



INCREASED INTEREST FOR FOREIGN DIRECT INVESTMENTS (FDI's) IN NORTH MACEDONIA

An ongoing swift industrial growth currently takes place in Republic of North Macedonia. In the past couple of years different types of industries, business sectors and technologies have emerged and risen with rapid pace since. The textile industry, the information and electronic communication sector, the automobile component technology and the construction industries have been rapidly developing due to direct investments of some of the world-wide leading companies and corporations into the Macedonian market and economy.

The political and administrative system of Republic of North Macedonia is established as parliamentary democracy with highly responsive and efficient institutions. The administrative procedures regarding almost every step of the doing-business in the country are relatively quick, simple and effective. Rule of law as basic principal is extremely important in terms of protecting the contractual, property and integrity rights. In addition, factors such as political stability, good infrastructure, access to technology and low cost of raw materials have great significance when planning a long-term investment. Also, North Macedonia abounds with well-skilled, educated employees and high quality craftsmanship. Connecting several important locations in Southeastern Europe, the country's road infrastructure presents a big geographical advantage for any future planned investments or business activities.

The overall integration process into the European organizations and business alliances has opened and expanded the market to a great extent. The legal framework of North Macedonia provides fair and equal treatment of foreign and domestic investors, harmonizing the legislation to the European liberal laws and principles. North Macedonia is a state member of the World Trade Organization (WTO), the Central European Free Trade Agreement (CEFTA), and has also ratified multiple conventions, resolutions and bilateral agreements, with purpose of protecting the interests of the investors.

One of the main reasons why the Macedonian industrial market is so appealing to foreign investors is the **Technological Industrial Development Zones**, which are very lucrative and offer great economic benefits, growth opportunities, and major corporate progress. At this point, there are fifteen TIDZ in North Macedonia located near the big cities – Skopje, Prilep, Strumica and others. In 2018, companies operating in the Development Zones have noted an export of about 2.5 billion euro, which is 20% more than 2017; and having in mind that each zone constantly increases its technological and production process, the numbers will rapidly accelerate in the upcoming years.

Some of the main advantages that the Technological Industrial Development Zones offer to the investors are the following:

- **10 YEAR TAX HOLIDAY:** Investors in the free zones are entitled to a 10-year tax holiday for profit and corporate tax and 100% reduction of personal income tax for a period of up to 10 years. Investors are exempt from payment of value added tax for import and trade of goods in the free zones. Additionally, investors are exempt from payment of customs duties for equipment, machines and spare parts.
- **LONG-TERM LEASE:** The land in the free zones in Republic of North Macedonia is available under long-term lease for a period of up to 99 years at concessionary prices.
- **EXEMPT FROM PAYING UTILITY TAXES:** Investors are exempt from paying utility taxes to the local municipality and fees for land building permits.
- **10% RETURN OF INVESTMENT COSTS:** The Government may support growth of capital investments and income with a return of 10% of investment costs in new machines and equipment, or investment in buildings and land up to a maximum of €1 million during a 5-year period.

The legislation grants a national treatment to the foreign investors and therefore grants the same rights, duties and obligations to both the domestic and foreign investors. The primary source which governs and regulates all business activity is the Company Law, containing provisions on various aspects of legal establishments and companies covering their business operations and activities in Republic of North Macedonia.

North Macedonia has made significant improvements referring to the standards and business practices of the European Union. In order to achieve higher economic growth and development, and at the same time to increase the market competitiveness, a Law on financial support of investments was implemented in May 2018. This Law governs the conditions and the manner for granting financial support to the investments of the business entities that shall invest in the Republic of North Macedonia. In addition, The Law on investment funds contains provisions governing the incorporation and management of investment funds and their operations, in which the foreign and domestic investors are equally treated in accordance with the legal framework.

In terms of all the above, an inevitable conclusion is that the business climate in North Macedonia is improved each year, and the market is absolutely favorable for any future investors that plan to put their resources in the country.

May, 2019

Prepared by MENS LEGIS LAW FIRM