

**International scientific conference
"The Influence of European Integration on the
Development of Monetary Law"**

Faculty of Law, University in Nis, Serbia
30-31 May 2023

**The Challenges of the Macedonian Tax System
According
to the EU Recommendations and EU Tax Rules"**

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“What began as a supply shock in China has morphed into something much more serious that is pushing the global and the European economy into its deepest recession since the 1930s”

European Economic Forecast. Spring 2020, European Commission

https://ec.europa.eu/economy_finance/forecasts/2020/spring/ecfin_forecast_spring_2020_outlook_en.pdf

Background focal points during Coronavirus COVID-19 in North Macedonia

- ▶ Technical government (political uncertainty)
- ▶ State of emergency
- ▶ A vast number of ad hoc policies, measures and government decisions have been introduced and implemented in 2020 and 2021
- ▶ Economical and social restriction measures and international bans
- ▶ Macedonian Tax System Reform Strategy 2020-2023 (The Strategy outlines five priorities for tax policy and tax administration in the period 2020-2023: To increase fairness of taxation; To Improve Revenue Collection; To increase tax transparency; To improve quality of services; To introduce Green Taxation)

Background focal points during Coronavirus COVID-19 in North Macedonia

- ▶ In August 2022 the government adopted updated Macedonian Tax System Reform Strategy 2021-2025, referring changes to:
 - Corporate tax
 - Personal income tax and social contributions
 - VAT

Economic, fiscal and tax policies responses during COVID-19

- ▶ Adopted 6 packages of measures consisted from 106 measures focused*
- ▶ Strategic interaction among tax policies in the region
- ▶ On July 2022, the first Intergovernmental Conference on accession negotiations took place with North Macedonia, and the country started with the screening process. Consequentially, the last EC staff working document, the North Macedonia 2022 report, covers the period from June 2021 to June 2022. According to the EC staff working documents for North Macedonia, the country has been "**moderately prepared in the area of taxation**" for the last several years. This includes fulfilling the Copenhagen criteria, which includes a functional market economy and acceptance of all EU legislation and proposals. Consequently, all rules or conditions from the Treaty Establishing the European Community (Common rules on competition, taxation, and approximation of laws) apply to Member States and future member states, as in this case, North Macedonia

Outcomes

- Since the beginning of the crisis the government adopted six packages of measures worth about one billion and two hundred million euros. That is about 11% of our GDP.
- The total fiscal stimulus includes not only direct budget expenditures, but also tax reductions and exemptions, available guarantees etc.
- For comparison, according to IMF data, fiscal stimulus in the countries of the region ranges from 2.4% of GDP in Bulgaria, 3% in Bosnia and Herzegovina, 3.3% in Albania, 4% in Montenegro, 5% in Kosovo, 7% in Croatia, Serbia with 13.6% and Greece and Slovenia with about 14% of GDP.

Outcomes and consequences

- ▶ Lack of transparency during decision making process (working groups and initiatives)
- ▶ Fiscal and tax policies follow the health crises, the energy crises and nowadays environmental (climate) crises
- ▶ Dominant position from commercial banks
- ▶ Reforming tax system to address environmental issues

Thank you

Comments & Questions

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From Current Practice to Implementation (EUEHL) 2020-2022

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