activity uses supplied or imported goods, respectively services for the purpose of his business activity;
2. On the basis of invoice issued in accordance with Article 53 of this Law, or customs declaration, on which collected tax on import is separately stated, and when such documents are recorded in the accounting books of the taxpayer.

(2) The right to tax credit deduction shall occur at the time when all the conditions referred to in Article 33 of this Law, and paragraph 1 of this Article are met.

(3) The Minister of Finance shall be authorized to adopt closer regulations regarding the cases and conditions under which the obligation to issue an invoice as referred in Article 53 of this Law or to present separate data in such invoice may be disregarded for the purpose of simplifying the right to tax deduction.

2. Exemption of the Right to Tax Credit Deduction

Article 35

The taxpayer shall not be entitled to tax credit deduction in case of:

1. purchase or importation of goods or performed services used for supply tax:
 - a)exempted as referred to in Article 23 of this Law or
 - b)being abroad who was exempted from the tax according to Article 23 in this Law, if it is realized in the country;
2. purchase, production and importation of bicycles, motor vehicles with less than 4 wheels (L category), vehicles transporting passengers, which have eight seats the most not counting the driver's one and not exceed the weight of 3500 kg (M1 category), not including combined transport vehicles, aircrafts, vessels as well as spare parts, fuel and disposable purchased for such vehicles, for their rental, maintenance and repair and for other services related to their use. This shall not apply to cases when the taxpayer uses such transportation means and other goods during the tax period only for the following purposes:
 - a) Supply of such transportation vehicles and other vehicles
 - b)Rental of such transportation vehicles
 - c)Transportation with such vehicles
 - d) Training drivers with such vehicles, and
 - e) Maintenance and repair of such transportation vehicle and other goods;
3. Expenditures for presentation of the enterprise or its owner (entertainment, gifts, vacation, recreation and amusement);
4. Supply or import of refrigerators, audio and video devices, carpets, artistic items for the purpose of furnishing his business premises;
5. Costs for transportation of people;
6. Cost for accommodation in hotels or similar facilities or for catering; and

7. The Value Added Tax outstanding by the person issuing the invoice as referred to in 55, paragraphs 1 and 2 of this Law;

3. Tax credit Division

Article 36

(1) When the supplied or imported goods or provided services are used by the taxpayer both for supply entitled to tax credit deduction, and not entitled to tax credit reduction, such person may deduce only such portion of the tax credit covering the supply entitled to the right of tax credit deduction. The tax excluded from the right to deduction referred to in Article 35 sub-paragraph 2 through 7 of this Law shall not be taken into consideration during the separation.

(2) The Minister of Finance shall be authorize to adopt closer regulations for implementing paragraph 1 of this Article and thus approve some deductions.

4. Correction of Tax Credit Deduction

Article 37

(1) When, for some investment goods, there is a change of circumstances decisive for approving tax credit during the calendar year of their first use, and when such change occurs within 5 years from the initial using of such goods, a settlement of such change shall be made for each calendar year by correcting the deduction of the tax credit covering the costs incurred for their purchase or production. For immovable this term shall be ten years.

(2) When correction is made as referred to in paragraph 1 of this Article, the start for each calendar year shall be one fifth in cases referred to in the first sentence, respectively one tenth in cases referred to in the second sentence of the tax credit covering the investment goods. Depending on the case, shorter terms may be applied.

(3) Change of circumstances shall also occur when the taxpayer alienates or designate for his own use the investment goods intended for a specific purpose as referred to in Article 3, paragraph 3 sub-paragraph 1 of this Law prior to the expiration of the relevant term for correction referred to in paragraph 1 and 2 of this Article, and when the alienation or own consumption may be differently assessed for the purposes of the previous tax, other than their use during the first calendar year.

(4) Paragraph 3 of this Article shall also apply when the alienation or self-consumption occurred in the calendar year of their first use.

(5) The change referred to in paragraph 3 and 4 of this Article shall be made in such a manner as to mean that the investment goods are used for the business activity of the taxpayer according to relevant changed circumstances in the period from such alienation or self-consumption until the expiration of the relevant term for correction and thereafter.

(6) The Minister of Finance shall be authorized to adopt closer regulations for implementing paragraphs 1 through 5 of this Article and approve some exemptions.

IX. SPECIAL PROVISIONS FOR TOUR-OPERATORS

Article 38

(1) The provisions of this Article shall apply to tourist services provided by a taxpayer, when he acts before the passengers on his behalf (hereinafter: Tour-operators) and receives goods and services from third persons which are of direct benefit of the passenger (hereinafter: previous tourist services).

(2) Tourist services provided by the tour-operator shall be deemed as a single service. The place of such service shall be established in accordance with Article 14, paragraph 1 of this Law.

(3) Notwithstanding Articles 16, 17 and 18 of this Law, tax base of the service by the tour-operator shall be the difference between amount paid by the passenger for the tourist trip and the amount paid by the tour-operator for the previous tourist services. The value added tax shall not constitute integral part of the tax base. In the cases referred to in Article 19, paragraph 1, sub-paragraph 2, and in paragraph 2 of this Law, instead the amount paid by the passenger for the tourist services, the amount stated in the this Article shall be applied. The tour operator may determine the tax base either for different groups of tourist services or jointly for all groups of tourist services, instead of determining such tax base separately for each tourist service.

(4) Notwithstanding Article 33 and 34 of this Law, the tour-operator shall not be authorized to deduct the value added tax as tax credit separately stated in the invoice for previously performed tourist services.

(5) The Minister of Finance shall be authorized to regulate the manner of meeting the obligations related to the bookkeeping notwithstanding Article 52 of this Law.

X. TAXATION

1. Tax and Accounting Period

Article 39

(1) The Value Added Tax shall be collected during the year as progressive payment, and the tax to be paid shall be assessed after the expiration of the annual tax period (hereinafter: Tax Period)

(2) The Tax Period referred to in paragraph 1 of this Article for which the tax is finally assessed shall be the calendar year. When the taxpayer performs an activity only in one part of the calendar year, such a period shall be deemed as Tax Period.

(3) The accounting period, for which the advance payments are calculated and paid shall be one calendar month or one calendar quarterly if the total supply in the last calendar year did not exceed the amount of 25 million Denars or if it is anticipated with the beginning of the realization of the economic activity this amount not to be exceeded.

2. Tax Calculation

Article 40

(1) The taxpayer shall calculate the Value Added Tax for relevant accounting period, respectively tax period based on all the supply made, when in that period there is tax liability referred to in Article 31 of this Law. When the calculation is made, the correction referred to in Article 22 paragraph 1 shall be taken into consideration, as well as the outstanding amounts referred to in Article 55 paragraph 2 of this Law.

(2) The tax calculated as referred to in paragraph 1 of this Article shall be deduced by the tax credit that may be deduced as referred to in Article 33 through 36 of this Law, which applies for the same accounting period or tax period for which the tax is calculated. When the assessment of tax credit is made, the corrections referred to in Article 22 and 37 shall be taken into consideration.

(3) When goods are imported, the Value Added Tax shall be calculated by the relevant Customs authority conducting the procedure for customs clearance.

3. Submission of the Tax Return

Article 41

(1) The taxpayer shall be liable to file progressive tax return for each accounting period within 15 days upon expiration of each calendar month, in which he makes self-assessment of the tax for each accounting period.

(2) The progressive tax return shall also be filed within the period referred to in paragraph 1 of this Article in cases when the taxpayer made no supply subject to taxation in the relevant accounting period.

(3) The taxpayer shall be liable to file the annual tax return for the purpose of final tax assessment for the preceding calendar year by the end of February of the current calendar year, where he makes self-assessment of the tax.

(4) When the taxpayer terminates his business activity he shall be liable to file annual tax return within 15 days upon expiration of the calendar month in which he terminated his business activity.

(5) Progressive and annual tax return shall be submitted to the relevant Revenue authority where the taxpayer is registered.

(6) The Minister of Finance shall regulate the form and contents of the progressive and annual tax return.

Article 42

(1) The relevant Revenue authority shall assess the Value Added Tax with for the given accounting period, respectively tax period with a decision, in cases when :

1. The taxpayer failed to file the progressive or annual tax return within the required periods;
2. The calculation of the tax is inaccurate or if the assessment does not reflect the real supply; and
3. The audit reveals that the book-keeping evidence of the taxpayer is incomplete or contains inaccurate data,

(2) When assessing the tax referred to in paragraph 1 of this Article, the provisions of the Law on Personal Income Tax shall apply.

4. Tax Payment

Article 43

(1) The taxpayer shall be liable to pay the calculated tax for the relevant accounting or annual tax period as referred to in Article 40, paragraph 1 and 2 of this Law.

(2) The taxpayer shall pay the calculated tax for the relevant accounting, respectively annual tax period within the terms referred to in Article 41, paragraph 1, 3 and 4 of this Law, when the progressive, respectively annual tax returns are filed.

(3) The taxpayer shall be liable to pay the tax assessed as referred to in Article 42 of this Law within a period of 15 days from the day the decision on assessing the tax is received.

(4) The taxpayer shall be liable to deposit the outstanding tax on the accounts opened in accordance with the relevant regulations.

(5) The value-added tax on importation, shall be paid at the same time when customs duties are paid.

(6) Collection of the tax referred to in paragraph 5 of this Article shall be made by the relevant customs authority and shall state it on the customs declaration.

(7) The goods may be released from customs control only when the value-added tax is collected.

(8) The customs authority shall be liable to deposit the collected tax on the account of the state budget within three days from its collection.

(9) The Minister of Finance shall be authorized to regulate in which cases and under what circumstances the collection of value added tax during importation may be delayed, and at the same time to deduct it as tax credit in the same accounting period in which it occurred, for the purpose of avoiding any difficulty during importation.

Article 44

(1) When the taxpayer fails to pay the tax upon expiration of the terms referred to in Article 43 of this Law, he shall be liable to pay interest at a rate of 0.1% for each day of delay.

5. Tax Refunding

Article 45

(1) When the amount of the tax credit in a given accounting period or tax period is higher than the tax assessed for the supply, the difference shall be refunded to the taxpayer based on his written claim stated in the tax return. When the taxpayer fails to submit such a written claim for tax refunding, such difference shall be transferred in the succeeding accounting period as progressive tax.

(2) Refunding the tax difference referred to in paragraph 1 of this Article shall be made within 30 days from the date the tax return is submission.

(3) Should the relevant Revenue authority is prevented to audit the tax return by reason of negligence by the taxpayer, the term referred to in paragraph 2 of this Article shall be delayed until conditions are created to make such audit.

(4) The outstanding taxes (Value Added Tax and other taxes) due by the taxpayer, as well as the default interests shall be settled with the claims for refunding referred to in paragraph 1 of this Article.

(5) When the value added tax on importation is assessed and collected for goods that are tax exempted, or when greater tax is collected than the outstanding amount according to this Law, such collected tax, respectively excess charged tax shall be refunded to the person not entitled or in part entitled to deduct the tax credit, within the terms referred to in paragraph 2 of this Article.

(6) When refunding of the tax is not made within the period referred to in paragraph 2 and 3 of this Article, then interest will be paid to the taxpayer at the rate of 0.1% for each day of delay.

Article 46

Notwithstanding the provisions referred to in Articles 39 through 45 of this Law, and in cases of reciprocity, taxpayers without headquarters or a branch office in the country, and without performing any supply in the country, or without outstanding sales tax shall, upon their request, be entitled to refund the tax credit that may be deduced as referred to in Articles 33 through 36 of this Law, according to a special procedure regulated by the Minister of Finance.

Article 47

(1) Not-for-profit organizations shall, upon their request, be entitled to refund the tax for supply of goods and for importation, under the following conditions:

1. The supply or importation of goods may not be tax exempted;

2.the Value Added Tax for supply of goods should be separately stated on the invoice as referred to in Article 53 of this Law and collected when the selling-purchasing price is paid.

3. the outstanding tax for importation should be paid; and

4. the goods must be transported abroad and used there for humanitarian, charitable or educational purposes.

(2) The Minister of Finance shall be authorized to regulate the procedure for the refunding and the conditions for verifying the right to such refunding.

Article 48

(1) A foreign diplomatic or consular mission purchasing goods or services for official purposes shall, upon request by such mission, be entitled to refund the Value Added Tax, when the invoice is paid and when the Value Added Tax is separately stated on the invoice by the taxpayer as referred to in Article 53 of this Law. The refunding shall be made on the basis of special agreements concluded with the sending state, according to the conditions of reciprocity. The refunding shall be denied when the amount stated on the invoice does not exceed the value of Den. 5.000, including the Value Added Tax.

(2) The head of diplomatic mission, the members of the diplomatic personnel of a foreign diplomatic mission, as well as consular officers of foreign diplomatic mission shall be entitled to refund the Value Added Tax referred to in paragraph 1 of this Article, when such persons acquired goods or services intended for personal needs or for the needs of the members of their families in their respective households. In such case, the refunding shall be limited to a total amount of Den. 50.000 for the relevant calendar year. When purchasing a motor vehicles tax shall be refunded only once within a period of three years, except in case of urgent supply for replacing previous vehicle after it is stolen or heavily damaged. The Value Added Tax for such a purchase shall not be included in the maximum amount of Den. 50.000 for refunding.

(3) When a new motor vehicle is purchased to replace the old one before the expiration of three years from the purchase of such replaced vehicle, the refunding amount

shall be deduced, taking into consideration the remaining portion of the value of such replaced vehicle, should tax refunding be permitted for such supply.

(4) The Minister of Finance shall be authorized to regulate the details regarding the procedure of refunding.

Article 49

(1) The international organizations and their members shall, upon their request, be entitled to Value Added Tax refunding for supply of goods or services according to the conditions and limitations established with the international agreements.

(2) The Minister of Finance shall be authorized to regulate the details regarding the procedure of refunding.

6. Tax Enforcement

Article 50

When the value added tax is not collected within the terms referred to in Article 43 of this Law, it shall be effected by force in accordance with the Law on Personal Income Tax.

XI. REGISTRATION

Article 51

(1) All taxpayers whose total supply for the previous calendar year shall exceed the amount of Den. 1.000.000 or whose total supply as projected at the beginning of the business activity shall exceed this amount, shall be liable for registration of value added tax. The obligation for registration of the value added tax shall not apply to taxpayers referred to in Article 32 sub-paragraph 4 and Article 46 of this Law.

(2) Total supply shall be the sum of the supply made by the taxpayer during a calendar year subject to taxation according to Article 2, sub-paragraph 1 of this Law, including the tax related thereto except for the supply that is tax exempted being not entitled to tax credit deduction. When a taxpayer performs its business activity only in one part of the calendar year, the physical total supply shall be calculated at the level of the total supply for the whole calendar year.

(3) Taxpayer –country’residents not liable to registration referred to in paragraph 1 first sentence, shall not be liable to pay value added tax for goods and services performed. They shall not be authorized to separately state tax in the invoices or in other documents, and shall not be entitled to tax credit deduction.

(4) Taxpayers referred to in paragraph 3 of this Article may make a voluntary registration for value added tax at the beginning of each calendar year. In such case paragraph 3 of this Article shall not apply.

(5) Taxpayers referred to in paragraph 1, first sentence and paragraph 4 of this Article shall be liable to submit an application for registration of value added tax with the competent Revenue Authorities. The Minister of Finance shall establish the form and contents of such application.

(6) The competent Revenue Authorities shall make the entry into the registry of the value added tax taxpayers at the beginning of the calendar year, and to such taxpayers shall issue a certificate for registration. When the taxpayer starts his business activity during the calendar year, the registration shall begin with the start of the business activity.

(7) Taxpayer referred to in paragraph 1, first sentence and paragraph 4 of this Article, shall remain registered at least within five calendar years, irrespective of the value of the total supply. During this period paragraph 3 of this Article shall not apply. When the total supply in the fifth calendar year does not exceed the amount referred to in paragraph 1, the taxpayer may, upon the expiration of the term to submit an application for canceling his registration for value added tax to the competent Revenue authority, which shall pass a decision for erasing from the register of value added taxpayers.

(8) Taxpayers referred to in paragraph 1, first sentence and paragraph 4 of this Article, shall submit the application by January 15 the latest of the current year. When the taxpayer starts his business activity during the calendar year, the application shall be submitted within 8 days from the day he started his business activity.

(9) Taxpayers shall submit the request for cancellation of value added tax registration by January 15 the latest of the year in which they want to stop the registered for value added tax.

XII. ADMINISTRATIVE OBLIGATIONS

1. Book-keeping Liabilities

Article 52

(1) The taxpayer shall be liable to maintain complete and accurate book-keeping for the base of tax calculation, especially the supply made and the tax credit that may be deducted in a manner that shall facilitate easy auditing of such book-keeping.

(1) The bookkeeping referred to in paragraph 1 of this Article must separately provide data regarding:

1. Supply of goods made by the taxpayer, and specifically regarding:
 - a) The tax base for such supply; and
 - b) The tax due for such supply.

The book-keeping must indicate the manner in which distribution of tax base is made for taxable supply, distributed in accordance with the tax rates, for exempted supply entitled to tax credit reduction and for exempted supply not entitled to tax credit reduction;

2. The supply made to the taxpayer, regarding:
 - a) The tax base for such supply,
 - b) Tax credit for such supply.
3. The importation made by the taxpayer, regarding:
 - a) Tax base for importation; and
 - b) Tax for such importation.
4. Corrections made on the tax base and on the tax credit deductions.
5. The tax due as referred to in Article 55 paragraph 1 and 2 of this Law;
6. The tax credit that may be deduced;
7. Separation of tax credits; and
8. The level of tax to be collected.

(3) Taxpayer may also meet the bookkeeping liabilities referred to in paragraph 2, sub-paragraph 1 of this Article in such a manner that he shall maintain evidence of tax bases and of taxes as one sum (gross-evidence). In such case, he shall be liable, at the end of each accounting period, to divide the sum of the gross amounts of such tax base and tax and to indicate them as such.

(4) The recipient of the goods or services shall be liable to maintain evidence on the due tax bases in the cases referred to in Article 32, sub-paragraph 4 of this Law.

(5) The bookkeeping shall be maintained based on the received and issued invoices, customs documents or other relevant evidence within the terms stipulated for tax collection.

(6) The Ministry of Finance shall be authorized to define more precisely the provisions for fulfilling the bookkeeping liabilities and for cases when exemptions are made meeting such liabilities.

2.Issuing of Invoice

Article 53

(1) The taxpayer shall be liable to issue an invoice, upon request for delivery made to other taxpayers.

(2) Any document issued by the taxpayer or other person upon his order for delivered supply, shall be considered as an invoice referred to in paragraph 1 of this Article. The calculation with which the taxpayer is calculating given taxable supply provided to him by another taxpayer shall also be deemed as an invoice.

(3) When a consideration is received only for partially made delivered supply, before the deal is completed, the taxpayer shall issue separate invoices for each partially made supply.

(4) The taxpayer shall issue an invoice for each previously made payment (advance payment), before the supply is made.

(5) When exchanging goods or services, each individual taxpayer shall issue and invoice.

(6) When an invoice is issued both for taxable supply and non-taxable supply, such supply shall be stated separately. When non-taxable supply is made, it shall be stated on the invoice that “the Value Added Tax is not calculated”.

(7) The taxpayer shall issue the invoice in two copies. The first copy shall be submitted to the recipient, respectively supplier of the goods, while the other copy shall be kept in his evidence.

(8) The invoice shall be issued on the day the supply is made, and within 5 working days the latest.

(9) In case of consideration before the supply is made, the invoice shall be issued the same day when the advance payment is received, and within the term referred to in paragraph 8 of this Article the latest

(10) The invoice must state the following data:

1. Place, date of issuance and serial number,
2. The name (title) and address of the taxpayer that makes the supply and his tax number registered for value added tax;
3. The name (title) and the address of the recipient of such goods, or services and his tax number registered for value added tax;
4. The day the supply is made;
5. The quantity and description of such supply;

6. The amount of consideration for supply made without the Value Added tax;
 7. The tax rate applied;
 8. The amount of calculated Value Added tax;
 9. The total amount of the consideration for the supply made and the amount of the Value Added Tax; and
 10. Signature and seal of the person issuing the invoice.
- (11) The Minister of Finance shall be authorized to approve some exceptions regarding invoice issuance , and define more precisely in which cases and under what conditions:

1. There shall be no obligation to issue an invoice; and
2. The person may refrain from stating some data when issuing and invoice.

Article 54

(1) A taxpayer delivering taxable goods to recipients of goods or services who are not taxpayers (end consumers) or to taxpayers which do not request for an invoice as referred to in Article 53, paragraph 1, shall be liable to state the supply through a cash-register and to issue a bill, irrespective whether required by the recipient of such goods or services.

(2) The bill referred to in paragraph 1 of this Article shall be the cash-register strip, receipt or other like document that must contain the following data:

1. Place, data of issuance and serial number,
2. Name and address of the taxpayer making the supply and his tax number registered for value added tax;
3. The quantity and description of the supply;
1. The total amount including the Value Added tax.

(3) The liability to issue a bill referred to in paragraph 1 of this Article shall not include supply of daily newspapers, tobacco processing, as well as supply made on outdoor markets and open spaces.

(4) The Minister of Finance shall be authorized to approve some exemptions regarding the liabilities referred to in paragraph 1 of this Article.

Article 55

(1) When a person without an authorization separately states the Value Added Tax on the invoice, he shall be liable to pay such stated amount. The tax amount shall be paid it within the period of 5 working days from the day the invoice was issued.

(2) When a taxpayer states separately on the invoice for supply made a higher tax than the amount due according to this Law, he shall be liable to pay the excess amount of tax.

(3) The provision referred to in paragraph 2 of this Article shall not apply when correction of the tax is made. In such case Article 22, paragraph 1 of this of this Law shall apply.

Article 56

(1) Invoices and other documents issued according to this Law, as well as the business books of the taxpayer shall be kept for at least 5 years from the expiration of the tax period for which an annual tax return is filed.

(2) When a complaint is submitted in accordance with Article 58 of this Law, the deadline period referred to in paragraph 1 of this Article shall begin after completion of the appeal procedure.

XIII. LEGAL PROTECTION

1. Expiration

Article 57

(1) The right to assess and collect Value Added tax, interest and costs for compulsory collection shall expire after 5 years from the close of the calendar year in which the tax liability occurred.

(2) The taxpayer's right to refund the Value Added Tax, interest, costs for compulsory collection and fines not entitled to be paid, shall expire after 5 years from the close of the year in which the payment is made.

(3) After every discontinuation of the expiration period referred to in paragraphs 1 and 2 of this Article, a new deadline shall begin.

(4) The right to tax assessment, collection and refunding shall anyhow expire after the expiration of ten years of the calendar year in which tax assessment or collection is to be made, respectively in which the amounts are paid.

2. Appeal Procedure

Article 58

(1) The taxpayer shall be entitled to submit an appeal against the decision by the tax authority imposing additional assessment of Value Added Tax, as well as against the decision for refusing the right to deduction or payment of tax credit.

(2) The appeal shall be submitted to the Ministry of Finance, though the relevant revenue authority within 15 days after the submission of the decision referred to in paragraph 1 of this Article.

(3) An administrative procedure against the decision of second instance issued by the Ministry of Finance may be initiated before the Supreme Court of the Republic of Macedonia within 30 days after the decision is received.

(4) The appeal against the decision for tax assessment and payment by the customs authorities may be submitted in accordance with the customs regulations.

XV. PENALTY PROVISIONS

Article 59

(1) A legal entity-taxpayer shall be penalized for violation with a fine not exceeding Den. 20.000 to 300.000 as follows:

1. Should he fail to file, or fails to file a tax return within the required term (Article 41, paragraph 1 through 4);
2. Should he fail to pay the Value Added Tax on the relevant account (Article 43, paragraph 4)
3. Should he fail to register for Value Added Tax (Article 51, paragraph 1 and Article 62);
4. Should he fail to keep or keeps inaccurately bookkeeping (Article 52, paragraph 1);
5. Should he fail to issue an invoice within the required period or issues inaccurate invoice (Article 53);
6. Should he fail to state the supply through a payment device (cash-register) or fails to issue a bill (Article 54, paragraph 1); and
7. Should he fail to keep invoices and other documents and business books within the prescribed term (Article 56, paragraph 1).

(2) A legal entity's responsible person shall also be penalized with a fine not exceeding Den. 2.000 to 100.000 for a violation referred to in paragraph 1 of this Article.

(3) When the violations referred to in paragraph 1 of this Article have been repeated within two years, the legal entity's responsible person shall be pronounced a protective measure – prohibition to carry out the assignment not exceeding three months to one year.

Article 60

(1) A physical person-taxpayer shall be penalized with a fine not exceeding Den. 5.000 to 50.000 for a tax violation referred to in Article 59 paragraph 1 of this Law.

(2) When the violations referred to in paragraph 1 of this Article have been repeated within two years, the taxpayer, respectively his responsible person shall be pronounced a protective measure – prohibition to carry out the assignment not exceeding three months to one year.

XV. TRANSITIONAL AND FINAL PROVISIONS

Article 61

(1) The provisions of this law shall be applied to all the supply and importation made after March 31, 2000.

(2) The provisions of Article 37 of this Law shall be applied to investment goods supplied or produced by the taxpayer after March 31, 1999.

(3) The Law on Sales Tax for Products and Services shall remain in force regarding all activities regulated thereto, subject to taxation made before April 1, 2000. If the taxpayer issues an invoice prior to this date for a supply made after March 31, 2000, Article 24 paragraph 3 sub-paragraph 1 from the Law mentioned in this paragraph will not be applied.

(4) When the supply is made in segments as referred to in Article 31, paragraph 4 of this law, this Law shall apply to such supply in segments made after March 31, 1999, and the Law on Sales Tax for Products and Services shall be applied on the segment supply made prior to April 1, 2000.

Article 62

The taxpayers liable for registration starting from the day of the application of this Law according to Article 51 of this Law or making voluntary registration are obliged to apply to the tax authorities by March 1, 2000.

Article 63

(1) Taxpayers registered for the purposes referred to in Article 51 of this Law, having stocks intended for further sale on December 31, 1999 when the sales tax on products calculated by the previous participants in the sale is calculated and paid together with the selling price, or tax paid at importation according to the Law on Sales Tax of Goods and Services, shall be entitled to deduce the sales tax on products and services as tax credit. Such deduction shall not be approved for products used by the taxpayer for tax exempted sales referred to in Article 23 of this Law.

(2) The amount deducted as tax credit referred to in paragraph 1 of this Article shall be settled by December 31, 2000 by partial amounts with the Value Added Tax that should be paid.

(3) The Minister of Finance shall regulate the details for the assessment procedure and the conditions for exercising the right to tax deduction referred to in paragraph 1 of this Article.

Article 64

Detailed regulations regarding the implementation of this Law shall be adopted within 60 days from the day this takes effect.

Article 65

The Law on Sales Tax for Products and Services ("Official Gazette of the Republic of Macedonia" No. 34/92; 62/92; 63/92; 3/93; 4/93; 80/93; 42/95; 4/96; 71/96; 5/97; 10/97; 28/97; 13/98; and 39/99), shall cease to apply on the day the Law on Value Added tax becomes enforceable.

Article 66

This Law shall come into force on the eight days after publication in the "Official Gazette of the Republic of Macedonia", and shall be applied from January 1, 2000.

PROVISIONS OF THE LAW FOR MODIFICATIONS AND AMANDMENTS OF THE
VALUE ADDED TAX LAW NOT INCLUDED IN THE FINAL VERSION OF THE TEXT
("Official Gazette of Republic of Macedonia" No. 86/99)

Article 14

First supply of the flats and housing buildings which construction started before April 1, 2000, are exempted for the Value Added Tax untill December 31, 2000, while the taxpayers retain tax credit deduction for the same period.

Article 16

This Law comes into force on the eight day after it is published in the Official Gazette of Republic of Macedonia and will be implemented from April 1, 2000, except for the provision for Article 12 of this Law, which will be implemented on the day the Law comes into force.