

A Guide to the Investment Incentives from the Government's 2018 "Plan for Economic Growth"

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Introduction

The Government's "Plan for Economic Growth" was accepted by Parliament in May, 2018. For implementation of this plan, €66M is devoted from the budget of the Republic of Macedonia, of which €50M is planned for economic development and additional €16M for active employment measures.

The Plan for Economic Growth is based on three pillars, two of which are implemented through the Law on the Financial Support of Investments:

- a) Financial support for investments; and
- b) Financial support for competitiveness.

The measures of the third pillar are implemented by the Fund for Innovations and Technological Development through the middle-run program for financial support of micro, small and middle-sized enterprises (MSME) for innovations and technological development.

The Plan is expected to succeed through implementation of:

- 1) Equal conditions for domestic and foreign investors;
- 2) Transparent requirements and criteria;
- 3) Increased cooperation between domestic and foreign companies;
- 4) Support for micro, small and medium enterprises;
- 5) Higher wages;
- 6) New better-paying jobs;
- 7) Support for establishing technology development and research departments;
- 8) Technology development and innovations; and
- 9) Increased competitiveness.

General Eligibility Requirements

The entities that are **eligible** as beneficiaries of financial support from pillars 1 and 2 shall be business entities that:

- perform production activities;
- have generated growth of revenues from the business activity in the last year as compared to the average of the previous three years or a shorter period, provided that the business entity is registered and has started with the business activity in a period shorter than four years as of the day of submission of the application for granting financial support; and
- have the same average number of employees in the last year as compared to the average number of employees for the previous three years or a shorter period, provided that the business entity is registered and has started the business activity in a period shorter than four years as of the day of submission of the application for granting financial support.

As an exception, financial support **cannot** be granted to business entities that perform production activities and are concurrently performing any of the following:

- an activity of public interest determined by law;
- a licensed activity;
- a regulated activity;
- users of the right to concessions, if the foregoing is their main activity;
- that perform activities related to special purpose production (arms and military equipment); and
- that produce excise goods.

Financial support from pillar 1 and 2 **cannot** be granted to entities that:

- use subventions, and perform activities in the sphere of agriculture and fishery;
- perform construction activities related to the construction and sales of housing units and housing buildings, solely in the part of the construction activity related to housing units construction and sales; and
- perform activities in the sphere of information and communication services, unless the activity is related to establishment of organizational forms for technological development and research.

A summary of the individual incentives

The following shall constitute types of financial support offered by the Government of the Republic of Macedonia:

Pillar no.	Measure	Benefits	Criteria and Requirements
1.1	Financial support for new employees	<p><u>20% of the paid monthly net salary for each new employee in the previous year (up to €4,400/employment)</u></p> <p>* the financial support can be used for up to 5 years from the day of the first employment in the specific job</p>	<ul style="list-style-type: none"> • financial support for new employments shall be granted for new full-time employees of citizens of the Republic of Macedonia • any business entity that continuously pays a monthly net salary which is at least by 50% higher than the minimum monthly net salary • at least 75% of the newly employed persons in the course of the year for which the financial support is sought should be persons that meet at least one of the following requirements: <ul style="list-style-type: none"> • were unemployed at least 3 months – active jobseekers; • are employed for the first time with the beneficiary; • their last employment was terminated due to initiation of a bankruptcy or liquidation procedure; or • were employed in public or state administration immediately before the employment.
1.2	Financial support for the establishment and promotion of cooperation with suppliers registered in the Republic of Macedonia	<p><u>1% of the value of the total procurement (up to €300,000/year)</u></p> <p>* the financial support can be used for up to 7 years from the day of commencement of the support</p>	<ul style="list-style-type: none"> • located in a TIDZ • 15% of the total product delivered and integrated in the product of the beneficiary of financial support in the previous year is procured from suppliers registered in the Republic of Macedonia (excluding the procurement from public enterprises)

Pillar no.	Measure	Benefits	Criteria and Requirements
1.3	Financial support for establishment of organizational forms aimed at technological development and research	<p><u>Up to 50% of the total eligible costs for industrial research of which 30% for investment costs (up to €1,000,000)</u></p> <p>* the financial support can be used for up to 5 years from the year in which the application for granting financial support has been submitted</p>	<p>The financial support shall be granted to business entities that are to establish independent organizational forms aimed at technological development and research, or are to establish them as part of their existing organizational structure</p> <p>Eligible investment costs include:</p> <ul style="list-style-type: none"> • costs for instruments and equipment • costs for buildings and land • costs for contracted research, technical knowledge and patents purchased or licensed by external sources at market prices • additional costs incurred directly as a result of research projects; and • other operating costs, including the costs of materials, supplies and similar products incurred directly as a result of the research activity <p>Criteria:</p> <ul style="list-style-type: none"> • the core activity of the business entity to be in the field of production; and - the activities and the results of the organizational form aimed at technological development and research to be applicable in production - the beneficiary of the financial support should retain the average number of newly employed persons if the financial support has been used for payment of the net salaries, for a period of at least three years as of the last year for which financial support has been paid

Pillar no.	Measure	Benefits	Criteria and Requirements
1.4	Financial support for investment projects of significant economic interest for the Republic of Macedonia	<p>The financial support shall consist of the following:</p> <p>a) exemption from paying personal income tax on the employees' wages, citizens of Macedonia (up to 10 years)</p> <p>b) exemption from paying profit tax (up to 10 years);</p> <p>c) up to 10% of the completed investment (up to €1,000,000) (up to 3 years)) +10% of the completed investment (up to €1,000,000) by business entities founded by citizens of Macedonia with residence or temporary stay out of Macedonia;</p> <p>d) different types of cash grants for employees who have a wage of at least €300</p>	<ul style="list-style-type: none"> • Primary activity – manufacturing • Investment of over €20,000,000 or • Investment of at least €4,000,000 and provides at least 300 new jobs
1.5	Financial support for growth of capital investments and revenues	<p><u>10% of investments for purchase of new machines and equipment or investments in premises or land (up to €1,000,000)</u> +10% of the completed investment (up to €1,000,000) by business entities founded by citizens of Macedonia with residence or temporary stay out of Macedonia</p> <p>* the financial support can be used for up to 5 years from the date of the start of the investment project</p>	<ul style="list-style-type: none"> • the business entity should not decrease the average number of employees and the revenues from the business activity below the average in the previous three years, or for a shorter period depending on the date on which the business entity is founded or started its activity. • the beneficiary of the financial support should maintain the investment for a period of at least five years as of the last year in which the investment project ended.
1.6	Financial support for purchase of tangible assets from business entities in distress	<p><u>10% of the costs for purchasing tangible assets of the business entity under bankruptcy or liquidation (up to €1,000,000/one-time basis)</u> +10% of the completed investment (up to €1,000,000) by business entities founded by citizens of Macedonia with residence or temporary stay out of Macedonia</p>	<ul style="list-style-type: none"> • recommencing the activity of the company • lack of connectivity with the enterprise • the enterprise must have had at least 50 employees • the enterprise must continue doing business for at least 5 more years

Pillar no.	Measure	Benefits	Criteria and Requirements
		(the use of the financial support shall exclude the use of the financial support for growth of capital investments and revenues)	
2.1	Financial support for increasing the competitiveness in the market	<p><u>10% of the eligible investment costs (up to €1,000,000/annually)</u></p> <p>+10% of the completed investment (up to €1,000,000) by business entities founded by citizens of Macedonia with residence or temporary stay out of Macedonia</p> <p>* the financial support can be used for up to 5 years from the date of the start of the investment project</p>	<ul style="list-style-type: none"> • to achieve growth of sold quantities or growth of revenues from a business activity regarding sold products in the market in the year by at least 5% more than the average in the last 3 years; and • to maintain or achieve growth of the average number of employees and growth of the revenues from a business activity of at least 5% above the average in the past three years, or for a shorter period depending on the date on which the enterprise is founded or started its business activity determined in accordance with the agreement on financial support.
2.2	Financial support for conquering new markets and growth of sales	<p><u>Up to 20% of the eligible costs for conquering new markets (up to €30,000/annually until the achievement of the maximum amount of €30,000)</u></p> <p>*does not apply to the users of the technological industrial development zones</p>	<p>Eligible costs for obtaining the financial support:</p> <ul style="list-style-type: none"> • joint (organized) participation in fairs abroad • joint (organized) participation in business events during visits abroad • business meetings with companies in foreign markets • foreign markets research • certification of the products in accordance with the requirements of the foreign markets, and • preparation of a marketing presentation in foreign markets (preparation of promotional material, catalogues, brochures, webpage design)

Pillar no.	Measure	Benefits	Criteria and Requirements
3.1	Financial support of MSME with fast growth tendency – “Gazelles”	<p><u>Up to 30% of the acceptable direct costs (up to €160,000)</u></p> <p>Eligible activities (preparation, analysis, implementation, accepting and similar) and connected costs include:</p> <ul style="list-style-type: none"> • European technical regulations regarding product safety • quality certificates • protection of industrial and intellectual ownership rights • protection of the environment • equipment and plants • technical support • legal patents and similar • other costs (except wages and payments to domestic public enterprises) <p>* the financial support can be used for up to 18 months from the day the project is approved</p>	<ul style="list-style-type: none"> • trade companies • micro, small & medium enterprises (with up to 250 employees) • enterprises with minimum annual revenue of €50.000 • fulfill the conditions of the Law for Control of State Aid and of the Bylaw on the Conditions and Procedure for Granting Aid of Little Importance (de minimis)
3.2	Additional financial support for MSME	<p><u>Up to 30% of the acceptable direct costs (up to €80,000)</u></p> <p>Eligible activities and connected costs, among others, include:</p> <ul style="list-style-type: none"> • middle-run and long-run strategic planning • improvement of organizational structure • management and other types of trainings • technical support • other costs (except wages and payments to domestic public enterprises) <p>* the financial support can be used for up to 18 months from the day the project is approved</p>	<ul style="list-style-type: none"> • trade companies • micro, small & medium enterprises (with up to 250 employees) • enterprises with minimum annual revenue of €50.000 • fulfill the conditions of the Law for Control of State Aid and of the Bylaw on the Conditions and Procedure for Granting Aid of Little Importance (de minimis)

Pillar no.	Measure	Benefits	Criteria and Requirements
3.3	Financial support for MSME for improvement of the innovation	<p><u>Up to 70% of the direct costs for innovative solutions, (up to €320,000)</u></p> <p>Eligible activities and connected costs, among others, include:</p> <ul style="list-style-type: none"> • elaboration of technical-technological aspects in the development and introduction of new products or services • significant improvements of current products and/or services • creation of new fashion collections • preparations of industrial designs or redesigning products • creating marketing plans etc. <p>* the financial support can be used for up to 24 months from the day the project is approved</p>	<ul style="list-style-type: none"> • trade companies • micro, small & medium enterprises (with up to 250 employees) • enterprises with minimum annual revenue of €50.000 • fulfill the conditions of the Law for Control of State Aid and of the Bylaw on the Conditions and Procedure for Granting Aid of Little Importance (de minimis) • majority ownership of a Macedonian citizen and/or an institution working in the higher education or research field in which the applicant has at least 20% ownership
3.4	Financial support for professional upgrade and practice for newly-employed young people	<p><u>Up to 30% of the direct costs for innovative solutions, (up to €15,000)</u></p> <p>Eligible activities and connected costs include:</p> <ul style="list-style-type: none"> • various types of trainings in-house and at training centres and other companies • travel and food • certifications <p>* the financial support can be used for up to 24 months for one newly-employed young person</p>	<ul style="list-style-type: none"> • trade companies • micro, small & medium enterprises (with up to 250 employees) • enterprises with minimum annual revenue of €50.000 • fulfill the conditions of the Law for Control of State Aid and of the Bylaw on the Conditions and Procedure for Granting Aid of Little Importance (de minimis) • training and professional upgrade for people of up to 29 years of age who have been employed at least 6 months
3.5	Creating conditions and preparation of legal bases for development of venture capital	<p>Establishment of Equity and Mezzanine Financing that provides <u>financial support of up to 25% of the value of the investment of the applicant's own funds (up to €480,000)</u></p> <p>* the financial support can be used for preparation and realization of projects for</p>	<ul style="list-style-type: none"> • trade companies • micro, small & medium enterprises (with up to 250 employees) • fulfill the conditions of the Law for Control of State Aid and of the Bylaw on the Conditions and Procedure for Granting Aid of Little Importance (de minimis)

Pillar no.	Measure	Benefits	Criteria and Requirements
		technological development and covers all the costs in 3.1-3.4 of this programme. * the financial support can be used for up to 36 months from the day the project is approved, with possible extension of up to 24 months	

Links to the official government documents

Middle-run [programme](#) of the Fund for Innovations and Technological Development

[Law](#) on the Financial Support on Investments

[Plan](#) for: Economic Growth:

Summary provided by Macedonia2025 Summer 2018 Intern: Adil Mehmed