



COVID-19: EMEIA EY Government Support Package

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North Macedonia

COVID-19: EY Government Support Package North Macedonia



The Government has implemented COVID-19 restrictive measures in the earliest stages of the appearance of the first COVID cases in the country. The Government has introduced two sets of economic measures and is still introducing measures aimed at reducing the adverse economic consequences for North Macedonian businesses of COVID-19 in a variety of areas.

Some measures have already passed through the Government, whereas others are still at proposal stage. We will discuss both measures passed and measures proposed in this document and have indicated where measures are still in their proposal phase.

Under the circumstances, we regard as likely that the proposed measures will be implemented substantially in their existing form.

Areas being addressed:

1. Providing liquidity through financing schemes
2. Helping employers to protect jobs
3. Tax deferrals
4. Administration
5. Other financial benefits

These aims are primarily being delivered through:

- ▶ The banking system in terms of the financing schemes; and
- ▶ The tax system (extension of payment deadlines etc.)

Macedonian Government announced responses

Liquidity and financing

Liquidity loans for companies from certain sectors of business

A direct financial support to micro, small and medium-sized companies that perform business activity in tourism, transport, hospitality sector, is provided by the Development Bank of North Macedonia for a total amount of EUR 5.7 million.

The measure is aimed to reduce the impact of impact of aimed to reduce the impact on the most affected sectors by COVID-19.

Liquidity loans for small and medium sized companies

A direct financial support has been announced to be provided to micro, small and medium-sized companies by the Development Bank of North Macedonia for a total amount of EUR 8 million.

Loans in amount of EUR 50 million is envisaged to be granted to the commercial banks. These loans will be provided to small and medium companies to support their financial liquidity.

Cash flow measures

Tax deferrals

Companies affected by COVID-19 are exempt from paying advance corporate income tax (CIT) payments from April until June 2020.

Self-employed income taxpayers will be exempt from paying personal income tax (PIT) advances for March - May 2020.

Administration

Extension of deadline for filing financial statements, corporate income statements and value added tax returns.

The deadlines for submission of the financial statement and corporate income statement has been extended from 15 March to 24 March.

The deadline for submission of the value added tax return for February has been prolonged from 25 March to 31 March.

Employment support

Financial support for payment of salaries

Companies may apply for financial support for payment of salaries to their employees for April and May for an amount of up to MKD 14.500 per employee per month provided that they fulfill the certain criteria.

Financial support for social security contributions payment

A subsidy amounting to 50% of the social security contributions payable for April, May and June 2020 will be provided to qualifying companies.

Other measures

Support provided by financial and leasing companies

The installments for agreements concluded until 31 March 2020 related to loans provided to individuals to be reduced during the period 1 April - 30 June 2020

Change of the terms of the agreements concluded with the legal entities will be agreed per each particular case

Other

The Government has introduced other miscellaneous measures aimed at reducing the impact on businesses affected by the COVID-19 crisis.

Liquidity and financing: COVID-19 Liquidity loans for companies from certain sectors of business

Direct financial support to micro, small and medium-sized companies that perform business activity in tourism, transport, hospitality sector, by the Development Bank of North Macedonia for a total amount of EUR 5.7 million in the form of 0% interest rate loans.

The financing has maturity of 24 months with a 6-month grace period.

Who is eligible?

- Small and medium-sized companies that perform business activity in tourism, transport, hospitality sector under the following criteria:
 1. Are registered in Republic of North Macedonia;
 2. At least 51% privately owned;
 3. Do not have unpaid taxes and contributions, unless they have been granted with deferred payment of taxes and contributions;
 4. Are not in the process of bankruptcy or liquidation;
 5. They perform business activity for more than 6 months and have submitted an annual accounts with the Central Registry;
 6. Based on the financial statements for 2019, the principal and reserves should not be less than 50% of the requested amount of loan;

7. Based on the data from National Bank of Republic of North Macedonia the credit rating of the companies should be above the average as at 31.01.2020 or do not have credit exposure;
8. The degree of financial indebtedness of the company should be less than 4, calculated as a ratio between total liabilities for loans/capital and reserves. The indicator is calculated on the basis of the balance sheet from 2019;

What does it cover?

- Loan from €3,000 to €30,000 depending on the number of employees:
 - a) 1 - 10 employees may apply for €3,000-5,000;
 - b) 11 - 50 employees may apply for €5,000-15,000; and
 - c) 51 - 250 employees may apply for EUR €15,000-30,000
- The financing has maturity of 24 months with a 6-month grace period (i.e. no repayments of principal are required in the first 6 months).

How is it accessed?

- The loan is granted by the Development Bank of North Macedonia.
- The application including the supporting documentation should be submitted electronically directly to the Development Bank of North Macedonia. The supporting documents should be prepared internally by the company or by consultants. The documents should be signed by the Management of the company.

Practicalities

- The incentive is open for applications as of 26 March 2020 until 25 April 2020.

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Liquidity loans for SMEs and Zero interest loans to commercial banks

A direct financial support has been announced to micro, small and medium-sized companies by the Development Bank of North Macedonia for a total amount of €8 million in the form of 0% interest rate loans. The financing has maturity of 36 months with a 12-month grace period. Each company, depending on its number of employees, can receive zero interest loans from €3,000 to €90,000.

The Development Bank of North Macedonia will provide €50 million as zero interest rate loans to the commercial banks. These loans will be provided to small and medium companies to support their financial liquidity with an interest rate of approx. 1,5%.

The above is still not adopted and the date of introduction is to be confirmed.

Who is eligible?

- Micro, small and medium-sized companies.

What does it cover?

- To be determined

Practicalities

- To be determined.

How is it accessed?

- To be determined

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Exemption from payment of advance corporate income tax (CIT) for a period of three months (April - June 2020) for companies that perform business activity in tourism, transport and hospitality sector and for companies that perform other business activities.

Exemption from advance corporate income tax (CIT) payments for companies that perform certain business activities

Companies that perform business activity in tourism, transport, hospitality sector are exempt from paying corporate income tax (CIT) for a period of three months (April - June 2020) under the following conditions:

- The company should not distribute any dividends during 2020 and provide bonuses or other awards to its employees and members of the management and supervisory boards from the date of enforcement of the regulation (26 March 2020) until 15 June 2020.
- The number of employees as it stands as at the date of enforcement of the regulation should not be reduced until three months after the expiry of its validity except in cases of death, retirement or dismissal by employees at their own will.

Practicalities

The companies that fulfill the criteria to be exempted from Advance CIT payments should submit a request to the Public Revenue Office via the online e-tax platform of the tax authorities.

Exemption from Advance CIT payments for companies from other sectors

The exemption from payment of CIT may apply to other taxpayers affected by COVID-19 measures, for the same period provided that the aforementioned conditions are met plus at least one of the following :

- The taxpayer's total revenue is reduced for at least 40% in the current month compared to February 2020, or the total revenue for 2020 is reduced for at least 40% in comparison with the same period in the previous year, or
- The number of employees who do not work or do not contribute to the economic activity of the taxpayer-employer, shall be at least 25% lower than the total number of employees in February 2020, or
- The tax payers has closed at least 50% of its point of sale (branches, retail facilities)

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Exemption of paying advance personal income tax (PIT) payments for March - May 2020 for self-employed income tax payers that perform business activity in tourism, transport and hospitality sector and for companies that perform other business activities.

Exemption from advance personal income tax (PIT) payments for self-employed income tax payers that perform certain business activities

Self-employed income taxpayers in tourism, transport and hospitality sector will be exempt from paying personal income tax (PIT) advances for March - May 2020 under the following criteria:

- The tax payer should not reduce the number of employees, as it stands as at the date of entry into force of this regulation (26 March 2020) until three months after the expiry of its validity, except in cases of death, retirement or employees leaving by their own will.

Practicalities

- The self-employed income tax payers that fulfill the criteria to be exempted from Advance PIT payments should submit a request to the Public Revenue Office via the e-tax online platform of the tax authorities

Exemption from advance personal income tax (PIT) payments for self-employed income tax payers

The self-employed income tax payers that do not perform one of the above-mentioned business activities may be also exempt from paying advance PIT payments for March - May 2020, provided that:

- The taxpayer's total revenue is reduced for at least 40% in the current month compared to February 2020, or the total revenue for 2020 is reduced for at least 40% in comparison with the same period in the previous year, or
- The number of employees who do not work or do not contribute to the economic activity of the taxpayer-employer, shall be at least 25% lower than the total number of employees in February 2020, or
- The taxpayer has closed at least 50% of its points of sale (branches, retail facilities).

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Certain companies may apply for financial support for payment of salaries to their employees for April and May for an amount of up to MKD 14.500 per employee per month provided that certain criteria are met.

Who is eligible?

Companies may apply for financial support for payment of salaries to their employees for April and May for an amount of up to MKD 14.500 per employee per month provided that the following conditions are met:

- ▶ The company should not distribute any dividends and provide any bonuses or other awards to its employees and members of the management and supervisory boards in the between 7 April 2020 until the date of payment of the salary for May 2020;
- ▶ The taxpayer's revenue for April or May is reduced for at least 30% in comparison with the average monthly revenue in the previous year;
- ▶ At most 10% of the employees of the company may have a net salary that exceeds the amount of MKD 120.000 per employee in the month financial aid is granted.
- ▶ The number of employees as it stands as at the date of enforcement of the regulation should not be reduced until July 2020.

Who is not eligible?

The financial support is not applied in the following cases:

- ▶ For the employees that have received a monthly net salary exceeding the amount of MKD 39,900 for December 2019, January and February 2020;
- ▶ When the employer is subsidized for social security contributions during the state of emergency;
- ▶ Will not apply for the employers who are exempt from payment of personal income tax and social contributions based on the Law of Employment and insurance against non-employment; and
- ▶ For part-time employed employees that are already employed full-time with another employer.

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What does it cover?

- ▶ Support the payment of salaries (including social security and pensions) to their employees for April and May for an amount of up to MKD 14.500 per employee per month.

Practicalities

- ▶ The companies that fulfill the above criteria should submit a request to the Public Revenue Office.
- ▶ Along with the request for financial support a Monthly Calculation of the Salary (MPIN) should be filed with the tax authorities.
- ▶ The companies that have recorded profit for 2020 should pay back the financial aid in 2021 up to a threshold calculated as 50% of the profit for 2020 increased for non-deductible expenses. Any subsidy exceeding this threshold will not be subject to repayment to the state. The payback should be performed in three installments in April, May and June 2021 with no interest applied.

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Financial support for payment of social security contributions

Certain companies may apply for subsidy for the amount of 50% of the social security contributions payable for April, May and June 2020 but not more than 50% of the social security contributions calculated on the average monthly gross salary published by the State Statistical Office of North Macedonia.

Note, this support is only available to companies who have already claimed under the financial support for payment of salaries (as per previous slide).

Who is eligible?

Companies may apply for subsidy for the amount of 50% of the social security contributions payable for April, May and June 2020 but not more than 50% of the social security contributions calculated on the average monthly gross salary published by the State Statistical Office of North Macedonia under the following conditions:

- The taxpayer's revenue is reduced for at least 30% in April, May or June in comparison with the average monthly revenue in the previous year;
- The number of employees should not be reduced for April, May and June 2020 in comparison with the number of employees as at 31 March 2020 except in case of retirement or death of the employee;
- The company should not distribute any dividends and provide any bonuses or other awards to its employees and members of the management and supervisory boards in the between 6 April 2020 until the date of submission of the annual accounts/financial statements for 2020;
- This measure will not apply for any company that is granted with financial support for salary payment for April and May 2020 or the company is subsidized for the social security contributions as a result of increasing of the salary based on the Law for subsidizing of social security contributions.

What does it cover?

- Subsidy for the amount of 50% of the social security contributions payable for April, May and June 2020 but not more than 50% % of the social security contributions calculated on the average monthly gross salary published by the State Statistical Office of North Macedonia .

Practicalities

- The companies that fulfill the prescribed criteria should submit a request to the Public Revenue Office.
- The companies that have recorded profit for 2020 should pay back the financial aid in 2021 up to a threshold calculated as 50% of the profit for 2020 increased for non-deductible expenses. Any subsidy exceeding this threshold will not be subject to repayment to the state. The payback should be performed in three installments in April, May and June 2021 with no interest applied.

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There are several miscellaneous measures that have been adopted by the Government for coping with the COVID19.

Reduction of the installments and rescheduling of lending provided by financial and leasing companies

- It is envisaged that the installments for agreements concluded until 31 March 2020 related to loans provided to individuals to be reduced during the period 1 April - 30 June 2020 for a maximum of 70% of each monthly installment. The maturity of such loans may be extended for additional 90 days.
- Change of the terms of the agreements concluded until 31 March 2020 with the legal entities will be agreed per each particular case upon request by the company during the period 1 April - 30 June 2020. However, any new granted loans as of 1 April until 30 June 2020 will be with a grace period of 3 months.

Miscellaneous

- Decrease of the late penalty interest for public debts from 0,03% to 0,015% per day;
- Bankruptcy procedures should not be initiated during the period of the state of emergency and following the period of three months after the expiration of this period;
- Deadlines defined in the Law on Administrative procedure will be extended after the period of emergency expires;
- The companies are allowed to issue and send electronical invoices (pdf format) without electronic signature;
- Exemption from customs duties for importation of flour, sunflower oil, white sugar, soaps, detergents, medical gloves and other medical supplies and equipment;
- Public Revenue Office will not publish the list of the taxpayers that have unsettled debts;
- Banks will extend the deadlines for settling of loans granted to citizens and companies affected by the crisis for a period of three to six months;
- Employees that are working in the private sector should take the first half of the vacation (10 working days) for 2020 until 30 June 2020 and any remaining vacation for 2019 by 31 May 2020.
- Effective as of 1 April, the Enforcement Law is suspended until 30 June;
- As of 3 April 2020 the legal penalty interest rate is determined based on the reference interest rate published by the National Bank plus 5% (decreased from 10%) for legal entities or plus 4% (decreased from 8%) for individuals.

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Restrictive Measures - Immigration and Mobility Implications

The North Macedonian government has introduced general restrictions in order to limit the spreading of COVID-19.

North Macedonian borders are closed.

Gatherings of more than two people in public places are prohibited.

Educational institutions, schools and daycare institutions are closed.

Temporary closure of night clubs, restaurants, cafes, bars, shopping centers.

All immigration documents of the foreigners are automatically extended until the 18th April 2020.

▶ North Macedonian borders closed

Entry to the country is limited only to Macedonian citizens, diplomats and individuals that have obtained special approval issued by the Ministry of Internal Affairs. If any with a permanent residency exit the country it cannot re-enter the country again, unless an approval is issued by the Ministry of Internal Affairs that the country has an economic or other interest for the individual to enter the country.

▶ Worthy purpose / Who can enter North Macedonia (note that the below list is not exhaustive)

- ▶ Individuals who are citizens of North Macedonia
- ▶ Diplomats and
- ▶ Individuals that have obtained special approval issued by the Ministry of Internal Affairs.

Note that all individual that enter the country are obliged to be placed in state quarantine for a period of 14 (fourteen) days.

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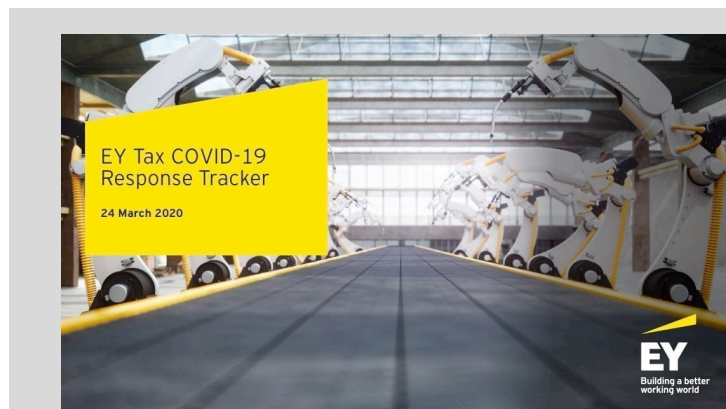
Our tracker provides a snapshot of the policy changes that have been announced in jurisdictions around the world in response to the COVID-19 crisis.

Policy changes across the globe are being proposed and implemented on a daily basis.

The document will be updated on an ongoing basis but not all entries will necessarily be up to date as the process moves forward.

Key jurisdictions covered by the Response Tracker include:

- ▶ Albania
- ▶ Australia
- ▶ Austria
- ▶ Belgium
- ▶ Brazil
- ▶ Bulgaria
- ▶ Canada
- ▶ China
- ▶ Colombia
- ▶ Cyprus
- ▶ Czech Republic
- ▶ Denmark
- ▶ France
- ▶ Germany
- ▶ Greece
- ▶ Hong Kong
- ▶ Indonesia
- ▶ Italy
- ▶ Japan
- ▶ Kosovo
- ▶ Luxembourg
- ▶ Malaysia
- ▶ New Zealand
- ▶ North Macedonia
- ▶ Norway
- ▶ Puerto Rico
- ▶ Singapore
- ▶ Slovak Republic
- ▶ Slovenia
- ▶ South Korea
- ▶ Spain
- ▶ Sweden
- ▶ Switzerland
- ▶ Taiwan
- ▶ Thailand
- ▶ Ukraine
- ▶ United Kingdom
- ▶ United States



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