

MACEDONIA **LEGISLATION GUIDE 2009**

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Following the collapse of communism in Central and Easter Europe, all countries from this region, including Macedonia, have faced with a very difficult task- to overcome the legacy of the inefficient socialist economy and to adopt the market principles. The challenges were enormous. The legal and political uncertainty, weak infrastructure, poverty, lack of market principles and basic market institutions, plus the internal conflict make this task not easy at all.

Due to the Republic of Macedonia's history as part of the Former Republic of Yugoslavia, some financial institutions that have a long tradition in other countries (such as a stock exchange, brokerage houses and Securities Commission) have only recently been introduced and established in Macedonia (in the past ten years). Since their establishment these institutions are in the process of continuous development. Following changes in the business environment, the Government is in the process of introducing necessary amendments of related laws which will allow institutions a more efficient operating environment.

The Government intends to open up the financial market to foreign investors. The prerequisite for realizing this objective is to provide suitable and attractive conditions for foreign investors and certain guarantees for the safety of foreign investments. The plan is also to become a member of the European Union (EU) and to ensure that Macedonian legislation is in line with EU laws.

BANKING AND INSURANCE

One of the main intention in the banking and insurance sector is to easy the market access of the foreign banks and insurance companies on the territory of the Republic of Macedonia. Thus, the new Law on banks, enacted on 1-st of June 2007 and the new Law on insurance supervision already contain the provisions which enable the banks and insurance companies from EU member States direct access on the Macedonian market, avoiding the long procedure for establishment and licensing.

At this point, it is important to be mentioned that these incentives for EU Countries will be in full force and effect after Macedonia is to acquire full membership in EU. Since then, a licence is required for performing banking or insurance activities.

As a result of the liberalization process, the number of the foreign banks or insurance companies that enters the Macedonian market increased. The participation of the foreign banking and insurance companies are mostly through the acquisition of the domestic banks and insurance companies.

CORPORATE ACTIVITIES

During the last year important changes are done in the field of corporate activities. All of these changes in the Company Law are directed to simplify the procedure for establishment of the companies in means of procedure, documentation, time and costs.

Now, the company can be established and registered in the Central Register for only 1-2 days. The fees for registration of the company in the Central Register are decreased for 50%. Further, the latest amendment of the Company law from July, 2008 abolished the requirement for notarization of the establishment documents.

The investors are provided with additional incentives through the taxation system by decreasing the tax rates. Starting from the 1-st January 2008, the corporate profit tax rate is only 10%.

FINANCIAL MARKET

Amending the Law on securities and the Law on investment funds, the financial market in Macedonia encounters an increase in the number and activities of the financial institutions. The Law on investment funds introduced the private funds and the companies for private funds management. The first companies of this kind already started to operate on the Macedonian financial market and the clients have shown an interest for them.

The establishment of the private funds and the Companies for private funds management are without the previous consent from the Securities and Exchange Commission.

The private funds are established for a limited period of at least 8 years with committed capital of minimum 500.000 EUR. The maximum number of investors in the private fund is 20.

The private funds are managed by the Companies for private funds management, which can be established as a limited liability company or joint stock company with core capital of at least 50.000 EUR if manages one private fund or 25.000 EUR for each next fund, if it manages more than one private fund.

MERGERS AND ACQUISITIONS

The Commission for protection of competition shall be notified for a concentration, if:

- 1) the aggregate turnover of all undertakings participants, generated by sale of goods and/or services on the world market, is more than 10 million Euro in denar equivalent, by current rate of the day of closing the annual financial statement, realized during the business year preceding the concentration and provided that at least one participant have to be registered on the territory of the Republic of Macedonia or
- 2) the aggregate turnover of all undertakings participants, generated by sales of goods and/or services on the territory of the Republic of Macedonia, is more than 2.5 million Euro in denar equivalent, by current rate of the day of closing the annual financial statement, realized during the business year preceding the concentration or
- 3) the participation on the market of one of the undertakings is more than 40% or their joint participation on the market is more than 60%.

The Law provides for suspension of concentration before obtaining a clearing from the Commission, as well as certain exception from this rule.

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The abovementioned amendments in the regulations are only one segment out of the entire Governmental activity and effort to create a sound and stable legal and business environment. This means that positive changes are also in the other field of working of the corporate and other institutions. We sincerely hope that the experiences of the foreign investors already present on the market as well as the incentives provided for the investors through the legislation will give a positive signals for other investors who may find Macedonia attractive place for their investments.