



# NORTH MACEDONIA



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## Foreword by the Italian Ambassador to North Macedonia

North Macedonia represents a key partner for Italy in ensuring a future of prosperity and stability for the entire Western Balkans region, without which European reunification cannot be considered complete.

Italy's commitment to North Macedonia is aimed at overcoming every obstacle along the country's path towards European Union membership, and together with Skopje we pursue increasingly ambitious and concrete objectives. We are fully aware of the importance of fostering synergies and exchanges between Italian entrepreneurship and local businesses. This applies both to relations with Italian companies already operating in the country which have experienced a promising consolidation over the past two years and to initiatives aimed at attracting new ones.

Over the past year, we have devoted significant efforts to organizing B2B and B2G events that have promoted mutual awareness of Italian expertise and of the opportunities offered by the Republic of North Macedonia for foreign investments and projects in key development sectors, such as infrastructure, energy, and the technology industry. These efforts culminated in the Business Forum held last July and in the Cyber Forum this past November.

Our trade relations are steadily expanding. In 2024, bilateral trade reached nearly €560 million, with Italian exports amounting to €365 million and continuing to grow. There is substantial potential to further expand trade and investment, starting with strategic and high value-added sectors.

Significant investment plans have been launched in the country among them the TEN-T Corridors VIII and X, digital connectivity, and the circular economy. These sectors are supported by EU pre-accession programmes as well as by financing from regional financial institutions such as the EBRD and the EIB. Last April, the Italian Ministry of Foreign Affairs and International Cooperation launched the Action Plan for Italian Exports, introducing concrete instruments to strengthen exports to high-potential markets, including the Western Balkans and therefore North Macedonia.

The overarching objective is to contribute to the growth of trade exchanges in terms of volume, quality and sectoral diversification, focusing on those areas in which the expertise of Italian companies is widely recognised and appreciated, and from which the Macedonian business community could greatly benefit. Among the traditional sectors of Made in Italy, we aim to further enhance the strengths of the agri-food sector, also through periodic informational seminars. At the same time, we are intensifying contacts in the fields of sustainability and the circular economy, in support of the efforts the country will need to undertake as it progressively aligns with European standards.

The Italian Ministry of Foreign Affairs and International Cooperation is not merely the "home of Italian enterprises" but plays an active role in supporting their growth and internationalisation.

This is indeed a true team effort. In Skopje, the Embassy coordinates a dedicated team focused on internationalisation and on supporting the interests of Italian companies operating in the country, comprising the Italian Trade Agency (ICE), Confindustria

North Macedonia and the Italian-Macedonian Chamber of Commerce. This publication represents an additional operational tool available to all companies already active in, or interested in approaching, this highly promising country, in order to plan and implement commercial and investment cooperation projects.

The export team stands at your disposal.



PAOLO PALMINTERI  
Ambasciatore d'Italia a Skopje



Paolo Palminteri  
Ambassador

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## Preface

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In the heart of the Western Balkans—a crossroads of cultures, languages and religions for centuries—North Macedonia looks to 2025 as a significant milestone in its path of growth, poised between the richness of its historical heritage and the challenges of a European future. Today, the country presents itself as a dynamic reality, capable of combining the depth of its roots with a strong commitment to renewal and openness.

North Macedonia is indeed undergoing an advanced phase of transformation, in which structural reforms, the strengthening of ties with international markets and the consolidation of macroeconomic stability are helping to shape an increasingly favourable environment for investment and economic cooperation.

The North Macedonia Country Guide 2025 published by Confindustria North Macedonia has been conceived as a strategic reference tool, designed to accompany Italian companies and regional partners along shared paths of sustainable development, digital innovation and economic collaboration. The result of a joint effort between institutions and economic stakeholders, the Guide promotes an informed and responsible approach to internationalisation processes, placing at its core the enhancement of human capital, technological innovation and the opportunities offered by the local and regional market.

Within a geopolitical context marked by profound change and by the growing centrality of the Balkan area in European integration processes, North Macedonia confirms its role as a reliable and proactive partner, committed to promoting regional stability and implementing reforms aimed at economic openness.

The country's gradual progress towards European Union membership, together with its accession to NATO, bears witness to an institutional trajectory in constant evolution, inspired by convergence with Euro-Atlantic standards.

In this context, relations between Italy and North Macedonia represent a positive example of dialogue and bilateral cooperation.

Italy, one of the country's main trading partners, actively supports the strengthening of entrepreneurial ties, fostering the development of strategic sectors and promoting a shared vision of inclusive growth, innovation and sustainability.

The drafting of this Guide is the result of a participatory process involving Confindustria North Macedonia, institutions and local economic operators, through continuous dialogue, in-depth analysis and direct field observation.

The added value of the document lies in its operational character: in addition to providing an overview of the context, it offers concrete tools to interpret the economic landscape, identify opportunities and transform ideas into tangible entrepreneurial initiatives. The proposed approach aims to build solid, long-lasting and mutually beneficial partnerships.

In light of these elements, North Macedonia presents itself as a destination of growing interest for Italian companies, thanks to its strategic position, a regulatory framework in progressive consolidation and public policies focused on encouraging foreign investment. Current conditions open up significant opportunities for further strengthening economic and institutional ties, through initiatives based on mutual trust, the exchange of expertise and the enhancement of respective strengths.

The North Macedonia Country Guide 2025 thus stands as a practical and institutional support tool, designed to facilitate decision-making processes for Italian companies and to foster a qualified dialogue with the North Macedonian economic system.

Finally, I would like to express my sincere thanks to all those who contributed to the preparation of this second edition of the Country Guide of Confindustria North Macedonia, with the hope that it will serve as a valuable instrument to consolidate economic dialogue between the two countries and to stimulate new opportunities for cooperation, inspired by shared responsibility, strategic vision and confidence in a common future.



Riccardo Rainone  
President  
Confindustria North Macedonia

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## Preface

Dear Companies,  
Dear Entrepreneurs,

It is with great pleasure that I accepted the invitation from Confindustria North Macedonia, in my capacity as Director of the ICE Agency Correspondence Office in Skopje, to contribute a foreword to the North Macedonia Country Guide 2025. This invitation testifies to the importance of the relationship between Italian institutions and the local business community, highlighting the need for the Italy System to operate in synergy within the country.

In 2025, Confindustria North Macedonia made a significant contribution to strengthening Italian–Macedonian trade relations by supporting the Embassy of Italy in Skopje and the ICE Agency in the organisation of the Italy–North Macedonia Business Forum, the most important event of the year for the Italy System in the country. More than 150 North Macedonian companies and 40 Italian companies took part in the economic forum held on 2 July in Skopje. The Forum represented a key moment for dialogue and cooperation among companies, institutions and Italian and Macedonian economic operators, demonstrating the ability of the Italy System to work in a cohesive and effective manner to promote Made in Italy and Italian entrepreneurial excellence.

These results confirm the strong attractiveness of North Macedonia as a market for Italian companies seeking new international opportunities. According to the North Macedonian Statistical Office, in the period January–June 2025 bilateral trade between Italy and North Macedonia reached €358.38 million (+5.5% year-on-year). Italian exports increased by 4.9%, reaching nearly €245.3 million, while imports from North Macedonia grew by 6.8%, amounting to €113 million. The resulting trade surplus stood at €132.39 million.

Italy ranks eighth among North Macedonia’s trading partners, both as a destination for exports and as a supplier. The main Italian products exported to North Macedonia include: processed meat and meat products (€8.19 million, +12.9%), other food products (€7.64 million, +16%), other general-purpose machinery (€6.14 million, –25%), motor vehicles (€5.96 million, +7%), other metal products (€5.72 million, –6%), special-purpose machinery (€5.26 million, +20%), and plastic products (€4.9 million, +8.35%).

The ICE Agency Correspondence Office in Skopje reaffirms its commitment to supporting Italian companies interested in strengthening or initiating their presence on the North Macedonian market, by enhancing the quality, innovation and expertise of Made in Italy. Thanks to its geographical position and openness to trade, North Macedonia represents a strategic destination, and the ICE Office will continue to provide its support in order to fully seize the opportunities it offers.

I would like to thank Confindustria North Macedonia for the invitation to contribute to the foreword of this Guide and for the ongoing cooperation which, for many years, has helped promote Italian excellence in the country.



Andrea D'Andrea  
Director, ICE Agency  
Skopje Correspondence Office

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# 1

## Political Context

### 1.1 Country Overview

Located in the heart of the Balkans, the Republic of North Macedonia occupies a strategic position that makes it a link between Central Europe and the Mediterranean, as well as a natural gateway to the markets of Southeast Europe.

- Surface area: approximately 25,436 km<sup>2</sup>
- Population: approximately 1.83 million inhabitants (2024 estimates)
- Borders: north with Serbia and Kosovo, east with Bulgaria, south with Greece, west with Albania
- Capital: Skopje, located in the northern part of the country, crossed by the Vardar River and serving as the political, economic, and cultural centre of the nation
- Official languages: Macedonian and Albanian (in areas with a strong Albanian community presence)
- Alphabet: Cyrillic (used for the Macedonian language)
- Religion: predominantly Orthodox Christianity, followed by Islam and other religious minorities
- Currency: Macedonian denar (MKD)

### 1.2 National Holidays

- 1 January – New Year's Day
- 7 January – Orthodox Christmas
- 19 January – Epiphany (Baptism of Christ – Vodici)
- 1 May – Labour Day
- 24 May – Saints Cyril and Methodius (Day of Slavic Culture and Script)
- 2 August – Republic Day (Ilinden)
- 8 September – Independence Day (1991)
- 11 October – Day of the People's Uprising (1941)
- 23 October – Day of the Macedonian Revolutionary Struggle (founding of VMRO, 1893)
- 8 December – St. Clement of Ohrid

Movable religious holidays:

- Orthodox Easter – variable date (Easter Sunday and Monday)
- Ramazan Bayram (Eid al-Fitr) – end of the month of Ramadan (variable date)
- Kurban Bayram (Eid al-Adha) – Feast of Sacrifice (variable date)

### 1.3 Territorial Division

The Republic of North Macedonia is organised into eight statistical regions, created for planning and data-collection purposes, which also reflect the country's geographical, economic, and cultural diversity. The Skopje Region represents the political and demographic heart, hosting the capital and the main administrative centres. To the southwest lies Pelagonia, a vast agricultural plain with important cities such as Bitola, while to the northwest the Polog Region is characterised by its mountainous terrain and the cultural vibrancy of Tetovo.

The southwestern area is shaped by the Southwestern Region, known for its natural and tourist heritage, with Ohrid and its lake as internationally recognised symbols. In the southeast, the Southeastern Region has Strumica as a key hub for agriculture and cross-border trade, while the Eastern Region stands out for agricultural production and cities such as Štip and Veles. Completing the picture are the Northeastern Region, with Kumanovo as its main centre, and the Vardar Region, crossed by the river of the same name, which serves as a central axis for transport and infrastructure.

Alongside these divisions, the country is further subdivided into 80 municipalities, ten of which form the metropolitan area of Skopje, highlighting the capital's importance within the territorial system.

## 1.4 Population

North Macedonia has approximately 1.83 million inhabitants (2024 estimates, source: MakStat), with an average population density slightly above 70 inhabitants per km<sup>2</sup>. The territorial distribution is concentrated in the metropolitan area of Skopje, which alone accounts for more than one-third of the population, followed by major urban centers such as Bitola, Tetovo, and Kumanovo. The social fabric is characterized by a multi-ethnic composition, bringing together a Macedonian majority and the Albanian community, alongside Turkish, Roma, Serbian, and Bosniak minorities. This cultural mosaic contributes to the country's vitality and represents a source of enrichment for economic and social life.

## 1.5 State system

The Republic of North Macedonia is a parliamentary democracy in which power is divided among three main institutions: the Parliament, the Council of Ministers, and the Presidency. Each of these plays a specific role in the governance of the country, ensuring institutional balance and continuity.

### The Parliament

The Assembly of the Republic of North Macedonia (Sobranie) is a unicameral legislative body composed of 120 members elected through a proportional system for a four-year term. It is the central institution of national political life, responsible for approving laws and electing the Prime Minister who leads the Government.

### The Council of Ministers

The Council of Ministers, led by the Prime Minister, represents the highest authority of the executive branch. Appointed by Parliament, the Prime Minister coordinates the Government's actions and the work of the ministries. The position is currently held by Hristijan Mickoski (since June 2024).

### The President

The President of the Republic is directly elected by the citizens for a five-year term and performs primarily representative functions, while also serving as commander-in-chief of the armed forces and guarantor of foreign policy. Since May 2024, the office has been held by Gordana Siljanovska-Davkova, the first woman to serve as president in the country's history.

## 1.6 Brief Historical Overview of the Last Decades

The recent history of North Macedonia represents a path marked by challenges, transformations, and achievements that have profoundly shaped the country's political and social identity. Situated at the crossroads of the Balkans, this young republic has experienced first-hand the major shifts that have reshaped the region in recent decades, moving from the dissolution of Yugoslavia to a process of democratic consolidation and progressive alignment with the European Union and NATO. Before independence, Macedonia was one of the six republics of socialist Yugoslavia. Although it had limited political autonomy, it had developed its own republican institutions and a clear cultural identity, maintaining an economy primarily oriented toward agriculture, textiles, and basic manufacturing sectors. This background, despite the difficulties, facilitated the transition to an independent state in the early 1990s.

1991 marked a turning point: Macedonia proclaimed its independence from the Yugoslav Federation, distinguishing itself through a relatively peaceful process compared to the conflicts that bloodied neighbouring countries. Nevertheless, challenges soon emerged: the Greek embargo in the early 1990s, linked to the dispute over the country's name, and limited domestic economic resources complicated the establishment of the new Republic. Building democratic institutions and shifting from a planned to a market economy were demanding processes, leading to profound restructuring, the closure of many state-owned industries, and rising unemployment.

A particularly delicate chapter of recent history is the year 2001, when tensions between the Macedonian majority and the Albanian community escalated into an internal armed conflict. For several months, the country faced the spectre of civil war,

but the crisis was resolved through the Ohrid Framework Agreement, signed in August of the same year with international mediation. The agreement not only ended the hostilities but also reshaped the institutional architecture by introducing mechanisms for greater representation of the Albanian community, recognising the right to use the language, and ensuring more balanced participation in political and administrative life. More than twenty years later, the agreement is still regarded as the cornerstone of Macedonian stability.

At the same time, the 2000s were marked by increasing international openness. In 2005, the country obtained candidate status for accession to the European Union, consolidating its orientation towards the European path. However, European aspirations were long hindered by the dispute with Greece, which blocked the formal start of negotiations. The turning point came in 2018 with the signing of the Prespa Agreement, which established the official name "Republic of North Macedonia." This development, welcomed by the international community, had a significant domestic political impact: while it opened the way to Euro-Atlantic integration, it also fueled an intense identity and political debate that continues to influence the national landscape.

The signing of the Prespa Agreement finally enabled the country to enter long-awaited international organizations. In March 2020, North Macedonia became a member of NATO, strengthening its security and assuming a more active role in regional stability. Two years later, in July 2022, accession negotiations with the European Union were opened, launching a process of legislative screening and structural reforms that will profoundly shape the coming years.

The recent period has not been free from global challenges. The Covid-19 pandemic had a significant impact on the economy and healthcare system, exacerbating existing weaknesses, while the European energy crisis highlighted the country's dependence on imports and the need to accelerate the transition towards renewable energy sources. Nevertheless, the resilience of Macedonian society and the support of international institutions helped mitigate the most severe consequences and maintain the reform trajectory.

Today, looking back at the past decades, the profile emerges of a young nation that has managed to face decisive challenges without abandoning its strategic objectives. North Macedonia has succeeded in avoiding prolonged conflicts, strengthening its institutional identity, and positioning itself firmly within the Euro-Atlantic framework. The prospect of accession to the European Union remains the guiding star of national policy, seen not only as a diplomatic goal but also as a guarantee of economic modernization, political stability, and social well-being.

The historical trajectory of recent decades therefore tells the story of a country that has chosen dialogue and international cooperation as tools for progress. A country that, despite difficulties, has been able to look beyond its borders, transforming challenges into opportunities and presenting itself today as a reliable partner and an emerging market in the heart of the Balkans.

## 1.7 Relations between North Macedonia and the European Union

North Macedonia's path toward the European Union represents the most important axis of its foreign policy and, at the same time, a key driver of the country's internal modernisation. Since the 1990s, the Union has served as the main strategic reference point for political, economic, and social development, accompanying the young republic in its process of democratic consolidation and opening to the global market.

The first structured contacts with the Union date back to 1996, with the signing of the Cooperation and Trade Agreement, followed in 2001 by the Stabilization and Association Agreement, which marked the formal beginning of bilateral relations. In 2005, North Macedonia obtained candidate status for EU membership—an important recognition that nevertheless faced constraints due to the dispute with Greece over the country's official name. For more than a decade, this stalemate blocked the start of negotiations, despite the country's gradual regulatory and political alignment with European standards. Only with the signing of the Prespa Agreement in 2018, and the subsequent change of the country's name to "Republic of North Macedonia," did the European process enter a new phase of momentum.

In July 2022, accession negotiations were formally launched, marking a historic milestone for Skopje. Since then, the country has been engaged in the screening of the *acquis Communautaire*, covering all 35 negotiation chapters and requiring structural reforms in key areas such as the rule of law, justice, public administration, and the fight against corruption. The Union, for its part, has increased its political and financial support, confirming North Macedonia's role as a stable partner in the Western Balkans and underscoring its contribution to regional security.

Beyond the political dimension, the relationship with the European Union takes concrete form through the country's participation in numerous programmes and financial instruments. Since 2007, North Macedonia has benefited from IPA

funds (Instrument for Pre-Accession Assistance), which represent the main financial support channel for candidate countries. Under the current IPA III cycle (2021–2027), EU assistance focuses on five priority areas: rule of law, socioeconomic development, competitiveness, environment and green transition, and regional integration. In parallel, the country participates in several EU direct-management programmes that offer opportunities for institutions, businesses, universities, and civil society organizations, including:

- Horizon Europe, for research and innovation
- Erasmus+, for training, mobility, and academic cooperation
- COSME / Single Market Programme, supporting small and medium-sized enterprises
- Creative Europe, for cultural and creative sectors
- InvestEU, providing guarantees and instruments to attract private investment in strategic projects
- Green Agenda for the Western Balkans, supporting energy transition, digitalization, and environmental sustainability

In recent years, North Macedonia has also benefited from specific EU-funded projects in key sectors such as transport infrastructure modernization, strengthening of the healthcare system, development of renewable energy sources, and digitalization of public administration.

Strengthening relations with the European Union has a direct impact on the economic and investment climate. Regulatory alignment with EU standards improves the business environment, increases legal predictability, and enhances investor protection. At the same time, the availability of European funds and the opportunity to participate in transnational programmes expand possibilities for both local and foreign companies, making North Macedonia a more integrated and competitive market.

Challenges remain significant: strengthening the rule of law, reducing corruption, improving administrative efficiency, and enhancing institutional transparency are essential. Nevertheless, the European perspective is seen by Macedonian society not only as a political objective but also as a lever for modernization and confidence in the future. Looking ahead, North Macedonia positions itself as a partner ready to contribute to regional stability and Europe’s shared growth. Its accession to the Union will not only be the culmination of a long political path but also the beginning of a new phase of development, capable of connecting the country even more closely to Europe’s economic, cultural, and social dynamics.

### 1.8 Transport

North Macedonia’s central position in the Balkans makes it a strategic transit hub, crossed by major Pan-European corridors.

- Road network: approximately 14,000 km in total, including 317 km of modern motorways; main axes Corridor X and Corridor VIII.
- Rail network: approximately 900 km, part of the Pan-European corridors, with sections undergoing modernization and completion projects.
- Air transport: two international airports – Skopje International Airport (main hub) and Ohrid St. Paul the Apostle Airport (tourism).
- Port connections: no access to the sea; reliance on external ports as main commercial terminals.

### 1.9 Economy

North Macedonia’s economy is small but stable, with moderate growth in recent years. The main driving sectors are manufacturing (automotive and electronic components), textiles and apparel, agri-food, and metallurgy, alongside emerging sectors such as renewable energy and digital services. The European Union is the country’s main trading partner, absorbing the majority of its exports and imports.





## TGS - GRUPPO SOL

Founded in Monza in 1927, the SOL Group is active in the production, applied research and marketing of technical and medical gases, home care, biotechnology and the production of energy from renewable sources. In North Macedonia, the Group has been operating since 1995 through its subsidiary TGS Tehnički Gasovi, which, thanks to its production plant in Skopje and a well-developed distribution network, provides services and supplies to customers in almost all industrial sectors of the Macedonian economy. In addition, through the company SOL Hydropower, the Group is involved in the production of electricity from renewable sources, with four hydroelectric power plants operating in North Macedonia. Since 1995, the Group has invested a total of approximately €70 million in the region. Currently, the SOL Group is present in 32 countries, has 6,372 employees, and serves over 50,000 industrial customers, 500 large medical customers, and more than 650,000 patients globally.

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# 2

## Macroeconomic Framework

Indicator	2018	2019	2020	2021	2022	2023	2024	2025
Nominal GDP (Mld €)	11.9§	12.6§	12.4§	14.0§	13.7§	14.4*	15.5F	16.3F
Real GDP growth (%)	2.9†	3.9†	-4.7†	4.5†	2.2†	2.1†	2.8F‡	3.2F‡
Gross fixed investment (%GDP)	31.5‡	32.0‡	31.0‡	33.8‡	32.5‡	31.7‡	32.0F	32.5F
Foreign trade (% GDP)	120.2‡	122.5‡	115.0‡	130.4‡	128.7‡	125.0‡	126.0F	127.0F
Public budget balance (%GDP)	-0.9‡	-2.1‡	-8.2‡	-4.1‡	-4.6‡	-3.6‡	-3.0F	-2.5F
Public debt (%GDP)	39.9‡	40.7‡	51.2‡	55.4‡	56.0‡	57.5‡	57.0F	55.0F

Notes:

† MakStat and Eurostat data – real GDP changes.

‡ IMF WEO / World Bank data – investment, foreign trade, budget balance, and public debt.

§ World Bank / CEIC data – nominal GDP in € (conversion from USD).

MakStat preliminary estimate 2023. F = Forecast based on IMF / World Bank (October 2024).

## General analysis

In recent years, North Macedonia's economy has demonstrated resilient growth, despite a global context marked by significant volatility. After the contraction recorded in 2020 due to the pandemic, the country recovered rapidly in 2021, subsequently maintaining a more moderate yet stable pace of expansion.

The recovery has been driven by public and private investments, manufacturing exports, and a gradual strengthening of domestic demand. Overall performance confirms the economy's ability to adapt to external shocks, while benefiting from the country's progressive integration with European markets and regional value chains.

According to major international institutions (IMF, World Bank, Eurostat), the outlook for 2024–2025 remains positive, with real GDP growth projected at around 3% per year, supported by new infrastructure investments and EU financing programs.

From a structural perspective, the Macedonian economy retains a high degree of trade openness with foreign trade exceeding 120% of GDP and a consistently strong level of fixed investment, which has remained above 30% of gross domestic product.

Labour market and price dynamics show signs of stabilization, contributing to a more balanced macroeconomic environment that is conducive to investment.

Overall, the outlook remains solid and growth-oriented, although still sensitive to fluctuations in external demand and international energy prices.

## Real GDP trend

The chart highlights the contraction of real GDP in 2020 (–4.7%), followed by a rapid rebound in 2021 and a phase of stable growth over the subsequent three years. Projections for 2024–2025 indicate moderate but steady expansion, in line with the average performance of Balkan economies and supported by investment activity and manufacturing exports.

## 2.2 Nominal economic growth and structural analysis of GDP

Estimates for 2025 indicate that North Macedonia's nominal GDP is expected to reach approximately EUR 16.3 billion, up from EUR 15.5 billion in 2024. This trend reflects a gradual strengthening of economic activity, supported by investment dynamics and deeper trade integration with European partners.

North Macedonia's GDP structure highlights an economy driven by the services sector, which increases from 71.0% in 2023 to 71.6% in 2024, supported primarily by trade, transport, and public services. The industrial sector remains stable at around 22.4%, sustained by manufacturing and construction, while agriculture continues to decline, decreasing from 6.6% to 6.0%. This trend confirms the country's gradual structural transformation toward higher value-added sectors and greater alignment with European economic standards.

## 2.3 Inflation

The trend in inflation in North Macedonia in recent years clearly reflects the evolution of the domestic and international macroeconomic environment. After a period of stability between 2018 and 2020, with rates ranging between 1% and 2%, the consumer price index began to rise in 2021 (3.2%), anticipating the strong pressures that would soon affect the global economy.

The year 2022 marked a turning point, with inflation reaching 14.2%, the highest level in the last two decades. The surge in prices was driven by rising energy and food costs, supply chain volatility, and the impact of the war in Ukraine on regional markets.

In 2023, inflation declined to 9.5%, signalling a gradual easing of inflationary pressures, although it remained high for a small economy strongly dependent on energy imports.

Projections for 2024 (4.0%) and 2025 (3.5%) indicate a gradual return toward values more in line with the country's historical average. This trend will be supported by stabilising energy markets, strengthened monetary policy, and greater fiscal discipline. However, risks have not fully dissipated: potential shocks to energy prices or renewed geopolitical tensions could

slow the disinflation process.

Overall, the expected trajectory for 2024–2025 confirms the return of inflation to levels compatible with the European convergence process, improving macroeconomic stability prospects and strengthening investor confidence.

## INFLATION – CONSUMER PRICE INDEX

## 2.4 Work market

North Macedonia's labour market has recorded significant progress in recent years. After averaging 13.1% in 2022–2023, the unemployment rate declined to 12.4% in 2024 and reached 11.7% in the first quarter of 2025, marking a historic low.

This decrease reflects rising employment, which has exceeded 700,000 workers, driven by the manufacturing, construction, and services sectors. Long-term unemployment has also fallen below 10%, indicating a structural improvement in the labour market. Challenges remain, particularly among young people and women, but the downward trend strengthens the country's overall stability and enhances its attractiveness to investors.

## 2.5 Foreign trade

Foreign trade plays a central role in North Macedonia's economy but continues to be characterized by a structural deficit. Between 2019 and 2024, exports recorded moderate growth, rising from around EUR 8.8 billion to over EUR 12.8 billion, driven mainly by the manufacturing sector, metal products, and the automotive industry. Imports, however, remained higher, fluctuating between EUR 10 billion and EUR 14 billion, with a sharp increase in 2022 due to rising energy and raw material prices. As a result, the trade balance remains negative, with the deficit exceeding EUR 2 billion in 2023 and reaching approximately –EUR 2.1 billion in 2024, despite lower energy import costs.

The European Union remains the country's main trading partner, absorbing more than two-thirds of Macedonian exports, with Germany leading, followed by Bulgaria, Serbia and Greece. On the import side, energy and capital goods continue to dominate.

In the medium term, reducing the deficit will depend on the country's ability to diversify exports, increase the value added of domestic production, and strengthen supply chains with the EU, with a view to deeper integration into the European single market.

## 2.6 Gross external debt

North Macedonia's gross external debt has grown steadily since 2019, rising from around EUR 8.2 billion to nearly EUR 11.7 billion in 2024. This increase reflects greater reliance on external financing to support economic growth and budgetary needs, particularly in the aftermath of the pandemic and the energy crisis. Despite the upward trend, the debt-to-GDP ratio remains manageable and broadly in line with regional benchmarks.

The ratio of gross external debt to GDP in North Macedonia has remained high but stable in recent years, fluctuating between 72% and 85%. After the 2020 peak linked to the pandemic, the trend shows a gradual rebalancing, reaching around 72% in 2024. Although still elevated, this level is broadly in line with regional benchmarks and reflects the overall sustainability of the country's debt position.

## 2.7 Fiscal policy

North Macedonia's budget balance has shown a persistent deficit, fluctuating between 2% and 4.5% of GDP in recent years. After the pandemic-related deterioration (–2.8% in 2020), the deficit temporarily narrowed in 2021, only to rise again to around –4.6% in 2024. Increased public spending and economic support measures have contributed to keeping the deficit elevated, although the figures remain below the critical threshold of 5% of GDP and broadly in line with the regional average.

## PUBLIC DEBT BETWEEN THE REGION AND THE EU, % OF GDP

North Macedonia's public debt stands at around 57–58% of GDP, a level considered sustainable and broadly in line with the main countries in the Balkan region.

The debt-to-GDP ratio also remains well below the European Union average, reflecting prudent public finance management and growing attention to fiscal discipline.

This balance provides the country with a degree of stability that is conducive to supporting economic growth and the implementation of planned public investment in the coming years.

## 2.8 Why invest in North Macedonia

North Macedonia is emerging as an increasingly attractive destination for international investors, thanks to a combination of structural, geographic, and regulatory factors that contribute to a business-friendly environment. The country's strategic position at the heart of the Balkan Peninsula provides easy access to European Union markets with which free-trade agreements are in force as well as to CEFTA member states, covering a consumer base of over 600 million people. NATO membership since 2020 and EU candidate status further strengthen political stability and the credibility of the institutional framework.

The tax system is one of the country's most competitive features: corporate income tax and personal income tax are both set at 10%, among the lowest in Europe, complemented by exemption or reduction schemes available within the technological-industrial development zones (TIDZ). In these zones, companies benefit from incentives on reinvested profits, reduced social contributions, infrastructure support, and simplified customs procedures. The government's focus on digitalizing public administration and reducing bureaucratic burdens further facilitates the establishment of foreign investors.

From a macroeconomic standpoint, North Macedonia has shown steady growth supported by export-oriented manufacturing, the automotive industry, and the electrical and electronics sector. Labor costs remain competitive compared with the European average, and the workforce is young, educated, and multilingual. Active labor-market policies and professional training programs are gradually reducing unemployment rates. The availability of skilled labor and alignment with European standards on safety and product quality reinforce the integration of local companies into continental value chains.

The energy and environmental sectors represent additional areas of interest, in line with European green-transition strategies. Investments in renewable energy, energy efficiency, waste management, and water resource management receive strong support from both government policies and EU and international financial institution programs (EBRD, EIB, World Bank). At the same time, the agri-food and construction sectors offer opportunities linked to infrastructure modernization and the valorization of local agricultural excellence.

Finally, North Macedonia benefits from a well-established network of bilateral agreements with Italy and other European countries, which facilitate trade and industrial cooperation. Italy is one of the country's main commercial partners, with a long tradition of entrepreneurial collaboration and numerous success stories of Italian companies operating locally.

In summary, investing in North Macedonia means accessing a stable, competitive, and growing market that combines fiscal advantages, strategic location, skilled labor, and sector-specific opportunities. These elements make the country a natural hub for companies seeking to expand their presence in the Balkans and strengthen ties with the European Union.

## Why Invest in North Macedonia – 5 Key Reasons

Factor	Strengths
Competitive taxation	Corporate and personal tax at 10%, incentives in TIDZ zones.
Strategic position	Natural hub between EU and Balkans, EU + CEFTA access (600 million consumers).
Qualified workforce	Young, educated, multilingual and with competitive labor costs.
Stability and EU perspective	NATO member, EU candidate, stable institutional framework.
Sectoral opportunities	Green energy, automotive, ICT, agri-food, construction, EU/IFI funds.

## 2.9 Relations between Italy and North Macedonia

Relations between Italy and North Macedonia date back to the years following the Balkan country's independence, when Italy was among the first European states to recognize the new Republic and to establish bilateral diplomatic ties. Today, cooperation between the two countries takes place on multiple levels political, economic, cultural, and social and is marked by a strong friendship and growing interdependence. Italy firmly supports Skopje's European integration path, encouraging structural reforms and providing technical and political assistance within the framework of EU accession negotiations. North Macedonia's entry into NATO in 2020 further strengthened the climate of stability and international cooperation, reinforcing the country's role as a reliable partner in the region.

On the economic front, Italy has long been one of North Macedonia's main trading partners. Bilateral trade flows have shown steady growth, albeit with fluctuations linked to the broader international context. In 2024, North Macedonia's exports to Italy reached approximately €193 million, while imports from Italy amounted to €365 million, resulting in a trade deficit for Skopje of around –€172 million. Partial data for January–June 2025 confirm this trend (exports to Italy €108 million, imports from Italy €192 million).

Exports to Italy primarily include metals, semi-finished goods, textiles, and industrial components, while imports consist mainly of machinery, chemical products, construction materials, electrical equipment, and consumer goods.

Analysis of the data confirms that bilateral trade is characterized by a predominance of Macedonian imports from Italy. At the same time, it highlights significant room for growth in North Macedonian exports in higher value-added segments and in innovative sectors (automotive, renewable energy, agri-food, ICT). Italy therefore represents a strategic partner not only in terms of trade volumes, but also for its ability to transfer technological know-how and advanced manufacturing models.

**Bilateral trade between Italy and North Macedonia (2019–2025)**

Bilateral trade has shown substantial stability in recent years, with a prevalence of Macedonian imports from Italy. In 2024 exports to Italy amounted to €193 mln and imports from Italy to €365 mln (balance –€172 mln).

Beyond trade exchanges, a significant role is played by Italian foreign direct investments, which in recent years have found room in various sectors of the Macedonian economy, from manufacturing to agri-food, from services to logistics, and up to renewable energy. Italian companies operating in the country benefit from North Macedonia's strategic position, favourable tax regimes, and the availability of a qualified workforce, becoming increasingly integrated within European value chains. Cooperation between the two countries is not limited to the economic dimension: joint projects in the academic, training and cultural fields strengthen mutual understanding and promote exchanges of students, professionals and artists. The action of Italian institutions – the Embassy of Italy in Skopje, ICE and Confindustria North Macedonia – contributes to consolidating the network of relations and creating new opportunities for cooperation.

In summary, relations between Italy and North Macedonia are solid and constantly evolving, with strong growth potential. Italy is not only an important trade partner but also a key actor in supporting the country's European path and in fostering an increasingly close integration with the European Union.

## GES - GLOBAL EURO SERVICE

Global Euro Service's services are aimed at all Italian companies and entrepreneurs interested in developing or expanding their business in Eastern Europe. The services offered are:

- Tax consulting: Solutions to optimise tax management and maximise tax benefits, ensuring compliance with regulations;
- Growth assistance: ad hoc consulting for the start-up and development of your business;
- Investment opportunities: Support in identifying investment opportunities in Bulgaria and North Macedonia;
- Resource research and networking: Support in creating business connections and acquiring resources to expand your business abroad.
- And much more...

Contacts and website

E-mail: [contact@ges-eu.eu](mailto:contact@ges-eu.eu)  
[www.ges-eu.eu](http://www.ges-eu.eu)



# 3

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Corporate taxes

### 3.1 Accounting principles and auditing

In North Macedonia, accounting regulations are aligned with European standards and require the application of National Accounting Standards (NAS) for most companies, while listed firms, banks, insurance companies, and large enterprises must adopt the International Financial Reporting Standards (IFRS).

Annual financial statement obligations include the preparation of the balance sheet, income statement, cash flow statement, and explanatory notes, which must be filed with the Central Register by 28 February of the year following the reporting period. Statutory auditing is mandatory for large enterprises and public-interest entities, while for SMEs it remains optional but is strongly recommended in the presence of foreign shareholders or internationalization processes, as it represents an element of reliability for investors and financial institutions.

### 3.2 Corporate taxation: principles and subjects

The tax system applicable to legal entities is governed by the Corporate Income Tax Law (Zakon za danokot na dobitka) and is based on a single 10% rate applied to taxable income.

This simple and stable model has contributed to making North Macedonia a highly competitive jurisdiction in Southeastern Europe, attracting significant foreign investment.

Resident companies are those incorporated under Macedonian law or having their place of effective management in the country. They are subject to taxation on income generated worldwide (the worldwide taxation principle), with the possibility of claiming a foreign tax credit for taxes paid abroad, including under double taxation treaties.

Non-resident companies are taxed only on Macedonian-source income, typically through a permanent establishment (branch, office, or fixed site) or via withholding tax on income from dividends, interest, royalties, and services, generally at the standard rate of 10%, unless reduced under applicable tax treaties.

Entities subject to corporate income tax include capital companies (DOO and AD), certain partnerships with legal personality, and branches of foreign enterprises, while transparent entities are taxed directly at the level of their partners or members.

The taxation of dividends follows the residence principle: dividends paid to non-resident entities are subject to a 10% withholding tax, which may be reduced or exempted under bilateral treaties, including the convention with Italy.

Note – Global Minimum Tax

Since 2024, the OECD/G20 Pillar Two framework has been in force, introducing a 15% effective minimum tax for multinational groups with revenues exceeding EUR 750 million.

For further details, see the in-depth explanation in paragraph 3.5.

### 3.3 Determination of tax result and depreciation

Taxable income is determined on the basis of the accounting profit, adjusted according to the rules of the Corporate Income Tax Law (Zakon za danokot na dobitka), starting from the financial statements prepared under NAS or IFRS.

Business-related expenses are deductible provided they are properly documented, with the exception of penalties, non-business-related expenses, interest on loans unrelated to the activity, and unjustified impairments of receivables.

Transactions with related parties must be conducted at arm's length to avoid requalification as hidden profit distributions.

Depreciation is deductible within the fiscal limits established for each asset category, with the possibility of applying straight-line or declining-balance methods. Depreciation based on revalued amounts is no longer permitted, and the deduction of the residual value of disposed assets requires prior authorization from the Public Revenue Office (PRO).

A deduction is available for profits reinvested in tangible and intangible assets used for the business, subject to a holding period of 5 years for real estate and 2 years for other assets.

The tax return must be filed by 15 March of the year following the tax period. The system ensures clarity and predictability, combining administrative simplicity with fiscal competitiveness.

### 3.4 Tax losses and anti-evasion rules

Tax losses may be carried forward for up to three years, or five years for those incurred in 2020 and 2021, as an extraordinary post-pandemic measure. The carryforward is permitted only if the economic activity remains substantially unchanged following any corporate reorganizations.

The legislation includes various anti-avoidance measures:

- Prohibition of hidden profit distribution in the case of intra-group transactions conducted at non-market values;
- Thin capitalization rules, limiting the deductibility of interest paid to non-resident shareholders holding at least 20% participation, by setting a maximum debt-to-equity ratio of 3:1 (with an exemption for the first three years of activity);
- Transfer pricing rules, governed by the Corporate Income Tax Law (Zakon za danokot na dobitka) and the Transfer

Pricing Regulation (Pravilnik za transferni ceni), which require compliance with the arm's length principle.

The Tax Administration may also requalify transactions lacking economic substance that are carried out solely for the purpose of obtaining undue tax advantages.

In-depth focus – Regulatory developments 2019–2025

In recent years, North Macedonia has introduced a series of tax amendments aimed at improving transparency and alignment with international standards. Key reforms include:

- updating the depreciation regime, with the prohibition on deducting depreciation calculated on revalued asset values;
- revising the rules on the deductibility of bad debts, now allowed only in the presence of insolvency proceedings or objective documentary evidence;
- and abolishing, as of 2024, the requirement to submit the annual transfer pricing report, while maintaining the obligation to retain the supporting documentation.

These reforms have helped strengthen a more transparent, stable, and internationally compliant regulatory framework.

### 3.5 Transfer pricing

Transfer pricing rules are governed by the Corporate Income Tax Law (Zakon za danokot na dobitka) and the 2019 Transfer Pricing Regulation (Pravilnik za transferni ceni), in line with OECD Guidelines.

As of 1 January 2024, the mandatory submission of the annual transfer pricing report has been abolished, but taxpayers must still prepare and retain documentation (Master File and Local File). The Public Revenue Office (PRO) may request it no earlier than 15 April, and the taxpayer has 15 days to provide it.

Documentation requirements vary according to company size:

- Full TP Report: revenues > MKD 300 million (≈ EUR 4.9 million) and intra-group transactions > MKD 10 million (≈ EUR 160,000);
- Short TP Report: same revenue threshold but transactions below the threshold;
- Exemption: revenues ≤ MKD 300 million or transactions only with resident entities.

The standard OECD methods are permitted (CUP, RPM, CPM, TNMM, PSM). The assessment period is five years (ten in cases of tax evasion). There is no Advance Pricing Agreement (APA) program, but the Mutual Agreement Procedure (MAP) is available under applicable treaties. Country-by-Country Reporting (CbCR) is not yet implemented.

In-depth focus – Global Minimum Tax (Pillar Two)

Since 2024, North Macedonia has applied a domestic top-up tax ensuring an effective minimum rate of 15% for multinational groups with consolidated revenues exceeding EUR 750 million.

This measure does not affect SMEs or local companies, which will continue to benefit from the single 10% rate. For large groups, however, the local tax advantage may be partially offset by the top-up tax, while North Macedonia remains a competitive environment thanks to regulatory stability, low costs, and simplified procedures.

### 3.6 Practical summary for foreign investors

North Macedonia's tax system combines a single 10% rate, clear rules, and targeted incentives for growth. Key elements to consider:

- Accounting standards: NAS for most companies; IFRS for large corporations and financial institutions.
- Corporate tax: 10% on taxable income; worldwide taxation for resident companies, and taxation limited to local-source income for non-residents.
- Deductions: business-related expenses and reinvested profits in tangible or intangible assets, subject to holding requirements.
- Depreciation: deductible within fiscal limits; depreciation on revalued amounts is prohibited.
- Tax losses: carryforward allowed for 3 years (5 for 2020–2021).
- Anti-avoidance rules: thin capitalization (3:1) and prohibition of hidden profit distributions.
- Transfer pricing: documentation required but no annual filing obligation.
- Global Minimum Tax: 15% for groups with revenues above EUR 750 million.

North Macedonia stands out for regulatory stability, procedural simplicity, and low administrative costs, confirming itself as one of the most competitive and predictable tax jurisdictions in Southeastern Europe.



# 4

## Personal Taxation and Social Contributions

### 4.1 Personal tax regime

The taxation system for individuals in North Macedonia is primarily governed by the Law on Personal Income Tax (Zakon za personalen danok na dohod). Taxation is based on the principle of tax residency:

- individuals are considered tax residents if they have their domicile in the country, the centre of their vital interests, or if they stay in North Macedonia for at least 183 days within a consecutive 12-month period;
- residents are subject to taxation on their worldwide income, regardless of where such income is generated;
- non-residents, by contrast, are taxed only on income sourced in North Macedonia.

The main categories of taxable income include:

- employment income (wages, salaries, allowances),
- self-employment and professional income,
- capital income (dividends, interest, rental income, capital gains),
- miscellaneous and occasional income not falling under the previous categories.

The system applies a single proportional tax rate to most types of income, with certain variations for specific income categories, which will be further detailed in the following sections.

The legislation also provides a series of limited deductions and tax credits, mainly related to mandatory social security contributions, certain education and healthcare expenses, as well as specific tax credits granted to particular categories of taxpayers.

In cases of international double taxation, North Macedonia applies bilateral double taxation treaties concluded with numerous countries, including Italy, which ensure the recognition of tax credits and the partial or full exemption of certain income.

The main criteria for determining tax residency are the following.

### 4.2 Personal income tax rates and brackets

The personal income taxation system in North Macedonia is governed by the Law on Personal Income Tax (Zakon za personalen danok na dohod). As of 1 January 2023, the country permanently applies a single proportional tax rate of 10% on most types of income, definitively abandoning the previous progressive bracket system.

Current tax structure

- Employment income: 10%
- Self-employment/professional income: 10%
- Capital income (dividends, interest, royalties, rental income): 10%, subject to withholding tax
- Capital gains: 10%, with specific calculation rules
- Gambling income: 15%

Exemptions and reductions

The system provides certain reliefs:

- Annual personal allowance: in 2025 equal to 123,240 MKD (approximately EUR 2,000), applied proportionally to employment income.
- Some categories of income are exempt from taxation, including: scholarships granted by public institutions, certain social allowances, and partially agricultural income within specific thresholds.

Deductions

Mandatory social security contributions (pension, health insurance, unemployment, workplace injury insurance) are fully deductible from taxable income, thereby reducing the tax base.

Minimum tax base and contribution cap

For the calculation of social security contributions, minimum and maximum thresholds apply:

- the taxable base cannot be lower than the statutory minimum wage;
- an annual contribution ceiling is set (updated yearly), above which no further social security contributions are due.

#### Reporting obligations

- Employment income is generally subject to withholding tax applied by the employer, acting as the withholding agent.
- Taxpayers receiving other types of income (self-employment, capital income, rental income, capital gains) must file an annual income tax return within the deadline established by the tax authorities.

Table – Personal income tax (2025)

Type of income	Rate
Income from employment	10%
Income from self-employment/professional work	10%
Dividends and interest	10% (withholding tax)
Rental fees / royalties	10%
Capital gains	10% ((special calculation rules)
Gambling income	15%

#### 4.3 Tax treatment of dividends, interest and capital gains

The taxation of capital income in North Macedonia is governed by the Law on Personal Income Tax (Zakon za personalen danok na dohod) and applies to both residents and non-residents according to the source-of-income principle, with potential reductions under applicable double taxation treaties.

##### Dividends

- Dividends received by individuals, whether from Macedonian or foreign companies, are subject to a 10% tax rate, generally applied through withholding tax.
- For non-residents, the rate is also 10%, unless reduced under tax treaties.

##### Interest

- Interest income received by residents (bank deposits, bonds, financial instruments) is taxed at a rate of 10%.
- Non-residents are subject to the same 10% withholding tax, unless treaty reductions apply.
- Exemptions exist for specific instruments, such as government securities and municipal bonds.

##### Capital gains

- Capital gains arising from the sale of immovable or movable property are generally taxed at 10%.
- Certain exemptions apply:
  - o the sale of a property used as the taxpayer's principal residence and held for at least 3 years is exempt;
  - o the disposal of personal-use movable assets (e.g., motor vehicles, household furnishings) does not generate taxable

income;

o for certain categories of securities or equity holdings, the taxable base may be reduced (e.g., taxation on only 90% of the capital gain), or the transaction may be fully exempt if the security has been held for a minimum of two years or if it concerns incentivised public instruments.

Table – Taxation of capital gains (2025)

Type of income	Standard rate	Notes / Exceptions
Dividends	10%	Reductions with double taxation treaties
Interests	10%	Exemption for government bonds and municipal bonds
Real estate capital gains	10%	Exemption if property used as a primary residence and held for $\geq 3$ years
Capital gains on movable property	10%	Personally used movable property is exempt
Capital gains on shareholdings	10%	Possible reductions or exemptions for securities held $\geq 2$ years or IPOs

#### 4.4 Social security and welfare contributions

The social security and welfare system of North Macedonia is regulated by a set of specific laws, including the Law on Pension and Disability Insurance (Zakon za penzisko i invalidsko osiguruvanje), the Law on Health Insurance (Zakon za zdravstveno osiguruvanje), and the Law on Unemployment Insurance (Zakon za osiguruvanje vo slučaj na nevrabotenost). Social security contributions represent a fundamental component of labour costs and are mandatory for all employees, regardless of the type of employment contract. These contributions primarily finance four pillars:

- Pension and disability insurance, which ensures basic pension coverage and benefits in cases of permanent disability;
- Health insurance, which guarantees access to primary, specialist, and hospital healthcare services;
- Unemployment insurance, which provides temporary benefits to workers who involuntarily lose their jobs;
- Workplace injury and occupational disease insurance, which protects employees in the event of accidents or illnesses arising from work activities.

Contribution rates are calculated on gross salary and are entirely borne by the employee. However, the employer acts as the withholding agent, deducting the contributions from the payslip and remitting them monthly to the Public Revenue Office (Uprava za javni prihodi – UJP), which then allocates the funds to the various social security schemes.

The system is based on a proportional mechanism, whereby the contribution burden increases according to the level of remuneration, while providing:

- a minimum contribution base, equal to the statutory minimum wage, below which reduced contributions cannot be paid;
- a contribution ceiling, set at 16 times the national average salary, above which no further contributions are required.

This mechanism protects both low-income workers ensuring minimum coverage and high-income workers limiting the maximum contribution burden.

The contribution regime is subject to frequent legislative updates, particularly regarding the determination of the minimum wage and the parameters used to calculate the contribution ceiling. It is therefore essential for companies to monitor legal changes, as they directly affect both the overall cost of labour and employees' net income.

Table – Social security and welfare contributions (2025)

Type of contribution	Overall rate	Overall rate
Pension and disability	18,8%	18,8%
Health insurance	7,5%	7,5%
Unemployment insurance	1,2%	1,2%
Occupational diseases and accidents at work	0,5%	0,5%
Total social contributions	28,0%	28,0%

#### Operational notes

- Contributions are deducted entirely from the employee's gross salary, with no separate employer-paid portion.
- The payment obligation, however, lies with the employer, who acts as the withholding and responsible agent before the Public Revenue Office (UJP).
- The contribution base cannot be lower than the statutory minimum wage and cannot exceed 16 times the national average salary.

#### 4.5 Tax treatment of foreign and expatriate workers

The tax treatment of foreign workers in North Macedonia depends on their tax residency status. Under the Law on Personal Income Tax (Zakon za personalen danok na dohod), an individual is considered a tax resident if they have their domicile in the country, maintain the centre of their vital interests there, or stay in North Macedonia for at least 183 days within a consecutive twelve-month period. Tax residents are taxed on their worldwide income, while non-residents are subject only to tax on income sourced in North Macedonia.

##### Seconded workers and short-term stays

Foreign employees temporarily assigned to North Macedonia generally do not acquire tax residency if their stay does not exceed 183 days and if their activity does not involve a local employer or a local permanent establishment. In such cases, taxation is limited to income produced in the country, without prejudice to the provisions of double taxation treaties.

##### Italy–North Macedonia Double Taxation Convention

North Macedonia has concluded numerous double taxation treaties, including one with Italy. These agreements allow for the reduction or elimination of withholding taxes on dividends, interest, and royalties, while ensuring the recognition of foreign tax credits in the taxpayer's state of residence.

With regard to cross-border payments from a Macedonian company to a resident of Italy, the treaty establishes that:

- dividends are subject to a maximum withholding tax of 5% if the beneficial owner is a company holding at least 25% of the capital of the distributing company; in all other cases, a maximum rate of 15% applies;
- interest is subject to a maximum withholding tax of 10%;
- royalties are exempt from taxation in North Macedonia and taxable exclusively in the state of residence of the beneficial owner.

To apply treaty-reduced rates, the taxpayer must provide a certificate of tax residence and obtain approval from the Public Revenue Office (Uprava za javni prihodi – UJP). In the absence of such formalities, domestic rates apply (generally 10% for dividends, interest, and royalties).

##### Social security and secondments

Foreign workers employed in North Macedonia are generally subject to compulsory social security contributions (pension, health insurance, unemployment, workplace injury). However, bilateral social security agreements may allow the avoidance of double contributions. Italy and North Macedonia have signed a social security agreement enabling seconded workers to remain enrolled in the social security system of their home country for limited periods, subject to certification by the competent authorities.

##### Practical considerations

For companies and foreign workers, it is essential to:

- accurately determine the employee's tax residency status;
- verify applicable treaty benefits under the Italy–North Macedonia Convention, considering both formal and substantive requirements;
- carefully coordinate social security obligations to avoid double contributions and ensure compliance with local regulations.



# 5

## International tax aspects

### 5.1 Permanent establishment in North Macedonia

The concept of a permanent establishment (PE) plays a central role in international taxation, as it determines a State's taxing rights over income generated by non-resident entities. North Macedonian legislation draws inspiration from the general principles outlined in the OECD Model Tax Convention on Income and on Capital, largely incorporating its definitions and interpretative criteria.

Under North Macedonian tax law, a permanent establishment arises when a foreign enterprise conducts, in whole or in part, its business activities within the national territory through a fixed place of business. Such a place may take various forms, including offices, branches, subsidiaries, workshops, laboratories, or construction sites lasting more than twelve months. In line with international best practices, the notion of a personal permanent establishment is also recognised, arising when a person typically an agent or representative habitually acts on behalf of the foreign enterprise in North Macedonia and has the authority to conclude contracts in its name.

The presence of a permanent establishment entails the taxation in North Macedonia of the income attributable to it, according to the tax rates applicable to resident companies. Taxable profit is determined based on separate accounting principles, as if the permanent establishment were an autonomous and independent entity from its head office. This approach requires proper documentation of intra-group transactions and the application of transfer pricing principles consistent with OECD guidelines a matter of increasing importance for the North Macedonian tax administration.

It should be emphasised that not every form of presence in North Macedonia automatically gives rise to a permanent establishment. Activities of a merely preparatory or auxiliary nature such as warehouses used exclusively for storage of goods or offices designated solely for representation purposes are excluded. However, the distinction between preparatory activities and core business activities remains a nuanced issue, often requiring case-by-case assessment.

For foreign investors, correctly assessing whether a permanent establishment exists is essential for efficient structuring of business operations. An incorrect qualification may expose the enterprise to the risk of double taxation or penalties imposed by the tax authorities. In this context, the Double Taxation Convention between Italy and North Macedonia represents an important safeguard, providing common rules for income allocation and mechanisms for resolving potential interpretative disputes.

### 5.2 Withholding tax in North Macedonia

The withholding tax (WHT) regime is a fundamental tool through which North Macedonia exercises its right to tax income paid to non-residents. In line with international standards, national legislation provides for the application of a withholding tax on certain cross-border flows, which are taxed directly upon payment by the resident.

Income subject to withholding

The following income paid to non-residents is generally subject to withholding tax:

- Dividends distributed by resident companies;
- Interest on loans, bonds, or other financial instruments;
- Royalties, including fees for licensing the use of industrial rights or know-how;
- Fees for technical services and consultancy provided by non-residents.

The legislation also provides for a 10% withholding tax on:

- Management, financial consultancy, and research and development fees;
- Insurance and reinsurance premiums;
- Telecommunications services between Macedonian and foreign entities;
- Rental fees for real estate located in North Macedonia;
- Fees for entertainment and sports activities.

Standard rates

Macedonian tax law establishes a flat rate of 10% as a standard withholding tax on dividends, interest, royalties, and other cross-border payments listed above. This rate represents one of the lowest levels in the Balkan region and is often an attractive factor for foreign investors.

Type of income	Ordinary withholding tax rate
Dividends	10%
Interests	10%
Royalties	10%
Services and consultancy	10%
Management, R&D, financial consulting	10%
Insurance and reinsurance premiums	10%
Telecommunications services	10%
Property Rentals in Macedonia	10%
Entertainment and sports	10%

#### Double taxation agreements

The withholding tax rates indicated above may be reduced or eliminated under the bilateral Double Taxation Conventions signed by North Macedonia. In such cases, the non-resident beneficiary may apply the more favourable treaty rate, provided that adequate documentation is submitted to the tax authorities. For example, the Italy–North Macedonia Convention provides reduced rates for dividends, interest and royalties, which vary depending on the shareholding percentage or the nature of the payment.

#### Procedural aspects

The withholding agent (i.e., the resident entity making the payment) is responsible for applying and remitting the tax to the local authorities. In the event of incorrect application, penalties and interest may be imposed on the payer, making proper documentation management particularly important. To benefit from the reduced rates provided by a Double Taxation Convention, the foreign beneficiary must submit a certificate of tax residence issued by the competent authorities of their home country.

#### Implications for investors

For Italian companies operating in North Macedonia, the withholding tax framework is a key element to consider in financial planning. Thanks to relatively low standard rates and an extensive network of treaties in force, it is possible to optimise the repatriation of dividends and other income to Italy, reducing the risk of double taxation and improving the overall profitability of the investment.

### 5.3 Double taxation agreement with North Macedonia

The existence of a network of bilateral double taxation agreements (DTTs) represents one of the most important tools for ensuring legal certainty for foreign investors in North Macedonia. These agreements aim to prevent the same income from being taxed in both the source country and the country of residence, while promoting the exchange of tax information and cooperation between administrations.

#### General Overview

North Macedonia has signed more than 50 double taxation agreements, covering most of its major trade and economic partners. Among these, a key role is played by the agreement with Italy, signed in Skopje on February 6, 1996, and entered into force on December 22, 1997. The agreement is still in force and regulates the main aspects of the taxation of transnational income.

#### Double Taxation Elimination Mechanisms

The Italy–North Macedonia Convention follows the principles of the OECD Model, providing for:

- Exemption or tax credit method depending on the type of income and the domestic law of the country of residence;
- Specific rules for determining permanent establishment, for the attribution of profits, and for the taxation of real estate and movable property income;
- Provisions aimed at avoiding tax discrimination to the detriment of foreign investors.

#### Conventional Tax Rates

The agreement establishes reduced rates compared to the ordinary withholding tax regime:

- Dividends: up to 5% if the parent company holds at least 25% of the share in the company distributing profits; otherwise, 15%;
- Interest: 10%.
- Royalties: 10%.

These reductions, compared to the standard domestic rate of 10%, are particularly significant for dividends, where the rate can drop to 5% in the case of qualified shareholdings.

#### Procedure for Benefiting from the Reductions

To access the conventional rates, the foreign beneficiary must present to the Macedonian withholding agent a certificate of tax residence issued by the Italian authorities, certifying that the entity is tax resident in Italy for the purposes of the Convention. In the absence of such documentation, the payer is required to apply the standard rate of 10%.

#### Relevance for the Investor

The existence of the Italy-North Macedonia Convention significantly reduces the risk of double taxation, while also ensuring the possibility of resolving any disputes through the mutual agreement procedure (Mutual Agreement Procedure – MAP) provided for by the agreement. For Italian companies, this instrument translates into a concrete competitive advantage, as it allows them to plan their earnings, interest, and royalties in a tax-efficient manner and in compliance with international regulations.

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## 5.4 Taxation of profits of foreign controlled companies in North Macedonia

The existence of a network of bilateral Double Taxation Treaties (DTTs) represents one of the most significant instruments for ensuring legal certainty for foreign investors in North Macedonia. These agreements aim to prevent the same income from being taxed both in the source country and in the country of residence, while also promoting the exchange of tax information and cooperation between administrations.

### General framework

North Macedonia has concluded more than 50 double taxation treaties, covering most of its major commercial and economic partners. Among them, the Convention with Italy plays a particularly important role. It was signed in Skopje on 6 February 1996 and entered into force on 22 December 1997. The agreement remains in force and governs the key aspects of cross-border income taxation.

### Mechanisms for eliminating double taxation

The Italy–North Macedonia Convention follows the principles of the OECD Model, providing for:

- The exemption or tax credit method, depending on the type of income and the domestic rules of the country of residence;
- Specific rules for determining a permanent establishment, allocating profits, and taxing income from immovable and movable property;
- Provisions aimed at preventing discriminatory tax treatment against foreign investors.

### Treaty rates

The agreement establishes reduced withholding tax rates compared to the standard regime:

- Dividends: up to 5% if the parent company holds at least 25% of the capital of the company distributing the dividends; otherwise 15%;
- Interest: 10%;
- Royalties: 10%.

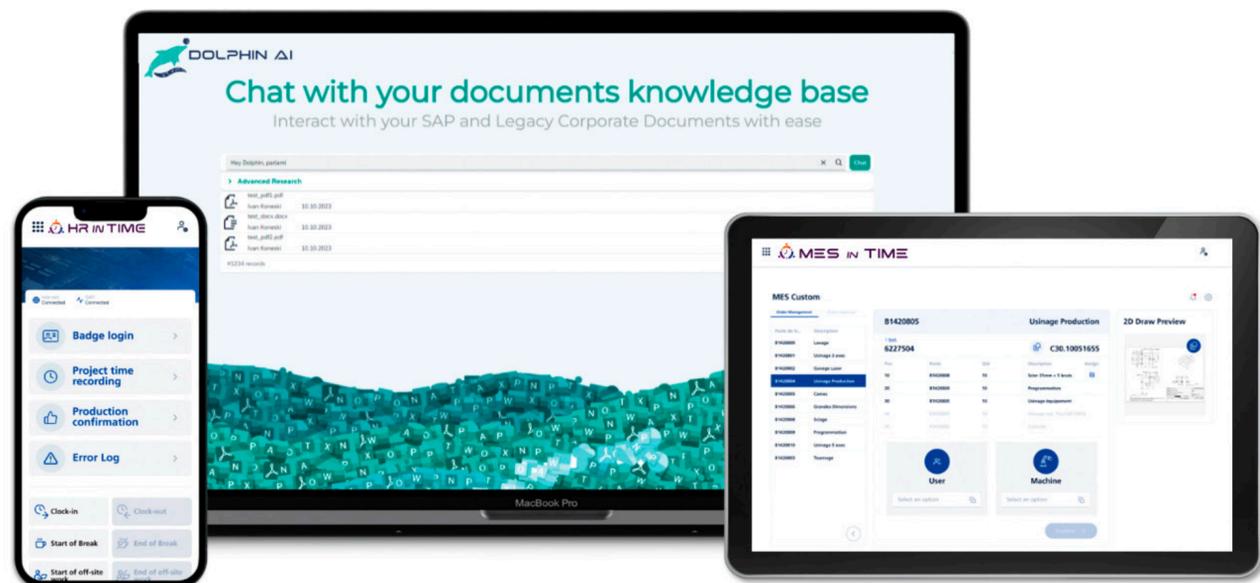
These reductions, compared with the standard domestic rate of 10%, are particularly relevant in the case of dividends, where the rate may fall to 5% when qualified shareholdings are involved.

### Procedure for applying reduced rates

To benefit from treaty rates, the foreign recipient must provide the Macedonian withholding agent with a certificate of tax residence issued by the Italian authorities, confirming that the taxpayer is fiscally resident in Italy for treaty purposes. In the absence of such documentation, the payer must apply the standard withholding rate of 10%.

### Relevance for investors

The Italy–North Macedonia Convention significantly reduces the risk of double taxation while ensuring the possibility to resolve potential disputes through the Mutual Agreement Procedure (MAP) provided for under the treaty. For Italian enterprises, this instrument translates into a tangible competitive advantage, as it enables the tax-efficient and compliant planning of dividend, interest and royalty flows in accordance with international standards.



## DYNA BRAINS

Founded in 2010 simultaneously in Italy and North Macedonia, Dyna Brains is an Italian company specialising in the development of digital innovation solutions and digital transformation processes for multinational companies and market leaders in various sectors, including Automotive, Fashion & Luxury, Food & Beverage and Mechatronics. With 15 years of experience, Dyna Brains operates in Italy with offices in Milan, Imola and Riccione, while in Skopje it has its own Software Competence Centre, the company's production hub. The young and highly qualified Macedonian team develops solutions based on SAP technologies, low-code platforms and Artificial Intelligence, collaborating on Italian and international projects. In recent years, the company has expanded its scope, supporting businesses in the adoption of Artificial Intelligence and the integration of innovative technologies into business processes, with a concrete and results-oriented approach. The choice of Skopje as the location for the technical hub reflects the desire to enhance local STEM skills, the cultural and geographical proximity to Italy and the high quality of IT training.

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# 6

## Indirect taxes

### 6.1 Tax rates

In North Macedonia, the value added tax (VAT) represents the main form of indirect taxation. The system provides for a standard rate and two reduced rates, which apply depending on the type of goods and services.

Rate	Scope of application
18 % (ordinary)	Applied to most goods and services.
5 % (reduced)	Reserved for essential goods and services, including basic food products, books, medicines, education and health services.
10 % (reduced)	Mainly applicable to restaurant and catering services (excluding alcoholic beverages), as well as some hotel and tourism services.
0 % (export)	For export operations, international transport and services related to cross-border trade.

In addition to VAT, the tax legislation imposes excise duties on products such as tobacco, alcoholic beverages, mineral oils and fuels.

The applicable rates vary depending on the type and quantity of the product and are periodically updated by the tax authorities, also with a view to harmonization with European Union standards.

In 2025, the Ministry of Finance initiated the process of full alignment with Directive 2006/112/EC, with the aim of standardizing VAT procedures and exemption criteria in preparation for EU accession.

### 6.2 VAT Registration in North Macedonia

Businesses operating in North Macedonia are required to register for VAT with the Public Revenue Office (PRO), according to criteria that vary depending on the nature of their activity and their tax residence.

Resident companies (with a registered seat or permanent establishment in the country):

The obligation to register arises when the annual taxable turnover exceeds 2,000,000 MKD (≈ EUR 32,000). Companies below this threshold may nevertheless opt for voluntary registration in order to deduct input VAT on their purchases.

Non-resident companies carrying out activities in North Macedonia:

Even without a permanent establishment, non-resident entities supplying taxable goods or services to Macedonian customers must register for VAT, appointing a local fiscal representative.

Since 2024, this requirement also applies to digital services, telecommunications, broadcasting and B2C online services, with no minimum threshold: registration becomes mandatory from the first transaction.

Non-resident companies operating exclusively with foreign clients:  
They are not required to register for VAT in North Macedonia.

VAT registration is completed by submitting form DDV-01, either to a regional PRO office or via the electronic e-Tax Services portal.

Once registered, the company receives a VAT identification number (VAT number), which must be indicated on all invoices and tax documents.

#### VAT Focus

Reverse charge and registration thresholds

For certain B2B transactions, VAT is accounted for directly by the Macedonian customer under the reverse-charge mechanism, thereby reducing the need for foreign operators to register.

The mandatory VAT registration threshold is currently set at 2,000,000 MKD, in line with prevailing tax practice.

### 6.3 Declarations

Registered VAT taxpayers must submit periodic returns to the Public Revenue Office (PRO), the authority responsible for tax administration and oversight.

The tax period may be monthly or quarterly, depending on the company's annual turnover:

- Monthly, if the previous year's turnover exceeds 25,000,000 MKD;
- Quarterly, if it is below this threshold.

VAT returns must be filed by the 25th day of the month following the respective tax period (monthly or quarterly), while payment of the VAT due must be made within 30 days from the end of that period.

Taxpayers must report all taxable, exempt or non-taxable transactions, distinguishing between domestic and international operations.

Invoices must be recorded in the VAT ledgers required by law, which form the basis for calculating the tax due.

Errors or omissions must be corrected through amended returns.

Administrative penalties apply in cases of delays or inaccuracies

### 6.4 Documents

Compliance with documentation requirements is essential for ensuring transaction traceability and the correct preparation of VAT returns.

Registered companies must prepare and retain the following in an orderly manner:

- Issued and received invoices, containing all mandatory elements: date, sequential number, parties' details, description of goods or services, applicable VAT rate, tax amount, and VAT identification number;
- VAT ledgers for issued and received invoices, updated regularly;
- Customs documentation for imports and exports, proving tax settlement or the application of the zero rate;
- Contracts and payment evidence, particularly in dealings with foreign entities.

Retention periods:

- Official accounting books -> 10 years from the end of the financial year;
- Supporting accounting documentation -> 5 years.

Tax authorities may conduct audits at any time during these periods.

Adopting digital archiving systems is considered best practice to reduce the risk of irregularities and ensure full compliance.

### 6.5 Tax credit

Registered businesses can deduct the tax paid on purchases (input VAT) from the tax collected on sales (output VAT). If the input VAT is higher, a tax credit is generated.

Credit management:

1. Carry forward to the following period to offset future VAT debts.
2. Request for a refund, via the periodic VAT return.

In the event of a refund, the PRO carries out a verification and, if the documentation is complete, recognizes the credit within 30 days.

Businesses that primarily conduct zero-rated transactions (exporters) are often in a credit position; although there is no formal priority channel, their refunds are generally treated with priority.

Tax credits, if managed correctly, are an essential tool for liquidity and financial optimization, but require formal attention and, often, the support of local tax advisors.

Concluding summary

Overall, North Macedonia's indirect tax system is modern, digitalized, and gradually aligned with European standards.

The procedures are clear, the regulations are stable, and the rates are competitive: these factors foster transparency and make the country a favorable environment for foreign operators.

## eLoop Srl

### About us (in brief)

eLoop is a consulting boutique founded by Italian researchers that supports companies and research projects in integrating sustainability and the circular economy throughout the entire life cycle of products, services and processes. The company combines academic rigour and technology transfer, collaborating with universities and research centres to develop state-of-the-art solutions. It also operates in the biotech and engineering fields, with a range of services dedicated to supporting subsidised finance projects. What we offer Sustainability & Circular Economy: Life Cycle Assessment (LCA), Carbon & Water Footprint, Social LCA, Environmental Product Declarations (EPD), Circularity Assessment, Ecodesign and professional training. Biotechnology: consulting for the enhancement of biogenic resources and optimisation of bioprocesses. Engineering: process optimisation and technological integration to improve performance and impact. Business & Finance (Italy): subsidised finance, consultancy on tax credits linked to sustainability strategy, legality ratings. Why eLoop Life-cycle approach and proprietary methods with academic rigour. Experience with SMEs and multinationals; networking with innovation ecosystems. International presence and relations (e.g. membership of Confindustria North Macedonia).

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# 7

## Work markets

### 7.1 The Labor Code of the Republic of North Macedonia

The labour market of the Republic of North Macedonia is primarily regulated by the Law on Labour Relations (Zakon za rabotni odnosi), adopted in 2005 and subsequently amended several times. This law constitutes the main legislative framework governing employment relationships, rights and obligations of employers and employees, collective bargaining, and dispute resolution.

Alongside it, several sector-specific laws complement the regulatory framework, including:

- the Law on Safety and Health at Work (Zakon za bezbednost i zdravje pri rabota), which regulates employers' obligations regarding risk prevention and the protection of working conditions;
- the Law on Prevention and Protection against Discrimination (Zakon za prevencija i zaštita od diskriminacija), adopted

in 2020, which strengthens guarantees against all forms of discrimination in employment and other social spheres.

The main authorities responsible for labour matters are:

- the Ministry of Labour and Social Policy (Ministerstvo za trud i socijalna politika), which defines sectoral policies and promotes legislative initiatives;
- the State Labour Inspectorate (Državen inspektorat za trud), tasked with supervising the implementation of labour regulations and intervening in cases of non-compliance.

The Law on Labour Relations is based on several fundamental principles:

- protection of workers' rights and promotion of fair and safe working conditions;
- equal treatment and non-discrimination, regardless of gender, age, ethnicity, or religious affiliation;
- the right to fair and timely remuneration;
- the right to trade union representation and collective bargaining;
- the right to social protection and social security.

In recent years, the regulatory framework has undergone a gradual alignment with European standards, in view of North Macedonia's EU integration process. The most recent amendments have focused on:

- strengthening anti-discrimination measures (with the 2020 law aligned with EU directives);
- introducing stricter rules on child labour and night work;
- enhancing protections for pregnant workers and parents during parental leave;
- regulating flexible forms of work, including remote work, through updates to the existing framework.

The evolution of labour legislation is closely tied to North Macedonia's path toward EU accession. National authorities have initiated a progressive harmonisation of the Law on Labour Relations with EU standards, particularly in areas such as gender equality and equal opportunities, workplace health and safety, maximum working hours, parental leave, and maternity protection. Although still ongoing, this alignment process is a key step toward ensuring greater regulatory certainty and increasing the attractiveness of the local labour market for foreign investors.

At the same time, the system still faces several structural challenges. A significant share of the workforce is employed in the informal sector, with negative consequences for social protection and for the competitiveness of companies operating fully within the law. Wage and employment disparities between men and women persist, as does a high youth unemployment rate, reflecting the mismatch between labour market demand and available skills. To address these challenges, national institutions are promoting vocational training initiatives and cooperation programmes with the European Union and international organisations, with the aim of making the labour market more inclusive, modern, and competitive.

North Macedonia's system recognises a significant role for collective bargaining, through national and sectoral agreements concluded between trade unions and employers' associations. These agreements cover roughly 50% of the workforce and serve as an essential instrument for establishing specific conditions regarding remuneration, workplace safety, and working hours, thereby ensuring greater contractual stability and regulatory predictability for businesses.

## 7.2 Employment contract and its forms

Employment relationships in the Republic of North Macedonia are established on the basis of a written employment contract, concluded in accordance with the Law on Labour Relations (Zakon za rabotni odnosi). The law sets out in detail the mandatory elements that must be included in the contract, such as:

- personal and identification details of the employer and the employee;
- description of the job position and main duties;
- place of work;
- start date and, if applicable, duration of the contract;
- working hours and arrangements for their organisation;
- amount of remuneration and criteria for its determination;
- rights and obligations of both parties;
- notice periods in case of termination.

The lack of written form does not invalidate the employment relationship, but it may result in penalties for the employer and entitles the employee to assert their rights on the basis of documentary or testimonial evidence.

### Probation Period

The contract may include a probation period (probacija), with a maximum duration of six months. During this period, either party may terminate the contract with a reduced notice period, while the employee retains all rights related to the hours effectively worked. This form is particularly common in open-ended contracts or for positions requiring specialised skills.

### Main Types of Employment Contracts

North Macedonian legislation provides several types of employment contracts, adaptable to the needs of both employers and employees:

- Open-ended contract (dogovor za rabota na neodreden vremenski period): the standard form of employment, offering greater stability and the broadest protections regarding dismissal, leave, and social security.
- Fixed-term contract (dogovor za rabota na odreden vremenski period): may be concluded only for objective reasons, such as temporary replacements, seasonal needs, or specific projects. The maximum duration is five years, including renewals. If the total duration exceeds five years, the contract is automatically considered an open-ended contract, in

line with European standards.

- Part-time contract (dogovor za rabota so skrateno rabotno vreme): provides for reduced working hours compared to full-time employment, guaranteeing equal rights proportionate to hours worked.
- Temporary or seasonal work contracts (dogovori za privremeni ili sezonski raboti): widely used in sectors such as agriculture, tourism, and manufacturing.
- Telework and remote work (rabota od doma i rabota na dalecina): modalities regulated by individual agreements ensuring adequate safety, health, and organisational conditions when working off-site.

### Special Contracts

The legislation also provides certain specific contractual forms:

- Apprenticeship contracts (dogovor za pripravništvo), aimed at facilitating the entry of young workers into the labour market;
- Training and internship contracts (dogovori za obuka i prakatika), which allow the acquisition of practical skills in cooperation with educational institutions and public employment programmes.

### Employer Obligations

Every employment contract must be registered with the competent authorities within a few days from the beginning of the employment relationship (generally within three days). Failure to register constitutes a serious violation subject to administrative sanctions and m

## 7.3 Termination of the employment contract

The Law on Labour Relations (Zakon za rabotni odnosi) provides detailed rules governing the termination of employment, ensuring a balance between the contractual freedom of the parties and the protection of workers.

### Grounds for Termination

An employment contract may be terminated in the following cases:

- voluntary resignation (ostavka) by the employee, formalised in writing and subject to the applicable notice period;
- dismissal by the employer (otkaz), justified by economic, organisational, or disciplinary reasons;
- expiry of the contract in the case of fixed-term employment;
- mutual agreement of the parties, executed in writing;
- objective circumstances, such as reaching retirement age, death of the employee, or the permanent closure of the employer's business.

### Notice Periods

The length of the notice period varies depending on which party initiates termination:

- in the case of voluntary resignation, the employee must observe a minimum notice period of 15 days;
- in the case of employer-initiated dismissal, the standard notice period is 30 days, unless longer periods are established by collective agreements.

Immediate termination without notice is permitted only in cases of serious disciplinary misconduct or exceptional circumstances and must always be duly justified.

### Dismissal and Worker Protections

Dismissal must be communicated in writing and clearly justified. The law distinguishes between:

- economic or organisational reasons, such as downsizing or restructuring;
- disciplinary reasons, in cases of serious breaches of contractual obligations;
- professional incompetence, or loss of qualifications required to perform the assigned duties.

The employee has the right to challenge the dismissal: within 15 days of receiving notice, they may file an appeal before the competent court. Before initiating legal proceedings, the employee may also seek intervention from the Labour Inspectorate, which has mediation powers. If the dismissal is found to be unlawful, the court may order reinstatement or the payment of financial compensation.

## Severance and Compensation

Upon termination of employment, the employee is entitled to receive:

- remuneration accrued up to the last working day;
- payment for unused annual leave;
- any other entitlements provided by the collective or individual contract.

In cases of dismissal for economic reasons or company restructuring, the law provides for severance pay proportional to the employee's length of service and calculated on the basis of the average net salary of the last six months. Minimum amounts are as follows:

- up to 5 years of service: 1 monthly salary;
- from 5 to 10 years: 2.5 monthly salaries;
- from 10 to 15 years: 3.5 monthly salaries;
- from 15 to 20 years: 4.5 monthly salaries;
- from 20 to 25 years: 6 monthly salaries;
- over 25 years: 7 monthly salaries.

These amounts must be paid at the moment of termination and cannot be waived by the employee.

## 7.4 Labor disputes

Labour disputes in the Republic of North Macedonia are regulated by the Law on Labour Relations (Zakon za rabotni odnosi) and complementary legislation governing the judicial system and collective bargaining. The aim of the legislator is to ensure a balanced framework allowing conflicts to be resolved within a reasonable timeframe, promoting preventive and mediation mechanisms before resorting to judicial proceedings.

### Preventive Mechanisms

Collective bargaining and trade union organisations play a central role in reducing labour conflicts. They may negotiate more favourable working conditions and establish internal procedures for handling disputes. In many sectors, collective agreements include specific conciliation clauses between employers and workers' representatives, designed to resolve conflicts quickly without recourse to external authorities.

### Mediation and Conciliation

The law encourages the use of mediation procedures, either through the State Labour Inspectorate (Državen inspektorat za trud) or via accredited independent mediators. Mediation is particularly common in disputes regarding unpaid wages, overtime, or social security contributions. When an agreement is reached, the conciliation report serves as an enforceable title and may be executed directly without the need for further court proceedings.

### Internal Disciplinary Procedure

Before proceeding with dismissal on disciplinary grounds, the employer must follow an internal procedure that includes:

- written notification of the alleged violation to the employee;
- granting a period for the employee to submit comments or a defence;
- a reasoned decision, communicated in writing.

Failure to comply with this procedure renders the dismissal subject to annulment before the labour courts.

### Labour Court Proceedings

If mediation is unsuccessful, the employee may bring the case before the competent labour court. The time limit for filing an appeal is generally 15 days from the contested decision (for example, a dismissal). For other types of disputes, longer deadlines may apply. The law provides for an expedited procedure; however, in practice, the average duration for a first-instance ruling ranges from six months to one year, depending on the complexity of the case and the workload of the courts.

## Enforcement of Decisions

Labour court rulings are immediately enforceable. In cases of unlawful dismissal, the judge may order the reinstatement of the employee or award financial compensation. For wage-related disputes, enforcement proceedings may be initiated quickly against the employer's assets, ensuring recovery of the sums owed.

## Collective Disputes and Strikes

In addition to individual disputes, the law regulates collective conflicts that may lead to trade union actions or strikes (štajk). The strike is recognised by the Constitution as a fundamental right of workers but must be exercised in compliance with specific procedural rules, including prior notification to the employer and observance of notice periods. In sectors considered essential—such as healthcare, public transport, and emergency services—minimum service levels must be ensured to balance the right to strike with the protection of public interest.

## 7.5 Wage costs

Labour costs in the Republic of North Macedonia are determined by the combination of the employee's gross salary and the social security and tax obligations borne by both the employer and the employee. The applicable framework, defined by the Law on Labour Relations (Zakon za rabotni odnosi) and by social security and tax regulations, aims to ensure a sustainable social protection system while maintaining the country's competitiveness for businesses.

### Components of Labour Costs

The structure of labour costs consists of three main elements:

- gross salary (contractually agreed remuneration);
- mandatory social security and insurance contributions;
- personal income tax applied to the salary.

Social contributions are shared between employer and employee, while personal income tax is entirely borne by the employee.

## Social Security Contributions

The contribution system is based on a unified rate, currently around 28% of the gross salary, allocated to various funds:

- pension and disability insurance;
- health insurance;
- unemployment insurance;
- insurance against workplace injuries and occupational diseases.

These contributions are withheld at source and paid by the employer to the tax and social security authorities. The overall rate applies uniformly to gross salaries across sectors, although incentives may be granted for specific categories of workers or state-supported employment programmes (e.g., youth employment schemes or technological-industrial development zones).

## National Minimum Wage

As of 1 March 2025, the national gross minimum wage in the Republic of North Macedonia is set at 36,037 MKD (approximately €585–600, depending on the exchange rate), corresponding to a net minimum of 24,379 MKD. This threshold serves as a protective benchmark for low-income workers and is periodically updated by the government in consultation with social partners.

## Average Salaries

According to official data published by the National Statistical Office (MakStat), the average gross salary in April 2025 amounted to 68,294 MKD (≈ €1,100). Sectoral differences are substantial:

- manufacturing industry: around 55,000 MKD (≈ €880);
- services and commerce: close to the national average, between 65,000 and 70,000 MKD (≈ €1,040–1,120);
- ICT and highly specialised sectors: above 90,000 MKD (over €1,450).

These figures highlight a dual labour market characterised by lower wages in traditional sectors and competitive salaries in innovative industries.

## Example of Employer Labour Cost

To better understand the impact on employers, consider a worker earning the national average gross salary (68,000 MKD ≈ €1,100):

- after taxes and contributions, the employee receives a net salary of approximately 47,000 MKD (≈ €760);
- the employer bears a total cost of roughly 80,000 MKD (≈ €1,280), including mandatory employer contributions.

This example illustrates the gap between net salary and total employer cost—an essential element for foreign investors when planning human resources.

## Comparison with Regional Countries

Labour costs in North Macedonia remain competitive compared to neighbouring countries:

- in Serbia and Bulgaria, average gross salaries are slightly higher, between €1,200 and €1,300;
- in Albania, salary levels are similar to those in North Macedonia but have shown more recent growth;
- in nearby EU member states (Greece, Croatia, Slovenia), labour costs are significantly higher, with average salaries ranging from two to four times North Macedonian levels.

This situation, combined with relatively moderate taxation, makes North Macedonia an attractive labour market for companies seeking competitive costs while operating within a European integration context.

Table – Example of labor cost (2025)

Voice	Amount in MKD	Amount in € (≈)
<b>Gross salary</b>	68.000	1.100
Contributions paid by the worker	13.000	210
Personal income tax	8.000	130
<b>Net salary received</b>	47.000	760
Contributions paid by the employer	12.000	190
<b>Total cost to the employer</b>	80.000	1280

Note: The values provided are indicative and calculated on the basis of average contribution rates. Actual amounts may vary depending on incentives, business sector, and collective bargaining agreements.

Average exchange rate for 2025: €1 ≈ 61.5 MKD (source: National Bank of the Republic of North Macedonia).

## 7.6 Posting of EU citizens to and from North Macedonia

The cross-border posting of workers is a significant aspect for Italian and European companies operating in North Macedonia, as well as for local companies sending personnel to the European Union. The applicable rules derive from a combination of national legislation (Zakon za rabotni odnosi – Law on Labour Relations, complemented by the Posting of Workers Act), EU regulations (EC Regulations No. 883/2004 and 987/2009), and bilateral agreements, including the Italy–North Macedonia Double Taxation Convention.

### Posting to North Macedonia (EU Citizens)

A company based in an EU Member State may temporarily post its workers to North Macedonia, provided that:

- the employment relationship with the home company remains valid for the entire posting period;
- the worker continues to benefit from social security coverage in the home country, proven through the A1 certificate;
- the employer submits a prior notification of the posting to the competent Macedonian authorities (Ministry of Labour and Social Policy, Labour Inspectorate), providing information on duration, duties, and workplace;
- local conditions regarding working hours, leave, health and safety are respected, and at least the Macedonian minimum wage is guaranteed.

In practice, local authorities generally require translations of key documents into Macedonian (employment contract, posting letter, A1 certificate). Average registration times range from 1 to 3 weeks.

### Posting from North Macedonia to the EU

Similarly, a Macedonian company may temporarily send its employees to an EU Member State. In this case:

- social security coverage remains in North Macedonia for up to 24 months, extendable with mutual authorisation by the competent authorities;
- the company must request the A1 certificate from the Pension and Disability Insurance Fund (Fond za penzisko i invalidsko osiguruvanje), submitting the employment contract, assignment letter, and project details;
- the host company in the EU must comply with the minimum employment conditions required by the host country's national legislation (working hours, leave, safety, minimum wage).

On the Italian side, the competent authority for issuing the A1 certificate (for EU/EEA/CH) or posting certificates (for convention countries outside the EU) is INPS, through an online procedure. No communication to the Italian Ministry of Labour is required when an Italian company posts workers abroad: the UNI\_DISTACCO\_UE notification applies exclusively to workers posted to Italy by foreign companies.

### Duration and Extensions

The maximum duration of a posting is 24 months, in accordance with EC Regulation 883/2004. In exceptional cases (long-term projects, complex construction sites), an extension may be requested through an agreement between the social security authorities of the two countries involved. Beyond this period, the worker becomes fully subject to the social security system of the host country.

### Tax Aspects

The tax treatment depends on the duration of the stay and the tax residency of the worker:

- if the stay in North Macedonia (or in Italy, for reverse postings) does not exceed 183 days in a calendar year, income continues to be taxed in the home country;
- if the stay exceeds 183 days, income may become taxable in the host country.

The Italy–North Macedonia Double Taxation Convention (1996, in force since 2000) provides that:

- employment income is taxable in the State of residence unless the conditions above apply;
- in cases of double taxation, Italy grants a tax credit for taxes already paid in North Macedonia (and vice versa), thus avoiding duplicated tax burdens.

### Typical Sectors and Use Cases

Posting is common in the following sectors:

- construction and plant engineering, for short- to medium-term sites or projects;
- ICT and consulting services, where specialised teams work on short- or medium-duration assignments;
- manufacturing, for maintenance operations or machinery installation.

### Best Practices for Companies

To minimise compliance risks, companies are advised to:

- plan postings at least 30 days in advance, initiating the A1 certificate request early;
- verify the worker's health coverage (EHIC or supplementary insurance);
- ensure that remuneration meets the minimum thresholds of the host country;
- prepare clear contracts and bilingual documentation (Italian–Macedonian or English–Macedonian);
- carefully monitor the 183-day rule for tax purposes.

Table – Gap between Italy and North Macedonia (2025)

Direction of detachment	Competent authorities	Main documents	Maximum duration	Applicable tax regime
<b>UE -&gt; North Macedonie</b>	Ministry of Labor and Social Policies; Labor Inspectorate	Contract, Letter of Secondment, A1 Certificate, Macedonian	24 months (extendable with prior authorization)	Taxation in the country of origin if stay ≤ 183 days
<b>North Macedonia -&gt; UE</b>	Pension and Disability Insurance Fund (FPIL); EU social security authority (e.g., INPS for Italy)	Contract, Letter of Appointment, A1 Certificate	24 months (extendable with bilateral agreement)	Taxation in the host country if stay > 183 days

## 7.7 Training and skills (including CNMK agreements with local universities)

### Human Capital and Education System

The quality of human capital is one of the most significant factors for a country's competitiveness and its ability to attract foreign investment. Over the past decades, the Republic of North Macedonia has undertaken a series of reforms to modernise its education system, bringing educational offerings closer to labour market needs and progressively aligning with European standards.

#### Education System

North Macedonia's education system includes general and vocational secondary schools, technical institutes, and a growing number of public and private universities. The most prominent institution is the "Ss. Cyril and Methodius" University of Skopje, which serves as the country's main research hub. Other important institutions include the "St. Clement of Ohrid" University of Bitola, the State University of Tetovo, and the "Goce Delčev" University of Štip, alongside several private universities. Courses are mainly offered in Macedonian and Albanian, but in recent years there has been a growing availability of programmes in English—particularly in economics, engineering, and medicine—to increase the international attractiveness of North Macedonian universities.

#### Skills and Human Capital

The average education level of the workforce is rising: the share of university graduates and technical diploma holders is higher than the regional average and continues to grow. Solid competencies are particularly evident in ICT, engineering, medicine, natural sciences, and economics. However, some skills gaps persist in specific industrial sectors (advanced mechanics, logistics, automation), where business demand exceeds the supply of qualified workers.

Foreign language proficiency is relatively widespread, with English as the predominant second language and Italian taught in several schools and faculties. This facilitates the integration of young North Macedonian professionals into Italian companies operating in the country.

#### Vocational Training and Lifelong Learning

Vocational institutes and technical training programmes play an important role, offering short- and medium-term courses tailored to the practical skills required by companies. In recent years, the concept of lifelong learning has gained ground, supported by national programmes and European funding (IPA and Erasmus+), which help workers retrain for emerging sectors such as the green economy and digitalisation.

Local chambers of commerce and business associations regularly organise training courses, workshops, and seminars—often in cooperation with international partners.

#### University–Business Cooperation

North Macedonia's university system is strengthening its collaboration with the private sector through:

- internship and traineeship programmes for students;
- joint research and innovation laboratories, particularly in ICT, automotive, and agri-food sectors;
- career days and job fairs regularly held at major universities.

These initiatives help reduce the gap between theoretical education and practical skills, improving youth employability.

#### The Role of Confindustria North Macedonia (CNMK)

A decisive contribution comes from Confindustria North Macedonia, which in recent years has established structured agreements with the country's main universities, in particular:

- "Ss. Cyril and Methodius" University of Skopje;
- "St. Clement of Ohrid" University of Bitola;
- "Goce Delčev" University of Štip.

These agreements include:

- promotion of internship programmes within CNMK member companies;
- development of joint training pathways on topics such as business management, internationalisation, sustainability, and the digital economy;
- organisation of periodic meetings and workshops involving students, professors, and Italian companies;
- facilitation of applied research projects, with special focus on manufacturing, agri-food, and technological sectors.

CNMK also plays a bridging role between academia and the business community, helping to orient university curricula toward market needs and promoting the integration of young graduates into Italian companies operating in North Macedonia.

#### Future Perspectives

Future developments depend on further alignment of study programmes with the skills required by Industry 4.0, strengthening of linguistic and digital education, and enhanced partnerships with European universities and companies. In this context, the initiatives promoted by CNMK represent a concrete example of how cooperation between the education system and the productive sector can improve the country's competitiveness and increase its attractiveness for foreign investors.

These developments align with North Macedonia's EU integration process and reinforce bilateral cooperation with Italy.

The agreements promoted by CNMK constitute a virtuous model of synergy among education, innovation, and business, contributing both to the competitiveness of the North Macedonian production system and to the country's appeal for Italian investors.



## MAPEI

Mapei Bulgaria is a branch of the multinational company Mapei SpA, one of the world's leading manufacturers of chemical products for the building industry. Over the years, the company has contributed to the construction of some of the world's most iconic architectural and infrastructure projects, such as the Statue of Liberty, the Panama Canal, the Sagrada Familia and the restoration of Notre Dame. In Bulgaria, Mapei specialises in adhesives, grouts, silicones, waterproofing products, thermal insulation and special products for the construction industry. Thanks to its plant in Ruse, the company is able to serve not only the Bulgarian market, but also key markets in the region such as North Macedonia, Romania and Albania.

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# 8

## Corporate Law

### 8.1 General rules and regulations

Company law in the Republic of North Macedonia is primarily governed by the Law on Trading Companies (Zakon za trgowski drushtva), adopted in 2004 and subsequently amended several times in order to transpose European directives on corporate governance, shareholder protection and transparency. This legal framework regulates the incorporation, operation and dissolution of companies, establishing the basic principles applicable to all recognised corporate forms and ensuring a degree of harmonisation with the legal systems of European Union Member States.

As a general principle, the law guarantees freedom of economic initiative and equal treatment of domestic and foreign actors. This means that foreign investors are not subject to discriminatory restrictions or limitations and may fully own a local company, enjoying the same rights and obligations granted to Macedonian entrepreneurs. This reflects the country's commitment to attract foreign capital, in line with the obligations stemming from the EU accession process and the rules of the World Trade Organization.

A fundamental requirement for starting a business in corporate form is registration with the Central Registry of the Republic of North Macedonia (Centralni registar na RNM). This body acts as the central authority for collecting and updating official information on companies, ensuring legal publicity and public access to corporate data. Registration is not merely a formality, but the moment in which the company acquires legal personality and becomes an autonomous holder of rights and obligations.

#### Recognised Company Types

The Macedonian legal system recognises several corporate forms, each characterised by specific liability regimes, minimum capital requirements and varying levels of managerial complexity. Among these, the limited liability company (DOO/DOOEL) and the joint-stock company (AD) are the most commonly used, especially by businesses operating with foreign partners. These forms provide a clear and internationally familiar legal structure.

In addition to these, the law also regulates partnerships—where partners have unlimited liability for the company's obligations—and other structures such as branches and representative offices of foreign companies. In practice, partnerships play a marginal role, while branches and representative offices are typically chosen by international groups wishing to explore the market before incorporating a fully independent entity. The availability of multiple models allows investors to adapt the legal structure to the specific needs of the business, balancing management simplicity and asset protection.

#### Common Rules Across Corporate Forms

Regardless of the chosen model, the law provides a set of common obligations ensuring coherence and transparency. First, a written incorporation act is required, specifying key elements of the company: name, registered seat, business activity, capital contributions, corporate bodies and rules of operation. In certain cases, the act must be notarised, ensuring the seriousness and legal certainty of the operation.

The Macedonian language is mandatory for the drafting of corporate documents, although sworn translations may be attached when foreign shareholders are involved. While this requirement ensures administrative uniformity, it can represent a practical obstacle for international investors, who often rely on local advisors to avoid translation errors or delays in document submission.

Other common requirements include asset segregation separating the company's assets from those of the shareholders and accounting obligations. Larger companies must adopt International Financial Reporting Standards (IFRS), ensuring comparability with financial statements in other jurisdictions; smaller enterprises may instead apply simplified national accounting standards. In all cases, businesses must submit periodic financial reports and comply with reporting obligations towards tax authorities and, for certain categories, towards the Central Bank.

Finally, the law establishes strict transparency obligations aimed at ensuring legal certainty and protecting third parties. Registration of acts and amendments with the Central Registry is required for them to be effective vis-à-vis third parties, thereby strengthening trust among economic operators.

#### Authorities and Institutional Framework

The smooth functioning of the corporate system depends not only on primary legislation but also on the institutions responsible for applying it. In addition to the Central Registry the main reference point for companies the following bodies play an important role: Commercial Courts, which resolve disputes between shareholders and interpret statutory provisions; the Chamber of Commerce, which provides assistance and information during incorporation procedures; the Public Revenue

Office, responsible for tax matters; and, in specific cases, the Central Bank, particularly when the company's activity involves financial aspects. This set of institutions forms a structured system that often requires coordination and, in many cases, technical assistance to navigate effectively.

#### Key Aspects for Foreign Investors

For Italian or European investors, Macedonian company law offers several advantages. Full equal treatment eliminates the need for mandatory partnerships with local actors, allowing foreign investors to retain full control of their company. In recent years, simplification measures have been introduced, such as the possibility of registering a new entity within a relatively short timeframe just a few days thanks to the one-stop shop system of the Central Registry and the use of electronic procedures. Nevertheless, some complexities remain. Administrative timelines may lengthen when foreign documentation is not properly legalised or translated; Macedonian remains a mandatory language, nearly always requiring the support of professional consultants and sworn translators. Additionally, the practical application of IFRS may generate additional costs for small and medium-sized enterprises seeking to ensure transparency when dealing with foreign partners. Overall, the regulatory framework is solid and increasingly aligned with European standards. The clarity of the rules and the level of legal protection provided by the State represent strong advantages, while linguistic and procedural challenges are the elements most frequently requiring careful planning when considering an investment.

## 8.2 Limited liability company DOO/DOOEL

The most widespread corporate form in the Republic of North Macedonia is the limited liability company, regulated by law in two variants: DOO (društvo so ograničena odgovornost) and DOOEL (društvo so ograničena odgovornost od eden člen), the latter used when there is a sole founding shareholder. Both configurations are preferred by local small and medium-sized enterprises as well as by foreign investors, as they combine a regime of limited shareholder liability with a structure that is relatively easy to establish and manage. The minimum share capital required to incorporate a DOO/DOOEL is set at EUR 5,000 (in the Macedonian denar equivalent). Contributions may be made in cash or in kind, provided that they can be economically assessed and are clearly indicated in the articles of association. In the case of non-cash contributions, an appraisal prepared by a certified expert is required. Although the law sets a minimum capital requirement of EUR 5,000, the full payment does not need to be made prior to the company's registration. Indeed, the articles of association may stipulate that cash contributions be paid within a maximum of 12 months from the date of incorporation, as permitted under Article 169 of the Law on Trading Companies (Zakon za trgowski drushtva). If the contribution is made immediately, the capital may be deposited into a temporary bank account opened in the name of the company in formation; if payment is deferred, the manager must ensure compliance with the deadlines and may formally notify any defaulting shareholders. Should the 12-month deadline pass without full payment, the Central Registry may initiate ex officio deregistration proceedings or apply the sanctions provided for by law. From a liability standpoint, shareholders are responsible only up to the value of their subscribed contributions. This principle is one of the key elements that makes this legal form attractive, as it safeguards the personal assets of shareholders from the company's obligations. In the case of a DOOEL, the sole shareholder enjoys the same protections and limitations: liability is confined to the subscribed and paid-in capital, with no intermingling with personal assets.

#### Organisational Structure and Management

The DOO offers a relatively flexible internal structure. The Shareholders' Assembly is the main decision-making body and resolves on essential matters such as approval of financial statements, profit distribution, amendments to the articles of association and the appointment or dismissal of managers. Day-to-day management is entrusted to one or more managers, who may also be non-shareholders and who legally represent the company externally. Neither Macedonian citizenship nor residence is required to hold this position, a feature that facilitates the entry of foreign investors. Managers are required to comply with the law and the articles of association and are personally liable for any violations that cause damage to the company or third parties. In the case of a DOOEL, no Shareholders' Assembly exists, as decisions are made directly by the sole shareholder and recorded in writing. This allows for fast and streamlined decision-making but also requires greater attention to properly formalising resolutions to ensure the legal validity of corporate actions.

#### Accounting Obligations

DOOs and DOOELs must prepare annual financial statements and file them with the Central Registry. Larger companies apply International Financial Reporting Standards (IFRS), while micro and small enterprises may use simplified national standards. Filing is generally carried out electronically, with the aim of improving corporate transparency and administrative efficiency.

As for tax obligations, DOO/DOOEL companies follow the standard corporate taxation regime, already outlined in Chapter 3. It is sufficient to recall here that dividends distributed to shareholders are subject to withholding tax, with possible reductions under international double taxation agreements, including the bilateral treaty with Italy.

#### Incorporation and Transfer of Shares

Incorporating a DOO or DOOEL requires the drafting of the articles of association and registration with the Central Registry. Procedures have been streamlined thanks to digitalisation, allowing incorporation to be completed within a relatively short timeframe.

Shares in a DOO are not represented by stock certificates but by personal rights. Their transfer takes place through a written contract, notarised and registered with the Central Registry in order to be effective vis-à-vis third parties. Many companies include pre-emption clauses in their articles of association, granting existing shareholders a priority right in the event of a transfer, thereby preserving stability in the ownership structure. In DOOELs, since only one shareholder exists, such issues do not arise, but the transfer of the entire shareholding effectively results in the substitution of the sole shareholder.

#### Advantages and Challenges

The DOO/DOOEL stands out for its favourable balance between ease of management and legal protection. Key advantages include the low minimum capital requirement, limited liability for shareholders, the possibility of incorporating with a single shareholder, openness to foreign investors and streamlined procedures. Nonetheless, some practical challenges remain: the need to properly manage the translation and legalisation of documents in the presence of foreign shareholders; the costs associated with applying international accounting standards for medium and large companies; and, in multi-shareholder DOOs, potential rigidity arising from pre-emption clauses governing the transfer of shares. Overall, DOO and DOOEL companies represent the most widely used and valued corporate vehicles in North Macedonia, forming the backbone of the country's entrepreneurial fabric. Their prevalence reflects a well-balanced combination of operational simplicity and legal reliability, making them particularly suitable for Italian investors seeking to establish a stable presence in the country.

### 8.3 Joint-stock company AD

The joint-stock company, referred to in Macedonian law by the acronym AD (akcionersko društvo), is the corporate form designed for larger-scale entrepreneurial activities. Compared with the limited liability company, the AD features a more complex organisational structure, higher capital requirements and stricter transparency obligations, reflecting its vocation to raise capital from a potentially broad base of shareholders.

#### Capital Requirements and Shareholding Structure

To incorporate a joint-stock company, the law requires a minimum share capital significantly higher than that of a DOO/DOOEL: EUR 25,000 in the case of incorporation through private subscription (“successive” incorporation) and EUR 50,000 for incorporation through a public offering (“simultaneous” incorporation). The capital must be divided into shares, which may be registered or bearer shares (the latter now rarely used), and represent each shareholder’s participation in the company. The law allows an AD to be established by one or more shareholders. Even in the case of a single shareholder, the company must fully comply with the rules governing joint-stock companies, including the corporate governance principles set out by law. Contributions may be made in cash or in kind, with a mandatory valuation report issued by an independent expert for non-cash contributions.

Regarding payment deadlines, at least 25% of the subscribed share capital must be deposited prior to registration with the Central Registry, into a temporary bank account opened in the name of the company in formation. The remaining amount may be paid within a maximum period of two years from incorporation, as determined by the company’s statutes and the law. For contributions in kind, the transfer of the asset and the related valuation must be completed in full prior to registration.

#### Corporate Bodies and Governance

The AD features a structured system of governance inspired by European models. Its main corporate bodies are:

- The Shareholders’ Assembly, the supreme body of the company, responsible for approving the annual financial statements, profit distribution, amendments to the statutes and the election or removal of members of the other corporate bodies.
- The Board of Directors or the Supervisory Board, depending on whether the company adopts a one-tier (monistic) or two-tier (dualistic) system. In the monistic model, management and oversight functions are combined within the Board of Directors; in the dualistic model, these functions are separated between a Supervisory Board and a Management Board, similar to the German system.
- Executive directors, responsible for the company’s day-to-day management, appointed by the Board and liable to the company and third parties for proper administration.

This governance structure requires more complex internal procedures compared with DOOs/DOOELs, including detailed minute-taking and strict rules on convening meetings and quorum requirements.

#### Transparency and Accounting Obligations

Joint-stock companies are subject to stricter transparency requirements than other corporate forms. They must prepare and publish annual financial statements in accordance with IFRS, submit them to mandatory statutory audit by an independent auditor and file them with the Central Registry. They must also provide regular information to shareholders and—if listed—to the market, in line with international corporate governance practices.

These requirements ensure a high level of reliability and integrity of corporate information and constitute a prerequisite for accessing financial markets and participating in major public tenders.

#### Listing and Capital Markets

An AD may be listed on the stock exchange, enabling the company to raise capital from a broad investor base. In North Macedonia, this function is performed by the Macedonian Stock Exchange in Skopje, which, although relatively small in size, constitutes the country’s main regulated market. Listing requires compliance with additional governance, transparency and financial disclosure requirements, and represents a fundamental financing channel for larger enterprises.

Although the Macedonian capital market remains limited compared with those of Western European countries, the AD is the only corporate form that allows access to such instruments, providing investors with an internationally recognised legal framework.

### Advantages and Challenges

The joint-stock company offers several advantages: the ability to raise significant capital, access to regulated markets, transparent governance and advanced tools for shareholder protection. It is the ideal structure for medium- to large-scale investment projects requiring a solid capital base and a sophisticated organisational framework.

However, challenges exist. Incorporation and operating costs are higher than those of other corporate forms, internal procedures are more burdensome and reporting obligations can be substantial particularly in a capital market that is still relatively underdeveloped. For these reasons, many companies, including foreign investors, prefer to begin with a DOO/DOOEL and consider conversion into an AD at a later stage, once the business has reached sufficient scale.

#### Considerations for Foreign Investors

For Italian investors, the AD is a suitable vehicle when significant growth plans are envisaged, when external capital raising is required or when projects involve substantial exposure to the local and regional market. The regulatory framework for ADs, which is largely harmonised with EU standards, offers a level of protection comparable to that of major European jurisdictions, while still requiring careful management of local formalities and the support of specialised advisors.

### 8.4 Other corporate forms

In addition to limited liability companies (DOO/DOOEL) and joint-stock companies (AD), Macedonian legislation recognises several additional corporate forms less common in practice but still regulated by the Law on Trading Companies of the Republic of North Macedonia (Zakon za trgovski drushtva) which may be useful in specific circumstances.

#### Partnerships

The law allows the establishment of general partnerships (società in nome collettivo) and limited partnerships (società in accomandita semplice). In both cases, partners are jointly and severally liable without limitation for the obligations of the partnership, except for limited partners in a limited partnership, whose liability is restricted to the amount of their contribution. These types of entities are used infrequently, mainly for small-scale or family-run activities, due to their limited asset protection and low appeal to foreign investors.

#### Branches and Representative Offices

Foreign companies wishing to operate in North Macedonia without incorporating a standalone local entity may open a branch or a representative office.

A branch has no separate legal personality from its parent company, but must be registered with the Central Registry and may carry out economic activities in the name and on behalf of the foreign company.

A representative office, by contrast, performs promotional and liaison functions only and is not permitted to conduct commercial activities. It is a suitable option for companies seeking to explore the market or maintain a local point of contact.

#### Simplified Limited Liability Company

Since 2021, Macedonian legislation has introduced a simplified form of limited liability company, often referred to as a “low-capital LLC” or “simplified LLC.” This form allows incorporation with a minimum share capital of just EUR 1 (denar equivalent), with shares having a nominal value of no less than EUR 0.10.

It is designed to promote self-employment and the creation of micro-enterprises, particularly among young or innovative entrepreneurs. However, it comes with certain restrictions: contributions must be made exclusively in cash, the number of shareholders is limited and constraints may apply to profit distribution until the company reaches a more solid capital base. While offering an opportunity for small-scale initiatives, this legal form is generally not suitable for medium- or large-scale investments or for operations involving foreign partners, who typically require more robust and established structures such as the DOO/DOOEL or AD.

## 8.5 Setting up a commercial company

La costituzione di una società in Macedonia del Nord è disciplinata dalla Legge sulle società commerciali e gestita. The incorporation of a company in North Macedonia is governed by the Law on Trading Companies and is carried out operationally through the Central Registry of the Republic of North Macedonia (Centralni registar na RNM), which acts as a one-stop shop for all registration procedures. In recent years, the process has been significantly streamlined thanks to digitalisation and the introduction of standardised procedures, which have reduced both processing times and costs compared with the past.

### Preparation and Documentation

The first step is the drafting of the articles of association (or statute), which must contain the essential elements of the company: name, registered seat, business activity, capital contributions, subscribed and paid-in capital, management bodies and operating rules. The document must be prepared in the Macedonian language and, when foreign shareholders are involved, accompanied by sworn translations of all documents submitted. In addition to the articles of association, the documentation required includes information on the founding shareholders (individuals or legal entities), any notarised powers of attorney, contribution declarations and valuation reports for non-cash contributions. All foreign documents must be legalised or apostilled under the Hague Convention and accompanied by an official translation.

### Deposit of Share Capital

Before registration, shareholders must deposit the minimum share capital required by law for the chosen corporate form. The deposit is made into a temporary bank account opened in the name of the company in formation.

- For DOO/DOOEL companies, the full minimum capital of EUR 5,000 must be paid in before registration.
- For AD companies, at least 25% of the subscribed share capital must be deposited before registration, while the remainder may be paid within two years of incorporation.

Once the company is registered with the Central Registry, the temporary account is converted into a standard business bank account.

### Registration with the Central Registry

The application for registration is submitted electronically or through an authorised agent (typically a notary or accredited legal consultant), who transmits the documentation to the Central Registry. Registration marks the moment at which the company acquires legal personality.

Under normal conditions, the registration process can be completed within 3 to 5 working days, provided that the documentation is complete and properly prepared. Any inconsistencies in the documents or requests for clarification from the administration may extend the processing time.

### Issuance of Codes and Subsequent Obligations

Upon registration, the company automatically receives:

- a unified registration number issued by the Central Registry;
- a tax identification number assigned by the Public Revenue Office;
- registration in the national statistical system (including assignment of a NACE code corresponding to the company's business activity).

Once registration is completed, the company may open an ordinary business bank account with a commercial bank, register with social security and insurance institutions for employees and fulfil its accounting and tax obligations.

### Costs and Professional Assistance

Registration costs vary depending on the corporate form and whether the company uses the assistance of legal or notarial professionals. In general, administrative fees are modest, with official tariffs set by the Central Registry. However, foreign investors must also consider the cost of translating and legalising foreign documents.

To minimise the risk of errors and delays, it is strongly recommended to engage local professionals, who ensure the correct preparation of documents and interface with the competent authorities.

### Final Considerations

The company incorporation system in North Macedonia is today relatively simple, fast and competitive compared with other countries in the region. The possibility of registering a new business in just a few days, through digital procedures and at limited cost, is an element of attractiveness for foreign investors. Nonetheless, certain challenges persist, particularly those related to language requirements, the need for certified translations and the handling of international documentation, making the assistance of local consultants advisable.

## 8.6 Liquidation, merger and extraordinary transactions

The Law on Trading Companies (Zakon za trgovski drushtva) provides detailed rules governing liquidation, mergers and other extraordinary operations involving companies registered in North Macedonia. These provisions aim to ensure legal certainty, creditor protection and continuity of contractual relationships.

### Voluntary and Judicial Liquidation

Voluntary liquidation may be decided by the Shareholders' Assembly when the company no longer intends to continue its activities. The decision entails the appointment of a liquidator, who replaces the managers and is responsible for completing pending operations, collecting receivables, settling liabilities and distributing any remaining assets among the shareholders. The procedure must be registered with the Central Registry and must comply with statutory deadlines for notifying creditors through public announcements.

Judicial liquidation, on the other hand, may be ordered by the court at the request of creditors, competent authorities or the public prosecutor in cases of severe insolvency, violations of the law or activities contrary to public order.

### Mergers and Divisions

Mergers and divisions are expressly regulated under Macedonian company law. These operations may occur between companies of the same legal form or, in certain cases, between different forms, provided that equal treatment of shareholders and creditors is ensured. The merger or division plan must be approved by the relevant corporate bodies, filed with the Central Registry and made public to allow creditors the opportunity to object.

Mergers may take the form of absorption, where one company is incorporated into another existing company, or consolidation, where a new company is created through the combination of two or more existing entities. Divisions may be total or partial, involving the transfer of all or part of the assets to one or more beneficiary companies.

### Corporate Transformation

The law also allows companies to transform from one legal form into another (for example, from DOO to AD) while maintaining continuity of legal relationships. In such cases, all rights and obligations of the original company are transferred in full to the transformed entity without interruption.

### Practical Considerations

Extraordinary corporate procedures require longer timelines than ordinary incorporation: typically several weeks for simpler transformations and up to several months for complex mergers or divisions. Strict compliance with formal requirements—publications, creditor notifications, shareholder approvals—is essential to avoid invalidity.

For foreign investors, these operations involve a degree of complexity that makes the assistance of local legal and tax advisors indispensable, both for the proper preparation of documentation and for interaction with the Central Registry and Commercial Courts.



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# 9

## Main economic sectors

### 9.1 Energy and green transition

North Macedonia's energy sector is undergoing a phase of structural reform that combines supply security, the reduction of dependence on coal and the gradual integration into the regional and European energy market. The historic centrality of lignite is giving way to an acceleration in renewable sources and grid infrastructure, supported by a new regulatory framework and multilateral financial instruments.

#### Regulatory framework 2025 and objectives

The new Energy Law (Official Gazette No. 101/2025, amended in July 2025) updates the rules governing electricity production, distribution and the electricity market, strengthening the powers of the Regulatory Authority and introducing measures in support of renewables, energy efficiency and prosumers (self-generation and sale of electricity). The law further transposes the European acquis Communautaire and regulates the launch of the day-ahead and intraday markets, designating MEMO as the NEMO (Nominated Electricity Market Operator) for integration with EU markets.

The objectives set by the National Energy and Climate Plan (NECP) for 2030 include:

- reducing the share of lignite to below 30% of electricity generation;
- increasing renewables to 45% of the energy mix;
- strengthening regional interconnections;
- improving energy efficiency in public and residential buildings.

#### Current situation

The electricity system remains characterized by a strong presence of lignite, which in 2024 accounted for approximately 38.4% of total generation. Hydropower represented 23.1% overall (including large hydro and small hydropower plants), cogeneration 20.5%, while solar, wind and biogas recorded significant growth, reaching a combined 17.9%. Overall, renewables reached 41% of national electricity production, a sharp increase compared to previous years but still uneven in terms of technological contribution (source: MEPSO, MakStat 2024).

The main challenge remains ensuring stability and security of supply, as the country continues to rely on imports during peak periods, resulting in high costs and vulnerability to external shocks.

#### Networks and interconnections: improvements

Strengthening grid infrastructure is an essential requirement to support the energy transition. MEPSO, the national transmission system operator, has launched programmes for the digitalisation and modernisation of substations and main transmission corridors, with the aim of reducing losses and integrating intermittent renewables more efficiently.

At the regional level, several strategic interconnection projects are underway:

- with Greece, a new high-voltage line will facilitate access to the Greek market;
- with Serbia, reinforcement of existing lines is planned;
- with Bulgaria, energy integration is also linked to Corridor VIII;
- with Kosovo and Albania, a key project is the future 400 kV Tetovo–Prizren interconnection, which will improve cross-

border exchange and the stability of the entire system.

These developments strengthen North Macedonia's role as a regional energy hub and as a partner within the Energy Community of South-Eastern Europe.

#### Current projects and funding

Among the most significant projects are the photovoltaic solar parks on former mining sites (Oslomej), the expansion of the Bogdanci wind farm, and the large 400 MW wind project in Štip, whose construction is expected to begin in the second half of 2025.

The transition pathway is supported by multilateral instruments (EBRD, EIB, World Bank) and by EU IPA III funds, which finance decarbonisation measures, smart grid development and energy efficiency projects.

#### Energy market and liberalization

In parallel, the country is completing the liberalisation of the electricity market. Large consumers have access to alternative suppliers, while households and SMEs remain protected under regulated tariffs. The 2025 law introduced tools to increase market transparency and attract new operators, but full market opening remains a medium-term objective, constrained by the small size of the system and the need for regulatory stability.

#### Regional dimension and international cooperation

North Macedonia is an active member of the Energy Community of South-Eastern Europe and cooperates with ENTSO-E for technical integration into the European grids. The objective is to transform the country from a net importer into an integrated system capable of exchanging electricity with neighbouring countries, reducing dependence on imports and increasing the resilience of South-Eastern Europe.

#### Vision 2030: Integration and Resilience

Looking to 2030, Macedonia's energy transition is based on three pillars: diversifying the mix with an increasing share of renewables, strengthening grids and interconnections, and creating a more open and competitive market. The trajectory is clear, but success will depend on political continuity, the ability to attract investment, and regional cooperation.

### 9.2 Infrastructure and construction

The infrastructure and construction sector plays a crucial role in the economic development of North Macedonia, both as a driver of domestic growth and as a key factor in regional integration. In recent years, the modernisation of transport networks and the dynamism of the construction industry have represented two main pillars of public policy, supported by European and multilateral funds. The sector makes a significant contribution to national GDP and maintains a substantial share of employment, although subject to fluctuations linked to the performance of public investment.

#### Current state of infrastructure

The road network covers approximately 14,000 km, of which just over 1,300 km are classified as main arteries. In recent years, several motorway sections have been completed, and further works are underway to improve connectivity. Among the most significant is the new motorway link between Kriva Palanka and Skopje, which will strengthen Corridor VIII and substantially reduce travel times towards Bulgaria. Maintenance needs remain, particularly on secondary and rural roads, but the pace of infrastructure investment shows gradual improvement.

The railway network, extending over around 900 km, continues to face capacity constraints: most lines are not electrified, and the average train speed remains modest. However, modernisation works have already begun, particularly on the Kumanovo–Deve Bair section, part of Corridor VIII, and on the Skopje–Ohrid–Durrës connection, which aims to link North Macedonia to the Albanian port of Durrës. These projects are also financed through European and multilateral funds and mark a concrete step towards integration into the pan-European corridors.

The airport sector is centred on the Skopje and Ohrid airports, both managed by the Turkish group TAV. After the decline caused by the pandemic, passenger traffic has resumed growth, exceeding 3 million passengers in 2023. The airports have benefited from investments in new infrastructure and services, consolidating North Macedonia's role as an access point to the Balkan market and enabling them to absorb further tourist and commercial flows.

#### Major strategic projects

The Macedonian government considers the completion of the pan-European Corridors VIII and X an absolute priority. Corridor VIII connects Bulgaria to Albania through North Macedonia and represents a strategic east–west axis, also of key importance for Italian companies operating in the area. Corridor X, the north–south route linking Greece and Serbia, has already benefited from major investments in new motorway sections, although some segments still need to be completed and railway connections improved.

Among the most significant projects are:

- the Kumanovo–Deve Bair railway link, intended to connect Skopje with Bulgaria and the Black Sea ports;
- the modernisation of the Skopje–Ohrid–Durrës line, part of Corridor VIII, which would provide direct access to the Albanian port of Durrës;
- the development of multimodal logistics hubs, particularly in the Skopje area and along the main motorway axes.

These initiatives are supported by funding from the World Bank, the EBRD and the EU's IPA III programmes, reflecting the strong interest of the international community in strengthening the connectivity of the Western Balkans.

#### Construction sector, urbanisation and sustainability

Alongside major infrastructure works, the private construction sector shows increasing dynamism, especially in the capital. Skopje hosts the majority of real estate projects, including new residential complexes, office buildings and commercial centres. Other urban centres such as Tetovo, Bitola and Ohrid are also experiencing renewed construction activity, albeit on a smaller scale.

In recent years, there has been growing attention to sustainable construction and energy efficiency. Refurbishment programmes have targeted public buildings, schools and hospitals, introducing thermal insulation systems and more efficient installations. In the residential sector, interest in “green” solutions is rising, often supported by government incentives and European funds. Major real estate projects are beginning to adopt international certifications such as LEED and BREEAM, which certify compliance with environmental sustainability standards.

Urban demographic growth, particularly concentrated in Skopje, is generating new pressure on services, housing and urban infrastructure. This is driving demand for residential construction and planned urban development projects, with an increasingly prominent role for digital technologies in the design and management of urban spaces.

#### Building safety and seismic regulations

Building safety, both for public and private structures, has become a national priority in light of recent safety incidents, including the nightclub fire in Kočani (March 2025), which highlighted vulnerabilities within the building stock and the need for stricter inspections. The Law on Construction and Urban Planning, updated in 2023 and further amended in 2025, introduced more stringent requirements for building design, certification and testing, in line with national seismic regulations and

#### European Eurocodes.

Public buildings in particular (schools, hospitals, administrative offices) are undergoing structural assessment and refurbishment programmes partly financed through IPA funds. Foreign companies can play an important role by providing advanced expertise in seismic engineering, innovative materials and safety systems, thereby contributing to the improvement of overall construction standards.

#### Opportunities and challenges

The sector offers broad opportunities for foreign companies, especially in segments related to innovative construction materials, building systems, digital technologies for project management and sustainable construction solutions. The government is also working to simplify permitting procedures and reduce administrative timelines, with the aim of increasing the sector's attractiveness.

Challenges remain, particularly the shortage of specialised labour, partly due to emigration. The authorities are seeking to address this through vocational training programmes and incentives for the return of qualified workers. Nonetheless, the increasing commitment to modernising the sector and the growing attention to safety represent positive signals that strengthen the growth outlook for the industry.

### 9.3 Agri-food and agricultural processing

The agri-food sector is an essential component of North Macedonia's economy, both in terms of its contribution to GDP and its role in employment. Its relevance is not only economic but also social and cultural, as agriculture continues to provide income and stability to a large portion of the population, particularly in rural areas. In 2023, agri-food exports reached approximately EUR 790 million, recording a 12% increase compared to 2022, confirming the sector's vitality and development potential.

### Structure and agricultural production

Macedonian agriculture is characterised by a strong diversification of production. Among the main crops are cereals, vegetables, fruit and viticulture, with particular emphasis on wine grapes, one of the country’s leading sectors in terms of exports. The valleys of Tikveš, Povardarie and Skopje are renowned for the quality of their red and white wines, while sunflower oil and tobacco remain long-established traditional productions. Livestock farming makes a significant contribution to agricultural output, particularly cattle and sheep breeding, which supply milk, cheese and meat products highly appreciated in foreign markets as well. Beekeeping and honey production represent growing niche segments, supported by the reputation of Macedonian honey for quality and natural characteristics.

### Agri-food industry and processing

Alongside primary agriculture, a food-processing industry has developed that successfully enhances local raw materials. Macedonian companies export wine, fruit juices, canned products, dairy goods, processed meat and confectionery. A significant share of production is destined for export to the European Union and neighbouring Balkan countries, with Italy among the key partners.

In 2023, tobacco exports reached approximately EUR 116 million, while the wine sector amounted to around EUR 54 million. Fresh and processed fruit and vegetable products each generated over EUR 50 million, confirming the solidity of Macedonian agriculture and its growing openness to international markets. Recent years have seen the growth of medium-sized enterprises investing in packaging technologies, quality standards and international certifications (ISO, HACCP, GlobalG.A.P.), which strengthen the sector’s competitiveness abroad. However, the sector remains highly polarised: alongside well-structured enterprises, many small family-run farms with low productivity continue to operate and require support to modernise their processes and distribution channels.

### Structural challenges

North Macedonia’s agri-food sector faces several structural challenges:

- Farm fragmentation, with landholdings often below 2 hectares, reducing efficiency and investment capacity.
- Limited access to credit, especially for small farms, restricting the adoption of modern machinery and advanced techniques.
- Climate change, with alternating periods of drought and intense rainfall impacting production stability.
- Insufficient logistics infrastructure, particularly regarding cold-chain systems, which are essential for the export of fresh produce.

Despite these challenges, support projects financed by the European Union and the World Bank have been launched to strengthen climate resilience, efficient irrigation and the digitalisation of agricultural practices.

### Development opportunities

The future of the agri-food sector depends largely on its ability to combine tradition with innovation. The most promising segments include:

- Viticulture and quality wines, which have strong growth potential in high value-added markets.
- Organic and denomination-of-origin products, increasingly in demand in European markets.
- Agro-industry 4.0, through the introduction of precision technologies, digital traceability and automation solutions.
- Agrotourism, which integrates agricultural production with tourism experiences in rural areas, helping diversify income streams.

Integration into European value chains and alignment with EU standards will be essential for boosting international competitiveness. In this context, foreign companies can play an important role by providing know-how, technologies and commercial partnerships.

### International dimension

The European Union absorbs over 50% of North Macedonia’s agri-food exports, followed by neighbouring Balkan countries and third markets such as Switzerland and Turkey. Italy is a privileged partner, both as a destination market for wine and preserved foods, and as a supplier of technologies for processing and packaging. EU pre-accession programmes (IPA III) and initiatives of the Energy Community relating to food security provide financial instruments and opportunities for modernisation projects. Progressive alignment with EU food safety standards (particularly EFSA) will be crucial for access to European markets.

### 9.4 Manufacturing and automotive

The manufacturing sector is one of the pillars of North Macedonia’s economy, contributing significantly to both GDP and overall employment. The Technological Industrial Development Zones (TIDZ) have played a decisive role in strengthening this sector, offering fiscal incentives, modern infrastructure and facilitated access to European markets. Within this framework, the Italian presence stands out for its stability and diversification. Several Italian companies have chosen North Macedonia as a production and export platform, taking advantage of the country’s strategic position, competitive costs and cultural affinity with Italy.

- Condevo (Štip, TIDZ) – a leading company in the production of heat exchangers, which established a highly technological facility within the Štip free zone, expanded in 2016 and 2018 and fully operational since 2019.
- Makdia (Skopje/Ilinden, TIDZ Skopje 1 – Bunardžik) – part of the Italian group Diatec, specialising in printing supports and materials for textile-apparel cutting rooms; the plant, inaugurated in 2015, supplies regional and European markets.
- Vitek (Skopje/Ilinden, TIDZ Skopje 1 – Bunardžik) – part of the Italian group Vitillo/Teknohose, producing high-pressure hydraulic hoses and components for industrial and automotive applications, with operations launched in 2011 and subsequent expansions.
- Giannviki (Petrovec, industrial area near Skopje Airport) – an Italian-owned agro-food company focused on export-oriented production, with an industrial site benefiting from immediate proximity to the international airport.

Although active in different sectors, these companies share several common features: integration into European value chains, adoption of high-quality standards and transfer of know-how and organisational methodologies, all of which have contributed to strengthening local production capacity. The Italian presence also carries strong symbolic value, demonstrating that not only large multinationals but also medium-sized Italian enterprises find in North Macedonia a favourable environment for internationalisation.

Alongside Italian operators, the country hosts investments from multinational groups from Germany, the United States, Belgium and the United Kingdom, particularly in the automotive sector. Notable examples include Johnson Matthey (catalysts, TIDZ Skopje 1), Lear Corporation (wiring systems, TIDZ Tetovo), Kemet Electronics (electronic components, two plants) and Van Hool (buses, TIDZ Skopje 2). These operations have transformed North Macedonia into a regional subcontracting hub, specialising in wiring harnesses, electronic components, metal parts and environmental systems.

Manufacturing and automotive value chains are strongly oriented towards the European Union, which absorbs more than two-thirds of the country’s total exports. In this context, Italy plays a dual role: on the one hand supplier of machinery, technologies and semi-finished goods, and on the other a customer and strategic partner for products manufactured in North Macedonia. The direct presence of Italian companies further strengthens this relationship, evolving it from a purely commercial dynamic into a genuine bilateral industrial partnership.

The sector nevertheless faces structural challenges: the availability of skilled labour is limited due to migration flows towards the EU, while the strong dependence on foreign demand makes the industry vulnerable to cyclical shocks. Moreover, the transition towards more digitalised and automated production models requires significant investment in technology and training.

Despite this, the future outlook is encouraging. The shift towards “green” production and the growing integration with European supply chains are creating opportunities for new specialisations, particularly in sectors linked to e-mobility and sustainable materials. In this context, Italian companies already established in the country can act **as trailblazers for** additional investors, demonstrating that North Macedonia offers a favourable environment for medium- to long-term industrial development.

## 9.5 ICT and digital services

Over the past decade, North Macedonia has experienced steady growth in the information and communications technology (ICT) sector, now one of the most dynamic components of the national economy. Although its contribution to GDP remains modest compared to traditional manufacturing sectors, ICT has become a key driver of service exports, supported by a young workforce, strong language skills and competitive costs a combination that has made the country an attractive destination for outsourcing and nearshoring towards the EU and the United States.

### Skills and human capital

The universities of Skopje and Bitola provide a significant pool of graduates in computer science, engineering and STEM disciplines; English is widely used in professional settings, and familiarity with European standards facilitates integration into remote teams. This combination has supported the development of specialisation in software development, application management, multilingual customer support and digital platform operations, with a growing share of projects in cloud services, e-commerce and fintech.

### Export of digital services

The core of the sector is export-oriented: many companies work for clients in Germany, Italy, Switzerland, the United Kingdom and the United States, providing programming, maintenance and integration services, data management and fintech components. This is complemented by advanced BPO activities (technical support and multilingual customer operations), which leverage the high availability of junior and mid-level profiles with strong language capabilities.

### Ecosystem and support

The technological ecosystem is primarily concentrated in the Skopje area, where hubs, incubators and coworking spaces have been established with the support of private capital as well as EU instruments (Horizon, Digital Europe, IPA) and IFI programmes. Rising local demand for cloud solutions, marketplace platforms and digital public administration services is pushing domestic providers towards international standards and certifications, while interaction with European clusters accelerates the adoption of agile methodologies and a strong product mindset.

### Italian presence in the Macedonian ICT sector

The Italian footprint is concrete and expanding, mainly through delivery centres and local partnerships:

- Dyna Brains NMK (Skopje) – An Italian SAP/Neptune boutique consultancy with Dyna Brains NMK LLC registered in Skopje and a Software Delivery Center active in the city. It represents one of the most structured on-the-ground presences in the digital sector.
- NetCaring Srl (Italy) – An ICT company and member of Confindustria North Macedonia (IT sector), active on the local market through the CNMK network and project collaborations; business profile confirmed by the corporate website.
- Sydea – Italian ERP/Digital consulting firm active with projects in North Macedonia; presence documented during the Skopje stage of the Italy–North Macedonia Business Forum (July 2025). No local office is listed on the corporate website, so it is classified as an operational/project-based presence.

These companies integrate with major international and local operators, strengthening the IT services value chain for the European market and creating direct bridges with Italy in areas such as ERP integration, application management, nearshore development and multilingual support.

### Challenges

Key challenges remain: brain drain (outflow of highly skilled profiles towards EU countries), the small scale of the domestic market and the need for further upgrades to digital infrastructure (ultra-broadband, public/hybrid cloud, cybersecurity). These factors make collaboration with foreign partners and the consolidation of talent-retention policies crucial.

### Outlook and cooperation with Italy

Growth trajectories hinge on AI and automation, cybersecurity, data & analytics, fintech and e-health. Proximity to EU markets

and the presence of active Italian operators support integrated delivery models (mixed Italy–North Macedonia teams), with opportunities for:

- Italian software houses and system integrators seeking nearshore capabilities;
- Italian manufacturing companies aiming to accelerate the digitalisation of plants in the region;
- partnerships on EU-funded calls and cross-border pilot projects.

### Bilateral cooperation and knowledge exchange

North Macedonia's digital transformation is in an intermediate stage: the public administration is initiating modernisation processes (online services, registry interoperability, e-government systems), but the need for integrated and secure solutions remains high. In this context, Italian companies can play a leading role as technological partners, offering expertise in public-sector digitalisation, electronic document management, payment systems and citizen services.

Macedonian companies, particularly SMEs in manufacturing and services, must also strengthen their competitiveness through digital technologies. Italy, with its know-how in Industry 4.0, ERP solutions and cloud applications, is a natural partner for ICT integration and industrial automation projects.

Knowledge exchange can take place not only through direct investment and outsourcing, but also through joint European programmes, pilot projects and training activities. In this sense, ICT cooperation fits into a broader framework of bilateral partnership, combining economic interests with support for North Macedonia's alignment with EU digital standards.

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### ICT Startups and Export in North Macedonia

#### Sector relevance

- ICT services account for over 50% of modern service exports (knowledge-intensive services).
- Average annual growth above 10% over the past decade.

#### Key markets

- Main clients: EU (Germany, Italy, Switzerland), UK and the United States.
- Focus on outsourcing, software development and multilingual services.

#### Areas of specialisation

- Software-as-a-Service (SaaS)
- Fintech (payment and digital management solutions)
- E-commerce and marketplaces
- Advanced call centres and BPO

#### Notable startups

- InPlayer (Skopje) – international platform for video monetisation and paywalls, acquired by JW Player in 2021.
- Challenger – an app promoting sustainable mobility by rewarding users who travel by bicycle or on foot.

#### Ecosystem and support

- Cortex – a consortium of Macedonian ICT companies created in 2018 to promote export and international networking.
- Skopje Tech Park, university incubators and private accelerators support the growth of startups and innovative SMEs.
- EU programmes (Horizon Europe, Digital Europe, IPA) and IFI projects support ICT and digitalisation initiatives.

Source: CNMK – ICT Working Group 2025

## 9.6 Tourism and culture

Tourism is an expanding sector in North Macedonia’s economy, with a growing contribution to GDP and job creation. In recent years, despite the negative impact of the Covid-19 pandemic, the industry has experienced a rapid recovery, supported both by domestic demand and by the return of international tourist flows. Today, tourism accounts for around 5% of national GDP, with significant room for growth compared to neighbouring countries  
Source: MakStat, World Bank.

International arrivals, which began rising again in 2022, show a positive trend, with a particularly strong presence of visitors from the European Union, the Balkan region and the Middle East. Italy is among the emerging markets, favoured by geographical proximity, the strengthening of air connections and cultural offerings that lend themselves to integrated tourism packages.

### Main areas of attraction

North Macedonia offers a variety of tourist destinations that combine natural landscapes with cultural heritage. Lake Ohrid, recognised by UNESCO as a World Heritage site, is the core of national tourism: it hosts a unique ecosystem, a historic centre of international relevance, and numerous medieval monasteries and churches. The city of Skopje, the capital and main gateway to the country, features museums, monuments and modern cultural spaces, alongside a lively historic quarter with Ottoman and Balkan influences. Mountain areas (Shar Planina, Mavrovo, Pelister) present strong potential for winter and outdoor tourism, with opportunities related to hiking, winter sports and nature-focused activities.

### Religious and cultural tourism

One distinctive feature of North Macedonia’s tourism offering is religious and cultural tourism. The country preserves monasteries, churches and mosques that testify to the coexistence of different religious traditions over the centuries. In addition to Ohrid, sites such as Stobi (a Roman archaeological area), Heraclea Lyncestis (near Bitola) and the monasteries in the Polog region serve as key attractions for cultural tourism increasingly oriented towards authenticity. The inclusion of some sites in the UNESCO list and European preservation programmes strengthens their potential for international promotion.

Source: UNESCO, Invest North Macedonia

### Infrastructure and promotion

In recent years, the government and tourism authorities have intensified investments to improve accommodation infrastructure and transport links. Modernisation projects have been implemented at the airports of Skopje and Ohrid, road services have been enhanced, and hotel capacity has increased in key destinations. At the same time, digital marketing campaigns and participation in international tourism fairs have strengthened the country’s visibility as an emerging destination in the Balkans.

Source: Invest North Macedonia

A central role is played by air connections with Italy, which are a key factor in the growth of tourist flows. Skopje Airport is connected with Rome, Milan, Venice, Bergamo and Bologna, while Ohrid Airport offers seasonal flights to Bergamo and Verona. Moreover, the Macedonian Ministry of Transport has announced two new air routes with Italy: from 6 April 2026 Skopje–Naples, and from 28 June 2026 Malpensa–Ohrid. This network of direct flights, strengthened in recent years, has made North Macedonia more accessible to Italian tourists, supporting combined cultural and nature-oriented travel experiences.

Source: Wizz Air, Airports of North Macedonia

### Challenges

Despite progress, the sector faces a number of challenges. The first is seasonality: most tourist flows peak in the summer months around Lake Ohrid, leaving other areas and infrastructures underutilised during the rest of the year. There are also limitations in accommodation capacity, particularly in mid- to high-range hotels and related services. The quality of secondary transport infrastructure, essential for accessing smaller cultural and natural sites, remains an area of concern.

### Outlook and links with Italy

The outlook for Macedonian tourism is closely linked to the development of sustainable models capable of enhancing natural and cultural heritage without compromising its authenticity. Promoting rural, gastronomic and mountain tourism can help reduce seasonal imbalances and generate added value for local communities.

In this context, Italy represents a privileged partner. There is potential for integrated cultural packages combining Italian and Macedonian destinations, particularly in religious and historical-artistic tourism. Italian travel agencies and tour operators can collaborate with Macedonian partners to develop bilateral itineraries, promoting the exchange of know-how in tourism marketing, sustainable destination management and the enhancement of cultural sites. The hospitality sector also offers room for cooperation: Italian companies specialising in interior design, food service and hospitality technologies can enter new accommodation facilities or support the upgrading of existing ones.

## 9.7 Healthcare and pharmaceuticals

North Macedonia’s healthcare system is a public-universal model, financed primarily through mandatory contributions paid into the Health Insurance Fund (HIF). All citizens are entitled to basic medical care, while specialist and hospital services are provided through a network of public hospitals and university clinics. National healthcare expenditure represents around 6–7% of GDP, a level below the EU average, and this is reflected in the limited resources available for upgrading facilities and medical technologies.

The hospital network is extensive but fragmented: alongside the major hubs in Skopje (in particular the “Mother Teresa” University Clinical Hospital), the territory is served by regional general hospitals and an increasing number of private clinics, especially in the capital and main cities. In recent years, demand for private healthcare services has grown, partly to compensate for waiting times in the public system.

### Pharmaceutical industry

North Macedonia has a strong tradition in the pharmaceutical sector, represented primarily by Alkaloid AD Skopje, a long-established company and today the national industry leader. Alkaloid produces generic medicines, chemicals and phytotherapeutic products, with a broad portfolio exported to the European Union and the Balkan countries. Other smaller local players operate in the production of medicines and supplements, but the market is heavily dominated by the main company.

The Macedonian pharmaceutical industry is distinguished by its strong export orientation: around two-thirds of total production is exported, with the EU as the main destination. This has led to the adoption of high quality standards (GMP, European certifications) and strengthened its competitiveness in international markets.

### Imports of medical technologies and devices

Despite the presence of a competitive pharmaceutical industry, North Macedonia shows a strong dependence on imports of medical technologies and biomedical devices. Diagnostic equipment, intensive-care machinery, surgical instruments and most biomedical products are imported, particularly from Germany, Italy and other EU countries. This technological gap represents a structural limitation but also opens opportunities for industrial and commercial cooperation.

### Opportunities for Italian companies

The sector offers attractive partnership opportunities for Italian companies, particularly in the following areas:

- Generic pharmaceuticals and subcontracting: potential collaborations with local companies (such as Alkaloid) for the production and distribution of medicines.
- Co-production and joint research: agreements between Macedonian and Italian pharmaceutical firms for the manufacture of equivalent medicines, supplements and herbal products, leveraging local industrial capabilities and export channels toward the EU and the Balkans.
- Biomedical and medical technologies: high demand for diagnostic equipment, operating-room devices, intensive-care technologies and healthcare IT systems.
- E-health and digitalisation: increasing interest in digital health solutions offers opportunities for Italian companies specialised in telemedicine, electronic health records, integrated booking platforms and remote patient monitoring.
- Training and know-how: joint programmes for the training of doctors, nurses and healthcare technicians, especially regarding the adoption of new technologies.

## Challenges

The healthcare sector faces significant challenges. The shortage of medical and nursing staff partly due to emigration towards EU countries offering higher salaries is a structural issue. Hospital infrastructure requires substantial modernisation, both in terms of buildings and technology. Finally, the financial sustainability of the system requires reforms aimed at improving the efficiency of the Health Insurance Fund and reducing waiting times for specialist care.

Despite these limitations, the healthcare and pharmaceutical sector remains an area with strong development potential, thanks to the presence of a competitive pharmaceutical industry, growing demand for modern technologies and opportunities for enhanced cooperation with international partners particularly Italian ones in the context of EU market integration and improvement of quality and technological standards.

### The pharmaceutical industry in North Macedonia

- Alkaloid AD Skopje: leading pharmaceutical company, with a portfolio of generic medicines, chemical products and phytotherapeutics.
- Export: over 60% of production is destined for foreign markets (EU, Balkans, Middle East).
- Standards: GMP certifications and compliance with EU standards.
- Collaboration: opportunities for co-production with Italian companies, joint research and distribution of medicines in the local market.

Source: Ministry of Health of North Macedonia, 2025.

## 9.8 Circular economy and waste management

Waste management is one of the main environmental and infrastructural challenges for North Macedonia. Despite progress made in recent years, the system remains largely based on traditional collection and disposal methods, with a strong dependence on landfills. According to official data, in 2023 almost 100% of collected municipal waste was disposed of in landfill, while the recycling rate remains below 1% a level significantly below the targets set by EU directives.

### Legislation and policies

North Macedonia is engaged in a gradual alignment with EU directives on waste management, as part of its EU accession process. National and regional integrated waste management plans have been adopted, including schemes for WEEE and packaging waste, and in 2024 the country presented a National Roadmap towards the circular economy, developed with OECD support. However, practical implementation is progressing slowly, hindered by administrative and financial constraints, and by the fact that many municipal or regional landfills still do not meet EU standards.

### Ongoing projects

In recent years, the sector has seen the launch of major initiatives supported by international financial institutions (EBRD, EIB, World Bank) and the European Union:

- Regional Solid Waste Project (RSWP), co-financed by the EBRD and WBIF, providing a sovereign loan of around EUR 55 million and EU grants for the establishment of regional waste systems, sanitary landfills and treatment facilities. The project covers several regions (including Polog, Pelagonia and Vardar) and aims to serve more than one million inhabitants.
- Skopje Wastewater Treatment Plant (WWTP), financed through WBIF grants and loans from the EIB/EBRD, is one of the largest environmental investments in the country, benefitting from over EUR 70 million in EU grants and multilateral co-financing.
- At the local level, pilot projects have been launched for separate waste collection and recycling of plastics and metals, as well as interventions for the remediation and upgrading of existing landfills.

Source: EBRD – WBIF 2024

## Challenges

The sector is affected by several structural weaknesses:

- Insufficient infrastructure: lack of modern recycling facilities, predominance of outdated landfills.
- Limited investment: difficulties for municipalities in securing resources for integrated waste management.
- Low public awareness: limited citizen participation in separate collection initiatives.
- Weak administrative capacity: fragmented competences and disparities between urban and rural areas.

## Outlook

Despite current limitations, prospects are favourable thanks to strong EU financial support. North Macedonia's participation in the Western Balkans Economic and Investment Plan and in the Green Agenda for the Western Balkans ensures access to IPA III and WBIF funds for environmental projects. In the coming years, the country is expected to see:

- the establishment of regional waste management systems with EU-compliant facilities;
- strengthened collection and recycling infrastructure in urban centres;
- construction of new wastewater treatment plants and improvement of sewage networks in major cities;
- gradual introduction of bioeconomy and circular economy practices (organic recovery, composting, anaerobic digestion).

### Opportunities for Italian companies

The alignment with EU standards opens significant opportunities for cooperation with Italian companies, which possess recognised know-how in circular economy technologies and environmental solutions:

- Recycling technologies: supply of plants for sorting and processing municipal solid waste, and recycling of plastics, paper and metals.
- Wastewater treatment: construction and management of urban and industrial treatment plants, with opportunities in major multilateral projects such as the Skopje WWTP.
- Bioenergy and energy recovery: anaerobic digestion plants, biogas and composting systems, integrated with wastewater projects.
- Public-private partnerships: participation in PPP projects financed through EU/WBIF grants and EBRD/EIB loans.
- Consulting and training: technical assistance for planning, environmental education and tariff management of municipal waste services.

Thanks to the convergence between national priorities and European programmes, Italian companies can play a role as strategic partners, contributing to the modernisation of the sector and strengthening bilateral economic ties.

### Waste Management in North Macedonia

- Share of municipal waste sent to recycling (2023): <1%
- Landfill disposal: ≈100% of collected municipal waste
- Active landfills: approx. 57, only one fully EU-compliant (Drishla, Skopje)
- Projects underway: Regional Solid Waste Project (EUR 55 million, EBRD + WBIF); Skopje WWTP (EUR 70 million EU grant + EIB/EBRD)
- EU Funds: IPA III – Green Agenda for the Balkans; WBIF grants and IFI blending
- Opportunities for Italy: recycling plants, wastewater technologies, bioenergy, technical assistance

## NETCARING

## NETCARING

Netcaring is a systems engineering company with a portfolio of solutions and services that supports companies:

- in the design and implementation of industrial network infrastructures and IT/OT IT security services;
- in the development of customised and industrial software solutions, with PLCs, SCADA, IoT systems for Industry 4.0, and collaborative robots.



### Business Process Services

- Process Optimisation
- Workflow Digitisation Technological Solutions:
- UX/UI Design
- VR/VA Applications
- MLA Applications Industrial Automation
- IoT Integration
- Process automation
- Collaborative robotics
- MES
- ScadaSOFTWARE FACTORYThe offer is completed by the following services:
- NIS 2 consulting
- Security Awareness Training

Netcaring guarantees the highest standards of quality, environmental sustainability and information security, with certifications:

ISO 9001:2015ISO 14001:2015

Research and Development is a central element, active in numerous regional and national tenders, both directly and as a consultant. In the field of CyberSecurity, Netcaring acts as a partner for companies, providing services to implement defence strategies:

- application of latest-generation firewalls
- data loss prevention techniques
- provision of technologies for protection against XDR-based attacks In the industrial sector, it supports companies in the application of ISA/IEC 62443 Best Practices.



# 10

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## Incentives and financial instruments

### 10.1 Government funds and financial instruments

In recent years, North Macedonia has significantly strengthened its investment-support system, with the aim of attracting foreign capital, fostering the growth of small and medium-sized enterprises, and supporting the transition toward a more innovative and sustainable economy.

The main regulatory framework is the Law on Financial Support of Investments (Zakon za finansiska podrška na investiciite), adopted in 2018 and subsequently amended to align with European standards on competition and State aid. This law constitutes the legal basis for the provision of direct financial incentives, tax reliefs and targeted benefits designed to encourage new productive, technological or employment-oriented projects in the country.

#### Types of incentives

National instruments are structured into several categories, covering the entire life cycle of an investment:

- Direct grants for the creation of new jobs, the purchase of machinery, the construction of facilities and staff training;
- Partial reimbursements of capital expenditures for new productive investments, with intensity varying by region and company size (up to 50% for SMEs);
- Tax exemptions or reductions for up to ten years within the Technological Industrial Development Zones (TIDZ), where companies also benefit from ready-to-use infrastructure, shorter administrative procedures and integrated public services;
- Contributions for research, innovation and digitalisation managed through the Fund for Innovation and Technological Development (FITD), the country's main innovation-promotion instrument.

#### The role of the Fund for Innovation and Technological Development (FITD)

Established in 2013, the FITD is now the main driver of the country's innovation policy. It operates with national and international resources (IPA, Horizon Europe, EBRD, World Bank) and supports companies of all sizes through co-financing programmes and non-repayable grants.

Its main intervention lines include:

- The programme for innovative start-ups and scale-ups, offering grants of up to EUR 100,000 for new technological products or services;
- Grants for industry–university cooperation and technology transfer;
- Funding for green and digital projects aligned with the national Smart Specialisation Strategy.

Between 2021 and 2024, the Fund supported more than 400 projects worth over EUR 50 million, contributing to the creation of new innovative enterprises and around 2,500 qualified jobs. Many FITD calls are also open to foreign companies registered locally or partnering with Macedonian firms, offering concrete collaboration opportunities for Italian enterprises active in the technological and manufacturing sectors.

#### Incentives for companies in the TIDZ

The Technological Industrial Development Zones (TIDZ) are the cornerstone of the country's foreign investment attraction system. They are industrial areas equipped with modern infrastructure, direct access to the motorway network and strategic logistical connections with Greece, Serbia, Bulgaria and Albania.

Companies operating within the zones may benefit from:

- Full exemption from corporate profit tax and dividend tax for the first ten years of activity;
- Exemption from VAT and customs duties on the import of raw materials, machinery and semi-finished goods intended for production;
- Reduced or symbolic rental fees for land and industrial facilities;
- Dedicated administrative services provided directly by the Directorate for Technological Industrial Development Zones (DTIDZ).

Currently, 14 industrial free zones are operational, plus 2 under development, spread across the country:

- TIDZ Skopje 1 – Bunardzik (the largest and most developed, hosting major European groups);
  - TIDZ Skopje 2 – Bunardzik East;
  - TIDZ Tetovo;
  - TIDZ Štip;
  - TIDZ Kičevo;
  - TIDZ Struga;
  - TIDZ Prilep;
  - TIDZ Kumanovo;
  - TIDZ Gevgelija;
  - TIDZ Rankovce;
  - TIDZ Sveti Nikole;
  - TIDZ Strumica;
  - TIDZ Veles;
  - TIDZ Debar (in an advanced stage of development).

Additional areas — TIDZ Kriva Palanka and TIDZ Ohrid — are under planning within the 2025–2027 expansion programme, supported by IPA III funds and the European Bank for Reconstruction and Development (EBRD).

Overall, the TIDZ have attracted more than EUR 4 billion in foreign direct investments over the past decade and generated over 20,000 jobs, with a strong presence of Italian and Western European companies in the automotive, electronics, components and packaging sectors.

#### Main benefits for foreign investors in TIDZs

Type of incentive	Brief description	Duration/Intensity
Profit tax exemption	No taxation on profits generated within the zone	10 years
VAT and customs duty exemption	For imports of machinery, raw materials and semi-finished products	Up to 100%
Employment incentives	Contributions for each new job created	2.000–10.000 € for place
Easier access to public services	Accelerated administrative process and dedicated technical assistance	Permanent
Partial refunds on investments	Coverage of up to 30–50% of eligible expenses	On a project basis

Source: Directorate for Technological Industrial Development Zones; Ministry of Economy (data 2024)

## 10.2 Opportunities from EU and EBRD programmes

European integration represents one of the key pillars of North Macedonia's economic policy. The country's status as an EU candidate grants access to a wide range of European programmes and financial instruments, complemented by credit lines and funds managed by international financial institutions such as the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB).

These instruments play a strategic role in supporting the modernisation of the productive sector, infrastructure development, digitalisation and the green transition, creating a favourable environment for Italian companies as well as for public-private partnerships.

### EU funds and programmes

The main source of European financial assistance is the IPA III Instrument for Pre-Accession Assistance 2021–2027, which replaces the previous IPA I and II cycles.

North Macedonia accesses IPA III funds through the European Commission's annual financing decisions, such as the Annual Action Plan 2024 (worth approximately EUR 58.6 million), and through multi-country interventions under the Western Balkans Investment Framework (WBIF).

IPA III resources are allocated across five priority areas:

- Governance and rule of law;
  - Green and digital transition;
  - Competitiveness and inclusive growth;
  - Territorial development and regional connectivity;
  - Socio-economic integration and human capital.

Through these lines, the European Commission finances national and regional projects often co-financed by the EBRD and the EIB aimed at improving infrastructure, energy efficiency and strengthening the private sector.

Among the most significant projects are:

- the electrification plan for the railway section of Corridor VIII (Kumanovo–Kriva Palanka–Bulgarian border);
- digitalisation programmes for public and customs services;
- support for innovative SMEs through the Fund for Innovation and Technological Development (FITD).

In addition to IPA III, Macedonian enterprises and their European partners can access numerous EU direct programmes, including:

- Horizon Europe, dedicated to research and industrial innovation;
- InvestEU, providing guarantees and co-financing for sustainable and infrastructure projects;
- LIFE Programme, focused on environmental and circular economy projects;
- Single Market Programme (formerly COSME), supporting SME competitiveness and internationalisation;
- Digital Europe, aimed at developing advanced digital technologies, cybersecurity and artificial intelligence.

Italian companies with interests or subsidiaries in North Macedonia may participate in these calls in partnership with local stakeholders, leveraging synergies between Italian know-how and Macedonian operational capacity in a context of competitive costs and preferential access to IPA funds.

### The role of the EBRD and the EIB

The European Bank for Reconstruction and Development (EBRD) has been active in North Macedonia since 1993 and is one of the country's main international financial partners.

Throughout its operations, it has carried out cumulative investments of around EUR 3 billion, focusing on sustainable energy, infrastructure, manufacturing industry and SME financing.

Among its most impactful programmes are:

- the Green Economy Financing Facility (GEFF), supporting energy-efficiency and green technology projects;
- the SME Competitiveness Programme, helping SMEs align with EU standards;
- green credit lines delivered through local banks, targeting businesses and households.

The European Investment Bank (EIB) works alongside the government and local institutions, focusing on infrastructure, energy and healthcare projects.

Within the Western Balkans Investment Framework (WBIF), the EIB co-finances strategic interventions such as:

- Corridor X (Skopje–Kumanovo–Tabanovce);
- the cross-border energy network with Albania and Kosovo;
- the National Programme for Energy Efficiency in Public Buildings.

The combined action of the EBRD and the EIB, together with IPA and WBIF resources, currently represents the main driver of the country's infrastructural modernisation, also promoting the adoption of European technical and environmental standards.

### Regional and cross-border cooperation instruments

In addition to major European programmes, North Macedonia participates in several territorial cooperation instruments (Interreg and IPA CBC), which foster collaboration with neighbouring countries and EU regions.

Among the most relevant are:

- Interreg IPA Bulgaria–North Macedonia 2021–2027, centred on sustainable tourism, local development, environmental management and cultural heritage promotion;
- Interreg IPA Adrion (Adriatic–Ionian Programme), connecting EU Member States (Italy, Greece, Croatia, Slovenia) with IPA countries of the Western Balkans, including North Macedonia, for projects on innovation, transport, energy and university cooperation.

North Macedonia is not among the direct beneficiaries of other transnational programmes such as Interreg IPA South Adriatic, reserved for Italy, Albania and Montenegro, but may participate as an associate partner or through linked initiatives under IPA III.

These instruments jointly managed by national and regional authorities represent a strategic entry point for Italian companies, local authorities and universities interested in collaborating with Macedonian partners on sustainability, digitalisation and territorial cooperation projects.

### National coordination of EU funds

To ensure the effective use of EU resources, the Macedonian government has established a central coordination system through the Secretariat for European Affairs (SEA), in cooperation with the Ministry of Finance and the Ministry of Economy. The SEA acts as the national coordinating authority for IPA funds, overseeing programme preparation, project selection and compliance with EU criteria.

In recent years, the country's administrative capacity has been significantly strengthened through twinning initiatives and technical assistance with EU Member States including Italy which have contributed to the transfer of expertise in the management of structural funds and the monitoring of public investments.

This institutional convergence process has enhanced North Macedonia's reputation as a reliable partner in the Western Balkans, improving transparency and the effectiveness of financing mechanisms, and creating a favourable environment for increasingly integrated cooperation with the European Union.

Sources: European Commission – DG NEAR; EBRD Country Strategy North Macedonia (2023–2028); WBIF Report 2024; EIB Country Overview 2024; Secretariat for European Affairs (SEA); Interreg IPA Bulgaria–North Macedonia Programme 2021–2027; Interreg Adrion 2024

### 10.3 Access to credit and the banking system

The banking system of North Macedonia is solid, well-capitalised and relatively concentrated.

As of 2024, 13 banks operate in the country, 9 of which are predominantly foreign-owned; the four main institutions – Komercijalna Banka AD Skopje, Stopanska Banka AD Skopje (NBG Group), NLB Banka AD Skopje and Halkbank AD Skopje – hold more than half of total assets.

This structure ensures stability while maintaining an adequate level of competition, with an evolving offer of green credit lines, export finance instruments and digital financial solutions.

In recent years, the banking sector has made significant progress in the digitalisation of financial services, with the introduction of mobile banking systems, internet payments and open banking APIs, regulated by the guidelines of the National Bank of the Republic of North Macedonia (NBRNM) on electronic payment security and consumer data protection.

#### Regulatory framework and market conditions

Monetary policy is managed by the NBRNM, which uses auctions of central bank bills as its main liquidity-control instrument. During 2024, the central bank initiated a gradual easing of reference rates following the restrictive phase of the previous two years, while maintaining a prudent stance to contain inflationary pressures.

The system is governed by a regulatory framework aligned with European Union standards (CRR/CRD, Basel III) and is preparing for the implementation of the new bank resolution regime and the strengthening of the financial safety net.

Depositor confidence is supported by the Deposit Insurance Fund (DIF), which guarantees deposits of individuals and micro-enterprises up to the equivalent of EUR 30,000 per bank.

This threshold, defined by the Law on the Deposit Insurance Fund (2023 update), will be progressively aligned with European standards in the coming years.

#### Credit supply and available instruments

Commercial banks offer a full range of products for businesses, including:

- Investment and working capital loans (typical duration 3–7 years), supported by real and personal guarantees;
- Operating and financial leasing for machinery, vehicles or industrial equipment;
- Trade finance products, including letters of credit, bank guarantees and domestic or international factoring;
- Green finance, supported by special EBRD programmes such as the Green Economy Financing Facility (GEFF) and the SME Competitiveness Programme, available through major partner banks (Komercijalna, NLB, Halkbank, Sparkasse).

These instruments allow access to preferential conditions for investments that improve energy efficiency or compliance with European standards, with the possibility of capital grants or technical assistance.

#### Development Bank of North Macedonia (DBNM)

The Development Bank of North Macedonia (DBNM), formerly the Macedonian Bank for Development Promotion, acts as a second-tier development institution: it does not lend directly to the public but channels subsidised funds and issues guarantees through partner banks.

Its main instruments include:

- Credit Guarantee Scheme, covering up to 80% of the risk on loans granted to SMEs;
- Export Credit Insurance, providing short-term export credit insurance (up to 360 days) against commercial and political risks;
- Investment Support Lines, co-financed with the EBRD and the EIB, dedicated to productive projects, digitalisation and the energy transition.

The DBNM also plays an important role in implementing anti-crisis support measures and government programmes, contributing to credit stability and the preservation of employment levels.

#### Financing conditions and bankability

Banks assess projects according to rating-based criteria, including:

- the company's economic and financial soundness and projected cash flow;
- quality and value of collateral (loan-to-value ratio, independent appraisals);
- transparency of financial statements and compliance with IFRS standards;
- environmental sustainability and workplace safety, for access to lines co-financed by international institutions (EBRD, EIB, WBIF).

In the 2024–2025 period, credit to the productive sector remains stable, with particular focus on green, digital and export-oriented projects.

Companies located within the Technological Industrial Development Zones (TIDZ) also benefit from more favourable credit assessments thanks to fiscal incentives and pre-established infrastructure, which reduce overall operational risk.

#### Operational aspects and costs

- Average processing time: 2 to 6 weeks for SMEs, longer for complex or IFI co-financed projects.
- Typical documentation: financial statements for the last two years, business plan, investment quotations, and any environmental or energy certifications for green lines.
- Overall cost of credit: reference rate (variable or fixed) + risk margin + processing and guarantee fees.

For projects co-financed by the EBRD or DBNM, interest-rate subsidies or bonuses for adopting sustainable technologies may apply.

#### Implications for Italian companies

- Industrial and green projects: the combination of local credit and EBRD lines improves project profitability and reduces equity requirements.
- Exports to the EU and Balkans: DBNM export credit insurance protects against non-payment risks and supports access to new markets.
- Production facilities in TIDZ: fiscal and infrastructure incentives enhance the project's risk profile and allow more favourable credit terms.
- Public–private partnerships (PPP): the involvement of multilateral institutions such as the EIB and EBRD strengthens project bankability and stimulates Italian Macedonian industrial cooperation.

Sources: National Bank of the Republic of North Macedonia (NBRNM) – Banking System Report 2024; Deposit Insurance Fund – Statute 2023; Development Bank of North Macedonia (DBNM) – Annual Report 2023; EBRD – GEFF & SME Competitiveness Programme 2024; WBIF – Country Portfolio 2024; major banks (Komercijalna, NLB, Halkbank, Stopanska Banka AD Skopje).

#### 10.4 Development and cooperation funds

The ecosystem of development funds in North Macedonia is based on a combination of multilateral banks, European Union instruments and bilateral institutions that mobilise loans, guarantees and grants to support infrastructure, the green transition, SME competitiveness and digitalisation.

The main coordination mechanism is the Western Balkans Investment Framework (WBIF), a platform that combines EU grants with project financing from the EIB, the EBRD and other international partners.

Between 2021 and 2024, the WBIF portfolio allocated to North Macedonia mobilised more than EUR 970 million, including around EUR 300 million in EU grants, concentrated in the sectors of transport, clean energy, wastewater and waste management.

Today, the WBIF represents the main multilateral investment lever in the country, ensuring transparency, European standards and a strong multiplier effect on public and private investment.

Multilateral banks: EBRD and EIB

The European Bank for Reconstruction and Development (EBRD) is the main catalyst for public–private investments in the country.

The new Country Strategy 2025–2030 places decarbonisation, infrastructure resilience and the digital transition at its core, with a portfolio that includes projects for the development of renewable energy (1.7 GW expected by 2030) and SME-oriented programmes such as the Green Economy Financing Facility (GEFF) and the SME Competitiveness Programme, implemented through local banking institutions.

Cumulative EBRD investments in North Macedonia exceed EUR 3 billion, with significant impacts on industrial competitiveness and energy efficiency.

The European Investment Bank (EIB), in synergy with the European Commission and the WBIF, co-finances the country’s main infrastructure projects.

Among the most significant are Corridor VIII – eastern section, including the construction of the new Kriva Palanka–Bulgarian border railway line (24 km) and the electrification of the Kumanovo–border section (88 km), as well as the National Programme for Energy Efficiency in Public Buildings.

The EIB also participates in water network and environmental infrastructure programmes, contributing to the modernisation of local public services and the technical harmonisation with EU standards.

EU platforms and European bilateral funds

Through the WBIF, the European Commission promotes a blending-finance approach combining grants, concessional loans and technical assistance.

North Macedonia benefits from water, environmental and digital projects developed in cooperation with the EIB, the EBRD and the German KfW.

KfW has long financed programmes in water supply, sewage and irrigation (Gostivar, Kavadarci, Gevgelija), introducing European standards for municipal management and public–private partnerships.

The Agence Française de Développement (AFD) operates at a regional level in the Western Balkans including North Macedonia through initiatives for the green transition, territorial cohesion and sustainable urban development, in coordination with the European Commission and multilateral banks.

Although it does not yet manage direct credit lines in the country, AFD participates in multi-country programmes supporting the environmental and social convergence of the Balkans with EU standards.

National development institutions

The Development Bank of North Macedonia (DBNM) acts as a second-tier development bank, supporting the national productive sector through public guarantees and export credit insurance.

Its Credit Guarantee Fund, financed by state and multilateral resources, covers up to 80% of the risk on SME loans, reducing collateral requirements and improving project bankability.

The DBNM also cooperates with the EBRD and the EIB in the implementation of credit lines dedicated to innovation, digitalisation and industrial investment.

Italian cooperation and instruments (CDP, SIMEST, MAECI/AICS)

Italy supports the growth of North Macedonia through an integrated system of public finance for development and internationalisation.

Cassa Depositi e Prestiti (CDP), as Italy’s development finance institution, participates in European and multilateral programmes including the WBIF and Team Europe co-financing infrastructure and environmental interventions and providing technical assistance.

SIMEST, part of the CDP Group, offers soft loans and temporary equity investments for the internationalisation of Italian SMEs, including projects in EU candidate countries such as North Macedonia.

These instruments are particularly effective in the energy, agribusiness, mechanical engineering and logistics sectors, where cooperation with local partners is strengthened by IPA and WBIF programmes.

The Ministry of Foreign Affairs and International Cooperation (MAECI) and the Italian Agency for Development Cooperation (AICS) complement this framework with initiatives on economic governance, vocational training and sustainable local development, often in partnership with the European Commission and multilateral banks.

These programmes contribute to strengthening the country’s institutional capacity and create opportunities for Italian universities, local authorities and companies in technical assistance and capacity-building initiatives.

The integration between Italian and European instruments now enables a more structured cooperation:

- CDP and SIMEST act as levers for productive investment and industrial export;
- MAECI and AICS promote training and territorial cooperation;
- WBIF, EIB and EBRD provide co-financing for major projects.

The combined action of these institutions strengthens Italy’s presence in North Macedonia, supporting the growth of the local productive system and accelerating the country’s European integration process.

#### 10.5 Regional/local instruments

Alongside national and multilateral funds, North Macedonia has a growing network of regional and local instruments dedicated to territorial development, investment attraction and support for entrepreneurship.

Although these mechanisms operate with smaller resources compared to EU programmes, they play a strategic role in economic decentralisation and in the creation of local productive ecosystems, particularly in industrial areas and in the country’s more dynamic municipalities.

They are embedded within the framework of the National Strategy for Balanced Regional Development 2021–2030, co-financed by IPA III – Cohesion Policy and Territorial Governance, which allocates dedicated resources for the modernisation of municipalities, the reduction of interregional disparities and the improvement of the quality of local public services.

Regional development and territorial planning agencies

Regional development policies are coordinated by the Ministry of Local Self-Government – Ministerstvo za lokalna samouprava – in cooperation with the Bureau for Regional Development, which manages funds for infrastructure projects and inter-municipal cohesion plans.

North Macedonia is divided into eight planned development regions, each equipped with a Regional Development Centre responsible for identifying economic priorities and investment projects in synergy with municipal authorities and private-sector partners.

The most active regions include:

- Skopje Planning Region, focusing on innovation, logistics and technological services;
- South-East Region (Strumica, Gevgelija, Valandovo), with a strong agro-industrial profile;
- Eastern Region (Štip, Kochani, Delčevo), specialised in light industry and textiles;
- South-West Region (Ohrid, Struga, Bitola), oriented towards sustainable tourism, green economy and bioenergy.

Regional funds mainly finance municipal infrastructure, SME innovation and sustainability projects, often co-financed through IPA III – Component 2 “Territorial Cooperation” or via Interreg IPA cross-border programmes.

Industrial Free Zones (TIDZ) and local incentives

One of the main tools for attracting investment is the system of Technological Industrial Development Zones (TIDZ), managed by the Directorate for Technological Industrial Development Zones (DTSZ).

These free zones offer fiscal, infrastructural and logistical advantages to both foreign and domestic investors, fostering the creation of industrial hubs connected to European supply chains.

North Macedonia currently has 16 TIDZ zones either operational or under development, distributed across the country.

The main ones are located in:

- Skopje 1 and 2 (Bunardzik and Vizbegovo) – areas with a strong presence of manufacturing and automotive component companies;
- Štip, Strumica and Tetovo – hubs for light industry and agrifood;
- Kičevo, Prilep and Ohrid – emerging areas for logistics, electronics and bioenergy;
- Kumanovo and Struga – expanding zones focused on mechanics and precision electronics;
- Rankovce, Kriva Palanka, Kochani and Veles – newer zones oriented toward green investments and export-oriented production.

The TIDZ system provides:

- full corporate tax exemption for 10 years;
- exemption from VAT and customs duties on imported goods for production;
- preferential land-lease fees and pre-urbanised industrial infrastructure;
- simplified procedures and dedicated support through a one-stop shop (Investor Care Service), assisting companies throughout the authorisation and settlement process.

These benefits are governed by the Law on Technological Industrial Development Zones – Zakon za tehnološko-industriski razvojni zoni, updated in 2022 to introduce ESG criteria and specific incentives for green and digital investments.

Companies can also benefit from grants for staff training and for locating operations in areas with lower economic development, in accordance with the Ministry of Economy’s guidelines.

Municipal funds and local partnerships

Municipalities have their own instruments to support the local economy, often in cooperation with the Development Bank of North Macedonia (DBNM), the EBRD and UNDP.

Key programmes include:

- Municipal Investment Support Programme (MIS), for projects on urban regeneration, renewable energy and waste management;
- Green Cities Programme (EBRD–UNDP–Ministry of Environment), involving Skopje, Bitola and Tetovo in sustainable mobility and climate-resilience planning;
- Local Economic Development (LED) Fund, managed at municipal level to support micro-enterprises and innovative start-ups.

Municipalities also participate as direct beneficiaries in Interreg and IPA CBC projects, strengthening cross-border cooperation with Bulgaria, Greece, Albania and Kosovo.

These initiatives promote best-practice exchange, tourism development and the enhancement of local value chains.

Cooperation network and opportunities for Italian companies

The local level offers increasing opportunities for Italian companies, which can complement their investments with municipal incentives, public–private partnerships and territorial development programmes.

Several municipalities particularly Skopje, Ohrid, Štip and Prilep have signed economic cooperation agreements with Italian regions and chambers of commerce, fostering synergies in renewable energy, environmental management, sustainable tourism and advanced manufacturing.

Multiple Italian regions including Emilia-Romagna, Friuli Venezia Giulia and Apulia have also established decentralised cooperation protocols with Macedonian counterparts to promote agro-industrial and manufacturing value chains, underscoring the growing territorial linkage.

The presence of the TIDZ system and local-level EU cooperation programmes enables the structuring of blended investments (private capital + local public contributions + IPA funds), while Regional Development Centres provide technical and promotional support for project submission.

Future prospects

In the coming years, regional programmes will focus on administrative digitalisation, sustainable mobility and smart cities, with opportunities to access EU funds dedicated to pilot projects in ICT, energy and smart tourism.

The evolution of territorial cooperation in synergy with the Green Deal and the Digital Agenda for the Western Balkans will make North Macedonia’s regions increasingly central in EU programming for 2025–2030, offering new opportunities for public–private collaboration and partnerships with Italian and European companies.

Source: Ministry of Local Self-Government – Ministerstvo za lokalna samouprava; Bureau for Regional Development – Annual Report 2024; Directorate for Technological Industrial Development Zones (DTSZ); Development Bank of North Macedonia (DBNM); UNDP North Macedonia – Green Cities Programme; EBRD – Local Infrastructure and LED Projects 2024; EU Delegation – IPA III Programme 2021–2027.



АРХЕОЛОШКИ МУЗЕЈ НА РЕПУБЛИКА СЕВЕРНА МАКЕДОНИЈА

KALIN TEANGAU (IVV TUTI

## SYDEA NMK

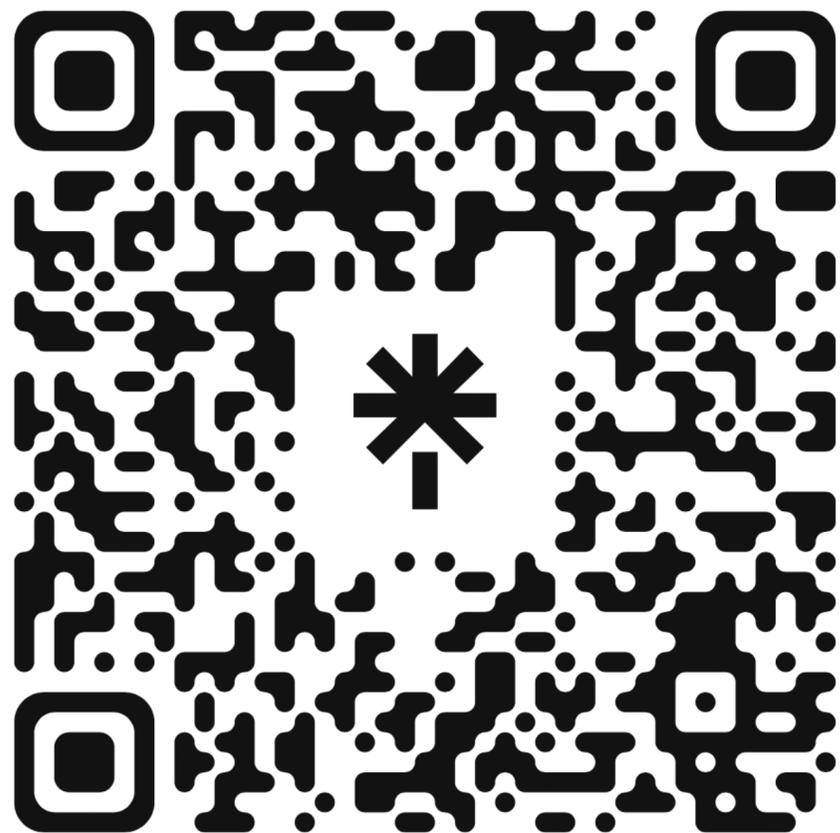
Founded in Italy in 2015 by Tony and Yuri De Vivo, Sydea is an IT consulting company that has established itself as a benchmark in the international technology landscape. With over fifty professionals spread across four operational offices, Sydea has been able to combine expertise, strategic vision and flexibility, offering tailor-made IT solutions for businesses and public institutions. The opening of an office in Skopje in 2020, thanks to the collaboration with partner Gianmichele Mele, is the result of a targeted growth strategy aimed at identifying contexts conducive to technological development and innovation. North Macedonia immediately proved to be a dynamic and stimulating environment: its economic system open to foreign investment, competitive tax policies, growing digitalisation of infrastructure and a community of skilled local talent provide a solid foundation on which to build relationships, develop projects and strengthen our international presence. The synergy between our experience and the technical expertise of local resources has generated a virtuous model of shared growth. We work closely with local and international partners every day to develop customised software solutions, integrate complex systems, support companies in their digital transformation journey and bring added value to every stage of the process. Today, Sydea operates in the main IT sectors, with a particular focus on ERP consulting, where it stands out for its consolidated experience on platforms such as SAP, Odoo and Microsoft Dynamics 365 Business Central. These skills are complemented by cross-functional expertise in software development, system integration and the implementation of cloud and CRM solutions tailored to the needs of modern businesses.

We see North Macedonia as a hub for our digital ecosystem: a place where opportunities meet skills, and where innovation finds fertile ground to grow. Being present in this expanding market means actively contributing to building a sustainable and inclusive technological future, alongside customers, partners and institutions. Sydea does not just offer services: it builds connected solutions and promotes a human approach to digital transformation.

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