

GLOBAL FORUM ON TRANSPARENCY AND EXCHANGE
OF INFORMATION FOR TAX PURPOSES

Peer Review Report on the Exchange of Information
on Request

REPUBLIC OF NORTH MACEDONIA

2019 (Second Round)



Global Forum on Transparency and Exchange of Information for Tax Purposes: Republic of North Macedonia 2019 (Second Round)

PEER REVIEW REPORT ON THE EXCHANGE
OF INFORMATION ON REQUEST

March 2019
(reflecting the legal and regulatory framework
as at December 2018)

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Reader's guide

The Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) is the multilateral framework within which work in the area of tax transparency and exchange of information is carried out by over 150 jurisdictions that participate in the Global Forum on an equal footing. The Global Forum is charged with the in-depth monitoring and peer review of the implementation of the international standards of transparency and exchange of information for tax purposes (both on request and automatic).

Sources of the Exchange of Information on Request standards and Methodology for the peer reviews

The international standard of exchange of information on request (EOIR) is primarily reflected in the 2002 OECD Model Agreement on Exchange of Information on Tax Matters and its commentary, Article 26 of the OECD Model Tax Convention on Income and on Capital and its commentary and Article 26 of the United Nations Model Double Taxation Convention between Developed and Developing Countries and its commentary. The EOIR standard provides for exchange on request of information foreseeably relevant for carrying out the provisions of the applicable instrument or to the administration or enforcement of the domestic tax laws of a requesting jurisdiction. Fishing expeditions are not authorised but all foreseeably relevant information must be provided, including ownership, accounting and banking information.

All Global Forum members, as well as non-members that are relevant to the Global Forum's work, are assessed through a peer review process for their implementation of the EOIR standard as set out in the 2016 Terms of Reference (ToR), which break down the standard into 10 essential elements under three categories: (A) availability of ownership, accounting and banking information; (B) access to information by the competent authority; and (C) exchanging information.

The assessment results in recommendations for improvements where appropriate and an overall rating of the jurisdiction's compliance with the EOIR standard based on:

1. The implementation of the EOIR standard in the legal and regulatory framework, with each of the element of the standard determined to be either (i) in place, (ii) in place but certain aspects need improvement, or (iii) not in place.
2. The implementation of that framework in practice with each element being rated (i) compliant, (ii) largely compliant, (iii) partially compliant, or (iv) non-compliant.

The response of the assessed jurisdiction to the report is available in an annex. Reviewed jurisdictions are expected to address any recommendations made, and progress is monitored by the Global Forum.

A first round of reviews was conducted over 2010-16. The Global Forum started a second round of reviews in 2016 based on enhanced Terms of Reference, which notably include new principles agreed in the 2012 update to Article 26 of the OECD Model Tax Convention and its commentary, the availability of and access to beneficial ownership information, and completeness and quality of outgoing EOI requests. Clarifications were also made on a few other aspects of the pre-existing Terms of Reference (on foreign companies, record keeping periods, etc.).

Whereas the first round of reviews was generally conducted in two phases for assessing the legal and regulatory framework (Phase 1) and EOIR in practice (Phase 2), the second round of reviews combine both assessment phases into a single review. For the sake of brevity, on those topics where there has not been any material change in the assessed jurisdictions or in the requirements of the Terms of Reference since the first round, the second round review does not repeat the analysis already conducted. Instead, it summarises the conclusions and includes cross-references to the analysis in the previous report(s). Information on the Methodology used for this review is set out in Annex 3 to this report.

Consideration of the Financial Action Task Force Evaluations and Ratings

The Financial Action Task Force (FATF) evaluates jurisdictions for compliance with anti-money laundering and combating terrorist financing (AML/CFT) standards. Its reviews are based on a jurisdiction's compliance with 40 different technical recommendations and the effectiveness regarding 11 immediate outcomes, which cover a broad array of money-laundering issues.

The definition of beneficial owner included in the 2012 FATF standards has been incorporated into elements A.1, A.3 and B.1 of the 2016 ToR. The 2016 ToR also recognises that FATF materials can be relevant for carrying out EOIR assessments to the extent they deal with the definition of beneficial ownership, as the FATF definition is used in the 2016 ToR (see 2016 ToR, annex 1, part I.D). It is also noted that the purpose for which the FATF materials have been produced (combating money-laundering and terrorist financing) is different from the purpose of the EOIR standard (ensuring effective exchange of information for tax purposes), and care should be taken to ensure that assessments under the ToR do not evaluate issues that are outside the scope of the Global Forum's mandate.

While on a case-by-case basis an EOIR assessment may take into account some of the findings made by the FATF, the Global Forum recognises that the evaluations of the FATF cover issues that are not relevant for the purposes of ensuring effective exchange of information on beneficial ownership for tax purposes. In addition, EOIR assessments may find that deficiencies identified by the FATF do not have an impact on the availability of beneficial ownership information for tax purposes; for example, because mechanisms other than those that are relevant for AML/CFT purposes exist within that jurisdiction to ensure that beneficial ownership information is available for tax purposes.

These differences in the scope of reviews and in the approach used may result in differing conclusions and ratings.

More information

All reports are published once adopted by the Global Forum. For more information on the work of the Global Forum on Transparency and Exchange of Information for Tax Purposes, and for copies of the published reports, please refer to www.oecd.org/tax/transparency and <http://dx.doi.org/10.1787/2219469x>.

Abbreviations and acronyms

AEOI	Automatic Exchange of Information
AML	Anti-Money Laundering
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
CDD	Customer Due Diligence
CLG	Company Limited by Guarantee
CR	Central Registry
CRS	Common Reporting Standard
CSD	Central Securities Depository
DTC	Double Tax Convention
EOIR	Exchange Of Information on Request
EU	European Union
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FIO	Financial Intelligence Office
FSD MF	Financial System Department, Ministry of Finance
Global Forum	Global Forum on Transparency and Exchange of Information for Tax Purposes
ME	Ministry of Economy
MJ	Ministry of Justice
MoF	Ministry of Finance
MSEC	Securities and Exchange Commission of North Macedonia

Multilateral Convention (MAC)	Convention on Mutual Administrative Assistance in Tax Matters, as amended in 2010
MVT	Money of Value Transfer
NBRM	National Bank of North Macedonia
NPAA	National Programme for Adoption of the <i>Acquis Communautaire</i>
PRG	Peer Review Group of the Global Forum
PRO	Public Revenue Office
SEC	Securities and Exchange Commission
TCPD MF	Tax and Customs Policy Department, Ministry of Finance
TIEA	Tax Information Exchange Agreement
2016 Assessment Criteria Note	Assessment Criteria Note, as approved by the Global Forum on 29-30 October 2015.
2016 Methodology	2016 Methodology for peer reviews and non-member reviews, as approved by the Global Forum on 29-30 October 2015.
2016 Terms of Reference (ToR)	Terms of Reference related to EOIR, as approved by the Global Forum on 29-30 October 2015.

Executive summary

1. This report analyses the implementation of the international standard of transparency and exchange of information on request in the Republic of North Macedonia (hereafter North Macedonia) on the second round of reviews conducted by the Global Forum against the 2016 Terms of Reference. It assesses both the legal and regulatory framework as at 21 December 2018 and its operation in practice, in particular in respect of EOI requests processed during the review period of 1 July 2014 to 31 June 2017. This report concludes that North Macedonia continues to be rated overall **Largely Compliant** with the international standard.

2. In 2014, the Global Forum evaluated North Macedonia in a combined review against the 2010 Terms of Reference for both the legal implementation of the EOIR standard as well as its operation in practice. That report (the 2014 Report) concluded that North Macedonia was rated Largely Compliant overall.

Comparison of ratings for First Round Report and Second Round Report

Element	First Round Report (2014)	Second Round EOIR Report (2018)
A.1 Availability of ownership and identity information	LC	LC
A.2 Availability of accounting information	C	LC
A.3 Availability of banking information	C	C
B.1 Access to information	LC	LC
B.2 Rights and Safeguards	C	C
C.1 EOIR Mechanisms	C	C
C.2 Network of EOIR Mechanisms	C	C
C.3 Confidentiality	C	C
C.4 Rights and safeguards	C	C
C.5 Quality and timeliness of responses	C	C
OVERALL RATING	LC	LC

C = Compliant; LC = Largely Compliant; PC = Partially Compliant; NC = Non-Compliant

Progress made since previous review

3. In 2014, North Macedonia was found to be Largely Compliant with the international standard of transparency and exchange of information on request. In particular, the legal and regulatory framework was adequate to ensure the availability and access to information on legal ownership of relevant entities, accounting information and banking information. The Report however highlighted several issues with the practical application of this legal and regulatory framework. The major recommendation was in relation to the availability of ownership and identity information (element A.1). North Macedonia was issued with a recommendation to monitor compliance with legal obligations to maintain accurate and updated ownership and identity information for limited liability companies, foreign companies and partnerships. North Macedonia has since the last review implemented a new system of registration aimed at simplifying the registration process and facilitating compliance; however, the steps undertaken do not adequately address the recommendation.

4. In addition, North Macedonia was recommended to ensure that the access powers available to its competent authority are used effectively to obtain information in all cases. Upon an analysis of their existing laws, North Macedonia determined that there were no limitations on the access powers of the competent authority and established a system to utilise the most appropriate means to obtain requested information effectively, depending on the circumstances of the case, thereby addressing the recommendation (element B.1).

5. North Macedonia has also taken steps to ensure that its information exchange unit sets appropriate internal deadlines that allow requests for information to be answered in due time by communicating the information requested within 90 days of receiving the request or by providing a progress report to the requesting authority (element C.5).

Key recommendation(s)

6. The key issues raised by this report relate to the availability of beneficial ownership information and accessibility of beneficial ownership information held by banks.

7. In North Macedonia, beneficial ownership information was not required to be kept by legal entities or arrangements themselves, or collected by a government agency at the time of creation or registration, until the passage of a new AML law in June 2018 to establish a Register of Beneficial Owners.

8. Some partial information is nonetheless available, as the AML law requires obliged persons to maintain beneficial ownership information for

any customer. However, the application of the law may not necessarily cover all relevant entities and arrangements, neither is the information obtained under the AML law available to the competent authority. These weaknesses should be compensated by the establishment of the new Register of Beneficial Owners but the change in law was recent and the implementation must be monitored by North Macedonia to ensure its effectiveness.

9. The legal framework for the availability of accounting records is in place, but in practice, it appears that the obligation for entities that ceased to exist to deposit their books and records with the National archives is not complied with. The authorities are therefore recommended to review the situation of these entities so that all books and records, including underlying information, be available in practice for at least five years after an entity ceases to exist.

Overall rating

10. North Macedonia made significant progress to address the recommendations in the previous report and has achieved a rating of Compliant for seven elements (A.3, B.2, C.1, C.2, C.3, C.4, and C.5), but North Macedonia has not yet fully implemented the obligation on availability of and accessibility to beneficial ownership. Therefore the ratings are Largely Compliant for elements A.1, A.2 and B.1. North Macedonia is overall rated Largely Compliant with the EOIR standard.

11. North Macedonia received 31 requests during the review period and sent 27 requests. The majority of North Macedonia's exchange relationships are with partners in the EU, primarily neighbouring countries. North Macedonia has had no difficulty in dealing with the requests received. Significant improvements have been observed in respect of internal procedures, which lead to reduced time taken to respond to requests for information received from partners compared to the previous period assessed. However, North Macedonia's competent authority has undergone recent changes, which, if not monitored, could undermine this progress and good performance. The implementation of recommendations in this report (both in text and in box) is therefore of paramount importance to maintaining this performance.

12. This report was approved at the PRG meeting in February 2019 and was adopted by the Global Forum on 15 March 2019. A follow-up report on the steps undertaken by North Macedonia to address the recommendations made in this report should be sent to the PRG no later than 30 June 2020 and thereafter in accordance with the procedure set out under the 2016 Methodology.

Summary of determinations, ratings and recommendations

Determinations and Ratings	Factors underlying Recommendations	Recommendations
Jurisdictions should ensure that ownership and identity information, including information on legal and beneficial owners, for all relevant entities and arrangements is available to their competent authorities (<i>ToR A.1</i>)		
The legal and regulatory framework is in place.		
Largely Compliant	The accuracy of the information maintained by the Central registry is contingent on the diligence of the registration agents and North Macedonia did not have a regular oversight programme in place to monitor the compliance of the obligations to maintain accurate and updated ownership and identity information for limited liability companies, foreign companies and partnerships during the review period.	North Macedonia should implement a system of supervision of registration agents and the digital certificate system to ensure the accuracy of the information submitted to the Central Registry and monitor on a regular basis the compliance of the legal obligations to maintain accurate and updated ownership and identity information for limited liability companies, foreign companies and partnerships.
	Although North Macedonia has introduced Register of Beneficial owners, the effectiveness of its implementation and practice could not be assessed as the law was passed in June 2018.	North Macedonia should ensure that the Register of Beneficial Owners is implemented in accordance with the standard.
Jurisdictions should ensure that reliable accounting records are kept for all relevant entities and arrangements (<i>ToR A.2</i>)		
The legal and regulatory framework is in place.	North Macedonia's legislation provides that the accounting books and records of companies that have ceased to exist should be deposited in the National Archives, but this does not include underlying documents.	North Macedonia is recommended to ensure that all the accounting records of companies that have ceased to exist are maintained for at least 5 years in line with the standard.

Determinations and Ratings	Factors underlying Recommendations	Recommendations
Largely Compliant	While North Macedonia's legislation provides that the books and records of companies that cease to exist should be deposited with the National archives, this is not the case in practice. Thus, the only documents that would remain available are the annual accounts registered with the Central Registry.	North Macedonia is recommended to ensure that records of companies that have ceased to exist are maintained in North Macedonia for at least 5 years in line with the standard.
Banking information and beneficial ownership information should be available for all account-holders (<i>ToR A.3</i>)		
The legal and regulatory framework is in place.		
Compliant		
Competent authorities should have the power to obtain and provide information that is the subject of a request under an exchange of information arrangement from any person within their territorial jurisdiction who is in possession or control of such information (irrespective of any legal obligation on such person to maintain the secrecy of the information) (<i>ToR B.1</i>)		
The legal and regulatory framework is in place but needs improvement.	North Macedonia's law does not ensure that all types of relevant information obtained under the AML/CFT law are accessible to the competent authority for EOI purposes.	North Macedonia is recommended to amend its laws so that all types of information collected by AML obliged persons pursuant to AML law can be accessed to answer a valid EOI request.
Largely Compliant		
The rights and safeguards (e.g. notification, appeal rights) that apply to persons in the requested jurisdiction should be compatible with effective exchange of information (<i>ToR B.2</i>)		
The legal and regulatory framework is in place.		
Compliant		

Determinations and Ratings	Factors underlying Recommendations	Recommendations
Exchange of information mechanisms should provide for effective exchange of information (<i>ToR C.1</i>)		
The legal and regulatory framework is in place.		
Compliant		
The jurisdictions' network of information exchange mechanisms should cover all relevant partners (<i>ToR C.2</i>)		
The legal and regulatory framework is in place.		
Compliant		
The jurisdictions' mechanisms for exchange of information should have adequate provisions to ensure the confidentiality of information received (<i>ToR C.3</i>)		
The legal and regulatory framework is in place.		
Compliant		
The exchange of information mechanisms should respect the rights and safeguards of taxpayers and third parties (<i>ToR C.4</i>)		
The legal and regulatory framework is in place.		
Compliant		
The jurisdiction should request and provide information under its network of agreements in an effective manner (<i>ToR C.5</i>)		
Legal and regulatory framework	This element involves issues of practice. Accordingly, no determination on the legal and regulatory framework has been made.	
Compliant		

Overview of the Republic of North Macedonia

13. This overview provides some basic information about North Macedonia that serves as context for understanding the analysis in the main body of the report. This is not intended to be a comprehensive overview of the North Macedonia's legal, commercial or regulatory systems.

Legal system

14. Formerly part of the Yugoslav Federation, North Macedonia declared independence in 1991. It is a member of the Council of Europe and a candidate country for joining the European Union. The Prime Minister is the head of government and is selected by the party or coalition that gains a majority of seats in Parliament. The government and the President together constitute the executive branch. The President is elected by popular vote for a five-year term.

15. North Macedonia's legal system is based on civil (continental) law. The 1991 Constitution is the supreme law of North Macedonia. Laws are adopted by the Assembly in accordance with the Constitution and all other regulations in accordance with the Constitution and law. International agreements are concluded by the President in the name of North Macedonia. They may also be concluded by the Government, when it is so determined by law (Art. 119 Constitution). International agreements ratified in accordance with North Macedonia's Constitution are deemed as part of the internal legal order of North Macedonia (Art. 118) and cannot be changed by law. Pursuant to the Law on Tax Procedure, ratified international taxation agreements prevail over national tax laws (Art. 1(5)).

16. The judiciary comprises of 27 Basic Courts, 4 Appeal Courts, an Administrative Court, a High Administrative Court and a Supreme Court. Basic Courts have jurisdiction to adjudicate in the first instance on civil cases, criminal cases, misdemeanours and any other cases as may be defined by law. Appeal Courts decide on appeals against the decisions of the basic courts. The Administrative court, High Administrative Court and Supreme Court are established and exercise the judicial power over the entire territory of North Macedonia. The Administrative court also has jurisdiction over tax matters in North Macedonia in the first instance.

Tax system

17. North Macedonia's tax system is based on the Constitution, which states that "everyone is obliged to pay tax and other public contributions, as well as to share in the discharge of public expenditure in a manner determined by law" (art. 33). The Law on Tax Procedure is the main tax law of North Macedonia and regulates procedure in tax matters as well as the administration of all other tax laws in North Macedonia (Art. 2, Law on Tax Procedure).

18. North Macedonia's tax system consists of direct and indirect taxes imposed on the different types of income and on goods or services. The major taxes are the personal income tax, the profit tax and the value added tax. The Government of North Macedonia also imposes a property tax, a tax on inheritances and gifts and a turnover tax on estates and rights.

19. Resident individuals are subject to income tax, which is charged on a worldwide basis with a flat rate of 10% and applies both to "personal income" (i.e. income from employment) and to other income, including investment income and capital gains. Proprietors, sole proprietors, individuals performing agricultural activity, craftsman activity and persons performing services or freelance activities are subject to personal income tax. Non-resident individuals are liable to pay tax on income earned in the territory of North Macedonia.

20. Income derived by resident companies and other entities carrying on a business activity is subject to profit tax. Resident legal entities are defined by Article 4 of the Profit Tax Law (PTL) as companies established or headquartered in the territory of North Macedonia and by Art. 4 of the Law on Tax procedure as persons having their place of administration (administrative seat) or legal seat in North Macedonia. Prior to 2015, profit tax was due at a flat rate of 10% on dividends distributed to individuals and non-resident companies. In 2015, changes were made to the Profit Tax Law, resulting in taxation of profit arising from a business activity in North Macedonia or abroad on annual level, at a flat tax rate of 10%. Persons subject to profit tax include all legal entities (joint-stock companies, limited liability companies and all types of partnerships). Payments to non-residents made by resident companies and permanent establishments (including dividends, interest, royalties and payments for services such as management, consulting and financial services, research and development services, telecommunication services, insurance and re-insurance premiums, rental of real estate located in North Macedonia) are subject to a 10% withholding tax, unless a tax treaty provides for a lower rate.

21. The tax system is administered by the Public Revenue Office (PRO), which is divided into the General Directorate in Skopje (Headquarters), the Large Taxpayers Office in Skopje and six Regional Offices.

Financial services sector

22. The financial system has a relatively simple structure, both from the aspect of the type of financial institutions¹ as well as in reference to the range of financial products and services offered by the financial intermediaries. The total assets of the financial sector represent about 87% of GDP (as of 30 September 2017), which points to a relatively modest level of financial intermediation in an international as well as regional context. At the end of 2016, the total number of financial intermediaries equalled 130 (with almost half of them related to intermediation in insurance business). Foreign shareholders prevail in the ownership structure of banks, insurance companies and pension and investment funds management companies, while brokerage houses, leasing companies, financial companies and savings houses are dominantly owned by domestic entities.

23. The banking sector (with total assets amounting MKD 441 billion (Macedonia Denars, EUR 7.17 billion, as of 30 September 2017)) holds a dominant position in the overall financial sector of North Macedonia with a share of around 84% in total financial system assets.

24. Regarding the financial markets in North Macedonia, the foreign exchange market has crucial importance for the economy (the National bank conducts a monetary policy of pegged exchange rate² of the Macedonian Denar against the Euro), thus permanently recording relatively high levels of turnover-to-GDP ratio (77% in 2016).

25. The total value of new issues of securities on the primary markets equalled 55.2% of GDP in 2016. The National Bank and the Ministry of Finance are the most active (and often the only) issuers of securities on the primary markets, thus enabling the implementation of monetary policy objectives, and managing the public debt, respectively. On the other hand, financial institutions (mainly banks, pension funds and insurance companies) are major investors in securities issued in these markets. The corporate sector is almost absent in the primary markets of securities and rarely uses market financing. The turnover in classic trading in the secondary capital market (Macedonian Stock Exchange) is quite low (0.4% of GDP for 2016), which confirms the marginalised role that this market has in the domestic economy.

26. The unsecured interbank market is relatively shallow, characterised with small amounts of traded deposits, mostly overnight (turnover-to-GDP ratio reached 8.5% of GDP for 2016), while the over-the-counter markets

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1. North Macedonia's financial sector comprises banks, saving houses, insurance companies, brokerage companies, investments funds, financial companies, leasing companies and pension funds.
 2. MKD 61.468 – EUR 1 as of 30 September 2017.

(organised by the National Bank in co-operation with the Ministry of finance) are used for secondary trading of particular debt securities (Central bank bills and Treasury securities) as well as for performing repo transactions between banks (its total turnover equalled 1.7% of GDP in 2016).

27. As at 31 December 2017 on the securities market in the Former Yugoslav Republic of Macedonia, 11 brokerage companies maintained their business operations, out of which 5 were independent legal entities and 6 were banks with separate departments for dealing with securities. The total turnover on North Macedonia's Stock Exchange was EUR 77.3 million, which is around 0.8% of GDP for 2017. The total net asset value of investment funds was about 1% of GDP for 2017.

AML framework

28. The Financial Intelligence Office (FIO) serves as the integrated supervisor of all financial institutions and activities. Its functions include issuing regulations, granting licences, authorising acquisitions/holdings as well as supervising and enforcing AML/CFT requirements.

29. The National Bank of the Republic of Macedonia (NBRM) assists the FIO in banking supervision. According to the Law on the National Bank, the NBRM is responsible for licensing and conducting supervision (including undertaking corrective measures) of banks, saving houses, foreign exchange offices and fast money transfer providers. The supervisory role of the central bank regarding each of the supervised entities is regulated in more details in the Banking Law (banks and saving houses), the Law on foreign exchange operations (foreign exchange offices) and the Law on providing fast money transfer services (fast money transfer providers), as well as in the relevant by-laws issued on the basis of these laws. The manner of conducting supervision is further prescribed with the internal rules of the NBRM for performing its supervisory activities. The NBRM performs on-site and off-site supervision through which it determines the stability and safety of the supervised entities, as well as their compliance with the legal framework.

30. North Macedonia is a member of the Committee of Experts on Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). MONEYVAL last published a Mutual Evaluation Report for North Macedonia in 2014. It concluded that the Former Yugoslav Republic of Macedonia was Largely Compliant with Recommendation 10 and Partially Compliant with Recommendations 24 and 25. Afterwards, North Macedonia has submitted four follow-up reports. In order to address the deficiencies identified in the 4th Round mutual evaluation report, North Macedonia has undertaken a number of activities: new relevant laws were adopted, certain laws were amended, guidelines for certain obliged entities were prepared,

inter-institutional and international co-operation have been improved, a National Risk Assessment on ML and FT Report was prepared and adopted by the Government, as well as a National Strategy for combating ML and FT. The fourth follow up report was considered by MONEYVAL in July 2018 and it was concluded that moderate progress had been achieved with regards to Recommendations 24 and 25.

Recent developments

31. Since the 2014 Report, North Macedonia has introduced a new system for the incorporation of legal entities. Company incorporation now consists of one single step and a visit to one single place. The Law on One-Stop-Shop System and Keeping a Trade Register and Register of Other Legal Entities, as well as the Law on Trade Companies were amended to introduce a new category of authorised submitters in the trade register, called registration agents.

32. North Macedonia adopted a new AML/CFT law in June 2018. The law includes legal provisions requiring companies to keep a beneficial ownership register and to register this information in the central register of beneficial ownership planned to be operational within 15 months (i.e. by September 2019), which will be placed under the Central Registry as a separate register, in accordance with the EU Fourth Anti-Money Laundering Directive 2015/849.

33. North Macedonia signed the multilateral Convention on Mutual Administrative Assistance in Tax Matters in June 2018 and is preparing its domestic ratification.

34. More recently, amendments were made to the Law on Banks on 14 January 2019 and to the Law on the Public Revenue Office to allow for the automatic sharing of banking information by banks with the tax authorities, without prior written request to the banks, and with the possibility of exchanging this information with EOI partners.

Part A: Availability of information

35. Sections A.1, A.2 and A.3 evaluate the availability of ownership and identity information for relevant entities and arrangements, the availability of accounting information and the availability of bank information.

A.1. Legal and beneficial ownership and identity information

Jurisdictions should ensure that legal and beneficial ownership and identity information for all relevant entities and arrangements is available to their competent authorities.

36. The 2014 Report found that the legal framework for the availability of ownership and identity information (element A.1) was in place. The Report however recommended that North Macedonia establish a system of oversight to monitor compliance with the legal obligations to maintain accurate and updated ownership and identity information for limited liability companies, foreign companies and partnerships and exercise its enforcement powers as appropriate to ensure the availability of such information in practice.

37. North Macedonia has taken steps to address this recommendation. Article 597 of the Company Law requires supervision and oversight of Limited Liability Companies, foreign companies and partnerships to be performed by “inspection bodies”, which are organisational units within the other bodies of the state administration and the local self-government mandated by law to perform inspection services. The Central Registry of North Macedonia signed agreements with separate inspection bodies, as well as a Memorandum of Understanding with the Inspectorate Council, a body mandated by the Law on Inspection Supervision. In addition, North Macedonia introduced a new procedure for the registration of legal entities through a system of registration agents in 2013. This made it more convenient for legal entities to update information maintained by the Central Registry with the introduction of more than 1 300 registration agents in about 40 municipalities, as opposed to the 11 regional registration offices of the Central Registry that accepted filings prior to the reform. The accuracy and completeness of the information maintained by the Central Registry are dependent on filing by entities and on the diligences performed by the registration agents

involved in the creation and filing process. These measures are welcome but are too recent to ensure the full implementation of the legal obligations.

38. The 2016 ToR strengthened the obligation of jurisdictions by requiring information to be adequate, accurate and up to date, kept for at least five years and made available in a timely manner. In particular, the 2016 ToR require beneficial ownership on relevant entities and arrangements to be available. The corresponding legal provisions are contained in the AML/CFT law, which requires AML-obliged persons to carry out customer due diligence (CDD) procedures, and to ensure that the information on their customers is accurate and up to date. However, there is no obligation for relevant entities to engage an AML obliged service provider, so beneficial ownership for all entities is not available in North Macedonia. In addition, the information collected by an AML obliged service provider was not available to the tax authorities. This left a severe gap in North Macedonia’s compliance with the standard. North Macedonia adopted a new AML/CFT law in June 2018 that introduced the concept of a Beneficial Ownership Registry. The Registry is yet to be established.

39. During the current peer review period, North Macedonia received 31 requests, only 2 of which related to ownership and identity information. Peers were satisfied with the information received. North Macedonia did not receive a request for beneficial ownership information during the review period.

40. The new table of recommendations, determination and rating is as follows:

Legal and Regulatory Framework		
Deficiencies identified	Underlying Factor	Recommendations
Determination: The element is in place		

Practical Implementation of the standard		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of EOIR in practice	The accuracy of the information maintained by the Central registry is contingent on the diligence of the registration agents and North Macedonia did not have a regular oversight programme in place to monitor the compliance of the obligations to maintain accurate and updated ownership and identity information for limited liability companies, foreign companies and partnerships during the review period.	North Macedonia should implement a system of supervision of registration agents and the digital certificate system to ensure the accuracy of the information submitted to the Central Registry and monitor on a regular basis the compliance of the legal obligations to maintain accurate and updated ownership and identity information for limited liability companies, foreign companies and partnerships.
	Although North Macedonia has introduced a Register of Beneficial owners, the effectiveness of its implementation and practice could not be assessed as the law was passed in June 2018.	North Macedonia should ensure that the implementation of the Register of Beneficial Owners is in accordance with the standard.
Rating: Largely Compliant		

A.1.1. Availability of legal and beneficial ownership information for companies

41. As described in the 2014 Report (section A.1.1) five types of companies can be established in North Macedonia: limited liability company (*Drustvo so ogranicena odgovornost*, DOO), joint stock company (*Akcionersko Drustvo*, AD), general partnership (*Javno Trgovsko Drustvo*, JTD), limited partnership (*Komanditno Drustvo*, KD) and limited partnership by shares (*Komanditno drustvo so akcii*, KDA), all governed by the Law on Trade Companies. Section A.1.1 of the 2014 Report only deals with limited liability companies and joint stock companies; the three remaining “companies” (general partnerships, limited partnerships and limited partnerships by shares) are dealt with in section A.1.3 although the distinction between the

two types of civil law entities does not match that between companies and partnerships in common law, since both have legal personality.

- A limited liability company is a company in which one or more natural or legal persons subscribe to the pre-determined core capital of the company with a contribution. As at 30 June 2017 there were 11 372 limited liability companies and 57 877 single person limited liability companies (*Drustvo so Ogranicena Odgovornost Edno Lice* – DOOEL). The members of a limited liability company should not exceed 50; otherwise, the company has to be transformed into a joint stock company or be liquidated. Their contribution to the company is represented by “parts” that cannot be used as securities.
- Joint stock companies are companies in which shareholders participate with contributions in the charter capital that is divided into shares. Joint stock companies may be founded by one or more persons, simultaneously or successively. There were 628 joint stock companies registered as at 30 June 2017.

42. The Law on Trade Companies defines a foreign company as any company incorporated in accordance with the law of the state where it has its registered office (outside North Macedonia (art 579(1)). However, where the foreign company is actually managed from a location in North Macedonia or engaged in commercial activities which is fully or mostly carried out in North Macedonia, that company is considered as domestic (art.580(2)). Foreign companies may operate on North Macedonia’s territory by opening a branch office (art. 581(2) Law on Trade Companies) or a representative office. The foreign company may carry out all activities through its branch office under the same conditions as domestic companies with the same or similar form and scope of activities. The establishment of a branch office has to be registered in the commercial register. Each foreign company is subject to the provisions of the Law on Trade Companies pertaining to the form of company that most closely represents its own characteristics (or the joint stock company by default, art.582). Once the registration procedure is complete, the branch office can conduct its activities in the name and on behalf of the foreign company (art.589). There are 276 branches of foreign companies in North Macedonia as at 23 March 2018. Representative offices of foreign companies have no legal personality and may not perform commercial activities (art.596).

43. The 2014 Report concluded that, in North Macedonia, ownership and identity information of limited liability companies and foreign companies is made available through a combination of obligations imposed under its company laws and tax laws.

44. The following table³ shows a summary of the legal requirements to maintain legal ownership information in respect of companies:

Legislation regulating legal ownership of companies

Type	Company law	Tax law	AML law
limited liability company	All	Some	Some
Joint Stock Company	All	Some	Some
Foreign companies (tax resident)	Some	Some	Some

Legal ownership and identity information requirements

45. The 2014 Report concluded that while legal ownership information in respect of domestic and foreign companies is required to be available in line with the standard, North Macedonia did not have a system for monitoring the compliance of the obligations to maintain accurate and updated ownership and identity information by entities. North Macedonia was recommended to monitor the compliance of the legal obligations to maintain legal ownership information. There have been some changes in the Law on Trade Companies since the last report. For the main part, legal ownership information is still available with the Central Registry (and the Central Securities Depository for entities that issue shares), the entities themselves and the tax authorities. The changes in the law include the removal of the requirement for notaries (who are AML obliged service providers) to be involved in the formation of companies and the introduction of registration agents.

Company Law requirements

46. The central legislations governing the establishment and management of companies in North Macedonia are the Law on Trade Companies and the Law on the One-Stop-Shop System and Keeping a Trade Register and a Register of other Legal Entities. Companies may be established only in the form and manner set forth by these laws. All companies and other commercial entities established in North Macedonia must be registered with the

3. The table shows each type of entity and whether the various rules applicable require availability of information for “all” such entities, “some” or “none”. “All” in this context means that every entity of this type created is required to maintain ownership information for all its owners (including where bearer shares are issued) and that there are sanctions and appropriate retention periods. “Some” in this context means that an entity will be required to maintain information if certain conditions are met.

Central Registry in the trade register.⁴ Companies acquire legal personality on the date they are entered into the trade register. Equally, they cease to exist as a legal person upon deletion from the register (art. 25, Law on Trade Companies).

47. Entities must file a variety of information on their members' identity and legal ownership upon **registration**. They also need to submit a number of documents (including the company agreement, founding statement or charter, and copies of the founders' IDs). The Law on Trade Companies specifies which information needs to be disclosed for each type of company (see art. 182 for limited liability companies, art. 298 and 316 for joint stock companies, art. 587 for branch offices of foreign companies). Information submitted to the Central Registry upon registration covers the **identity of the founders** of the company and of the persons authorised to represent it.

48. When any of the registered data in the company agreement or the company charter is amended, a copy of the revised company agreement or charter is to be submitted to the commercial register (art. 22 Law on Trade Companies). Any change of the limited liability company's registration data, including the admission or withdrawal of a member, should also be entered in the commercial register (art. 182(4)). Inversely, the name of the new shareholders of a joint stock company is not entered into the trade register (art. 298(2) and 316(2)).

49. In May 2013, an amendment to the Law on the One-Stop-Shop System and Keeping a Trade Register and a Register of other Legal Entities introduced a category of authorised submitters in the trade register, called registration agents. A registration agent is a limited liability company registered and licensed to perform law or accounting duties, who has been further licensed by the Central Registry to undertake specific registration duties. Accountants must undergo a specialised training prior to obtaining a licence to operate as a registration agent, however lawyers do not. The licence is granted indefinitely but may be revoked for misconduct. Presently, there are 1 319 registration agents (803 lawyers and 516 accountants).

50. Registration agents are authorised to prepare a Company's application for registration and to verify the accompanying company deeds. Registration agents convert paper documents issued by other institutions needed for establishing the company to electronic form, digitally sign the

4. The Central Registry also maintains the register of the other legal entities, the register of natural persons and legal entities having been imposed sanction to prohibit the performance of profession, activity or duty and temporary prohibition to perform certain activity, the register of sentences for committed crimes by legal entities, as well as the court register, and the register of associations (art. 1 OSS Law).

application and submit it for e-registration with the Central Register in the name and on behalf of the parties. Additionally, lawyers acting as registration agents are authorised to register amendments and terminations in addition to incorporations.

51. The need for notarisation of documents (which in practice was limited to the notary checking the identity of the signatories, but not the validity of the documents) or possession of an electronic signature for each of the parties is eliminated with the introduction of the registration agents, who are now tasked with verifying the identity of persons seeking to act as members or officers of an entity. This has been explicitly regulated with the changes to the company law, eliminating the need for notarisation of the company deeds when they are electronically signed by the submitter(s), or submitted through a registration agent.

52. During the on-site visit, representatives from the Central Registry explained that the amendments in the procedure for registration were implemented to improve the efficiency of the Central Registry and expand its accessibility. The amendment eliminated steps in the registration process such as the notarisation of documents and centralised the process such that all the required procedures can be performed at one place thereby making the registration process more efficient. In addition, the amendment increased the possible locations for undertaking the registration of a company from the 11 offices of the Central Registry to over 1 300 registration agents in over 44 cities.

53. However, founders of a company do not need to utilise the services of a registration agent if they possess a digital certificate. In total, approximately 88 000 digital certificates have been issued in North Macedonia by agents. Digital certificates issued from foreign agents are also accepted. North Macedonia's authorities assured that the process complies with the ISO standards and the relevant EU Directives. It remains unclear if there is any vetting of applicants prior to the issuance of a digital certificate or any supervision of digital certificate holders to prevent abuse and ensure the integrity of the system. The lack of supervision coupled with the large volume of digital certificates issued and the fact that certificates issued abroad are accepted in North Macedonia pose a risk to the integrity and effectiveness of the registration agent regime in North Macedonia, which will require close monitoring.

Ownership information required to be held by companies

54. The 2014 Report noted that upon the founding of a **limited liability company**, a **register of parts** containing, *inter alia*, the full identity information on each member is required to be maintained at the company's registered office (art.195 and 210, Law on Trade Companies). Only the persons

registered in the register of parts are considered members of the company (art. 196). The register of parts contains full identity information on each member, which in the case of a member that is an individual person, includes the person's name and surname, unique ID number, passport number, as well as his/her place of residence and address; in the case of a member that is a legal person, its business name, registered office and registration number (art. 195(1)).

55. The manager of a company is responsible for the diligent maintenance of a register of parts and the accuracy of the data entered in it (art. 195(3)). This means the manager must ensure that data contained in the register is complete, accurate and up to date. Where parts are transferred pursuant to a transfer agreement, certified by a notary (art. 197), the manager is required to enter in the register of parts any amendments relating to the registered entries without any delay (art. 195(2)).

56. In practice, the Central Registry does not conduct active checks to ensure that registers of parts for limited liability companies are properly maintained by the companies. There are also no active checks by the Central Registry to ensure that all changes to the members of companies are reported to the Central Registry as this is not part of its legal mandate. In this regard, the accuracy and completeness of the ownership information maintained by the Central Registry are dependent on filing by the companies and on the diligences performed by the registration agents involved in the incorporation or amendment of the companies.

57. All shares issued by a **joint stock company** are maintained in an electronic format in the Central Securities Depository (CSD) (art. 283 Law on Trade Companies). The company itself does not keep a register of shareholders. Only the shareholders registered in the CSD in a manner determined by the law are considered to be the shareholders of the company (art. 283(3)).

58. All shareholders of a joint stock company are required to maintain a securities account with the CSD (either directly or through an "authorised securities market participant"). All transfers of shares of a joint stock company are carried out electronically through debiting or crediting the securities account of the transferor and transferee maintained with the CSD (art. 31(2) Law on Securities). The information on shareholders held by the CSD is thus necessarily accurate.

59. Shares of joint stock companies can be held by a person on behalf of another person through "accounts of securities". The Law on Securities regulates the opening and maintenance of "accounts of securities" in the CSD. Accounts of securities can only be opened and managed on behalf of a third party by authorised securities market service providers who have received an operating licence from the Securities and Exchange Commission or

“Proxies” who are legal representatives acting on behalf of minors or persons deprived of legal capacity, as well as on behalf of pension and investment fund management companies.

60. Authorised securities market service providers are obliged to keep separate records on the condition of the securities for each client. At the request of the Securities and Exchange Commission, authorised securities market service providers must submit full data for all their clients and the amount of securities in their portfolio (Art 52-b (5) Law on Securities). They are also subject to CDD and record keeping obligations under the AML Law and must therefore identify their clients.

61. The combination of registration and AML obligations ensure that information is available to the competent authority where shares are held by a person on behalf of another person through “accounts of securities”.

62. The Law on Securities empowers the Securities and Exchange Commission to fine joint stock companies, as well as their shareholders, directors, employees or members of the board, for any breaches of reporting requirements (art. 220 and 221). During the period 2015-17, the Securities and Exchange Commission has not issued penalties on joint stock companies under Article 220 of the Law on Securities.

63. Foreign companies are also required to keep a register of parts or a register of shareholders, depending on the form of company that most closely represents its own characteristics (see paragraph 42).

64. The 2016 ToR state that information must be kept for at **least five years**. The Central Registry keeps information indefinitely as it is obliged to provide a complete chronological profile of the entity, including its past members. Similarly, the Central Registry maintains information concerning the members of companies that have been struck-off, terminated or liquidated. All companies are obliged to permanently keep annual accounts and financial statements (art. 474), and underlying accounting documentation is to be kept for a period of at least five years from the end of the financial year when the documentation was used; this includes the register of parts used for the distribution of benefits to members.

Enforcement measures and oversight

65. Sanctions apply for non-compliance with key obligations to maintain ownership and identity information, as outlined in paragraphs 147 to 156 of the 2014 Report. The Law on Trade Companies prescribes sanctions for non-compliance with the registration requirements by limited liability companies, foreign companies and joint stock companies (art. 598-605). This includes failure to register an application form with the trade register, enter any

change of data, admission or withdrawal of a member in the company or failure to maintain the register of parts (including when a register is maintained, but not in a diligent and proper manner).

66. However, as noted above, the Central registry is not mandated to conduct active checks to ensure that registers of parts for companies have been properly maintained. North Macedonia reported that since the last review, the Central Registry has signed a Memorandum of Understanding with the Inspectorate Council, as well as agreements with separate inspectorates. By virtue of these memoranda, the Central Register grants to the Inspectorate Council and the other inspectorates online access to the databases of the Trade Register so the Council and inspectorates may perform on and off-site controls, supervision and oversight of limited liability companies, foreign companies and partnerships. However, the authorities are not able to provide any statistics on penalties imposed under the Law on Trade Companies.

67. The Central Registry prepares a plan for the inspection of Registration Agents. The registration agents to be inspected are chosen randomly. For each registration agent, a set of five file numbers is selected to be inspected, for consistency between the information submitted by the agent and the information provided to the agent by the company and retention of original documents. The Registry can also check that the person meets the conditions for being a registered agent. Upon completion of the inspection, a report is prepared, noting the findings. North Macedonia undertook 361 on-site inspections of registration agents in 2017 and 117 on-site inspections in 2018. Specific areas of non-compliance were noted with about 40 agents in 2017 and 11 agents in 2018. Follow up inspection visits, carried out within 15 days, confirmed remedial actions had been taken by the agents in most cases. Licences were revoked in two cases in 2017 and nine cases in 2018.

68. In practice, the accuracy of the information maintained by the Central registry is contingent on the diligence of the new registration agents in their verification of the identity of the members and officers as well as the authenticity of the documents submitted. However, the authorities from the Central Registry noted that the registration agents do not carry out in-depth checks (such as verifying the identity of the persons by checking submitted identification against official databases) neither are they subject to the CDD obligations under AML legislation in their capacity as registration agents. The inspection of the agents undertaken by the Central Registry does not seem to be sufficiently robust. The results from the inspections provided do not indicate an increase in the compliance levels of the registration agents neither is it apparent if the infractions noted were because of a lack of proper training or wilful neglect. Additionally, the lack of supervision coupled with the large volume of digital certificates issued and the fact that certificates issued abroad are accepted in North Macedonia highlight another risk to

the integrity and effectiveness of the registration agent system in North Macedonia. North Macedonia is recommended to monitor the registration agent and digital certificate system to ensure the accuracy of the information at the Central Registry.

Nominees and silent partners

69. North Macedonia’s law does not provide for the status of “nominee shareholder”, which is specific to common law. The only similar situations or concepts are those of dematerialised shares held in accounts of securities (see paragraph 59 above) and silent partnership, which was recently amended to ensure more transparency.

70. Prior to June 2018, the law on Trade Companies allowed for the establishment of a silent partnership, an agreement under which a person (the silent partner) makes monetary or non-monetary contributions into a business owned by another person (the public partner or entrepreneur). Because of such contribution, the silent partners acquired the right to participate in the profit and loss of the business of the entrepreneur (art.567). North Macedonia’s authorities confirmed that the reference to “entrepreneurs” covered an entity incorporated in accordance with the company law of North Macedonia. Silent partnerships in North Macedonia were therefore arrangements similar to that of nominees (whereby individuals assume a management or ownership position on behalf of an unnamed principal), the difference being one of timing, as silent partners “joined” the company after the public partner.⁵ The existence of the silent partnership did not have to be disclosed to any person. Although the relationship was based on an agreement (art. 570) which could be notarised, the representative from the notaries stated during the on-site visit that parties to a silent partnership agreement were not covered under their AML obligations to verify the identity of their clients.

71. North Macedonia’s authorities acknowledged that there was no system in place for recording the number and scope of these arrangements. The name of the silent partner was not required to be disclosed to any third parties (art. 575) including the tax authorities. For tax purposes, any person claiming “that he/she owns or keeps rights registered on his/her name or items in his/her possession, only as a representative of another person” is

5. Silent partnerships had no independent legal status such as to allow them to own assets and are therefore not considered as relevant entities for the purpose of the Terms of Reference. However, this relationship was very similar to that of a nominee under common law, which is covered by the Terms of Reference: “Owners include ... in any case where a legal owner acts on behalf of any other person as a nominee or under a similar arrangement, that other person, as well as persons in an ownership chain”.

obliged to identify the owner of those rights; the items or rights will otherwise be considered to be his/her property (art. 66 Law on Tax Procedure). However, the secrecy of a silent partnership agreement was precisely to not disclose its beneficial ownership structure. The authorities acknowledged during the on-site visit that ownership information was not available on an entity with a silent partner. Silent partnerships were therefore relevant for the purposes of the standard.

72. In light of this, North Macedonia amended the law in June 2018, rendering all silent partnerships void. All agreements concluded with a silent partner or a silent partnership prior to the amendment shall continue to apply exclusively pursuant to the provisions in the Law on Contracts and Torts. North Macedonia's authorities have indicated that this is with regards to contracts of a purely financial nature concluded between the partners prior to the abolition of the concept of silent partnerships. The tax obligations will fall on the person receiving income. The companies and AML obliged entities will have to identify any person behind such a contract.

Tax law requirements

73. As mentioned in the 2014 Report, the registration of all types of legal entities in the trade register is through the one-stop-shop system and the Public Revenue Office (PRO) has direct access to all information about the legal entities registered in the Central Registry, including legal ownership and identity information of legal entities. The PRO has access to information concerning admission or withdrawal of members in limited liability companies filed with the Central Registry. The PRO also receives information on the founders of joint stock companies, but the changes of shareholders are not registered with the Central Registry, so the PRO does not receive such information through the one-stop-shop system.

74. Upon registering in the Central Registry, all companies are assigned a tax identification number (TIN) and entered in the single registry of taxpayers kept by the PRO. Companies have to mention their TIN in all written correspondence and documents (art. 36 Law on Tax Procedure).

75. In practice, the PRO does not specifically control whether all changes to members are reported to the PRO or if registers of parts have been maintained properly and accurately by limited liability companies. The PRO also highlighted that if a new member is not registered in the register of "parts", he/she will not be eligible for any rights in the company and it is always in the best interest of the member to ensure that he/she is registered in the register of "parts". However, the PRO does conduct tax audits on limited liability companies and in the process may audit the register of parts to verify the identity of the members if it is determined to be relevant for tax purposes (see also Accounting requirements).

Availability of legal ownership information in practice in relation to EOI

76. North Macedonia has received only two requests for legal ownership information, both related to limited liability companies. North Macedonia indicated that it responded to these requests with the information accessed from the Central Registry. Peer inputs confirmed that the information requested was available and no issue was raised regarding the quality and accuracy of the information provided.

Availability of beneficial ownership information

77. Under the 2016 ToR, a new requirement of the EOIR standard is that beneficial ownership information on companies should be available. This element was not specifically assessed in the 2014 Report. In North Macedonia, this aspect of the standard is met through the recently introduced Register of Beneficial Owners (1) and the AML legal framework (2), which both use the same definition of beneficial ownership (3).

(1) The register of beneficial owners

78. Until 2018, companies in North Macedonia had no obligation to keep information on their beneficial owners. The Trade Register did not contain information on beneficial ownership of companies. Information was only available to the extent that all the ownership chain of the company was within North Macedonia. There are 2 114 companies (all types) that have at least one owner which is a foreign legal entity (17% of non-sole person companies), and for which beneficial ownership information would not have been available with the Registry. In June 2018, North Macedonia amended its AML law introducing a requirement for legal entities and arrangements to keep information on their beneficial owners and submit such information to the newly established register of beneficial owners.

79. The Register of BO is expected to be established by mid-October 2019. The Register will include the beneficial ownership information of **all legal entities** in North Macedonia (including general and limited partnerships, foundations, co-operatives and associations). Foreign companies in North Macedonia will also be required to submit their beneficial ownership information to the Register as each foreign company is subject to the provisions of the law pertaining to the form of company that most closely represents its own characteristics (art.25 of the AML Law). The Register is to be established, maintained and managed by the Central Registry.

80. The data concerning beneficial owners has to be submitted **electronically** through the web portal of the Central Registry. Legal entities and arrangements are required to submit the data on their beneficial owners to the Register within **eight days** from registration or the incorporation of the legal

entity, or within eight days from any change in the beneficial owner data. The submission of data can be carried out by the authorised representative of the legal entity and arrangement itself or by another person authorised to do so on their behalf. Legal entities are liable for the data put into the Register. Upon the establishment of the BO register, all existing legal entities shall be required to submit their beneficial ownership information within **three months**.

81. Article 28 of the AML Law states the information about beneficial owners that is required to be submitted to the Register. It requires the **identification information** of the individual ultimate beneficial owner(s), particularly the name, unique identification number or other identification number, permanent and temporary residence address, date of birth, tax number (i.e. Tax Identification Number), citizenship, ownership share or other form and type of ownership or control, and date of entry and deletion of the beneficial owner from the register. A Rulebook outlining the procedures for entering, reporting, correcting and erasing of data from the register, manner of use, maintenance and administration, the technical requirements for establishing the register and published in the Official Gazette No. 186 from 8 October 2018. It entered into force on 16 October 2018. The FIO has also published instructions for the determination of the beneficial owners. Finally, the authorities indicate that training sessions will be organised throughout 2019.

82. While art. 25 requires entities to possess and keep beneficial ownership information without indicating that the information must be checked and underlying documents kept, art. 167 on sanctions clearly indicates that the information must be adequate, accurate and complete, which is not possible to demonstrate without checking the information and keeping underlying documents.

83. A **penalty** in the form of a fine of EUR 10 000 will apply if the legal entity fails to possess, keep and submit adequate, accurate and complete BO data in accordance with the law, as well as additional penalties in the form of a fine in the amount of 30% from the measured fine of the legal entity, shall be issued to the responsible person in the legal entity (art. 167). The AML law mandates the Financial Intelligence Office (FIO) to **supervise** legal entities.

84. All information maintained at the Register will be **available to the FIO**, competent law enforcement authorities, the courts, the supervisory authorities such as **the PRO**, and AML obliged persons. Data on the name, the month and year of birth, citizenship, country of residence, ownership share or other form and type of ownership or control of the beneficial owners with the Register will be publicly accessible.

85. The data in the Register will be publicly available up to ten years after the deletion of the legal entity from the competent register; however, the data in the register will be permanently available to the FIO, the law enforcement authorities, the courts and the supervisory authorities.

86. There are some uncertainties in the future functioning of the Register of BO. There are no provisions obliging legal and beneficial owners of legal entities to make all necessary documents and information to the entities or providing recourse to the legal entities to compel the provision of that information. The effectiveness of the system will depend on the diligence of companies, and on the supervision and enforcement measures taken by the authorities.

87. Although the Register of Beneficial Owners will go a long way towards ensuring the availability of beneficial ownership information in North Macedonia, there is still the need for effective implementation, to ensure its accuracy. Additionally, the efficiency of the Register in practice could not be assessed as the law was passed in June 2018 and the register is planned to be fully operational by October 2019. Accordingly, it is recommended that North Macedonia ensure the full and effective implementation of the Register of Beneficial Owners in practice.

(2) Anti-Money laundering requirements

88. The availability of beneficial ownership information during the review period was based on the due diligence obligations of entities subject to anti-money laundering obligations, which did not fully cover the 2016 ToR. The pre-existing obligations on entities subject to the AML Law remain in place with regard to the identification of their customers and the beneficial owners of the latter. The main AML law is the Law on Prevention of Money Laundering and Financing of Terrorism, which was amended in 2015 and again in 2018.

89. During the previous review, the 2010 Law on Prevention of Money Laundering and Financing of Terrorism was assessed. Following enactment of the 2015 law, the obligations of persons subject to the AML Law remained more or less the same with regards to the identification of their customers and the beneficial owners of the latter. The 2018 amendment was aimed at harmonising North Macedonia's AML law with the 4th EU AML Directive.⁶

90. Beneficial ownership information on legal entities and arrangements is available with AML-obliged persons, which are engaged by them.

6. EU Directive 2015/849 from the European Parliament and the Council for Prevention of usage of the financial system for the purpose of money laundering and financing of terrorism from 2015, for amending and supplementing of the Regulation (EU) 648/2012 from the European Parliament and the Council and rescinding of Directive 2005/60/EC from the European Parliament and the Council and the Directive 2006/70/EC from the Commission with a CELEX number 32015L0849.

AML-obliged persons include amongst others financial institutions, lawyers, notaries and accountants (depending on the activities carried on). The scope of AML-obliged persons is rather broad, however not all entities will be obliged to engage the services of an AML obliged person. For instance, not all entities maintain a bank account in North Macedonia.

91. In addition, the obligation to use a notary to create a company has been removed with the introduction of registration agents. As noted above, registration agents are not subject to the AML Law for registration activities. This results in a gap in the scope of coverage of the AML law; however the introduction of the Register should address the availability of beneficial ownership information on all entities in North Macedonia. North Macedonia should monitor its implementation to ensure this.

92. Persons subject to the AML Law are required to perform customer due diligence in a number of circumstances (including when establishing a business relation, occasional transaction above EUR 15 000, suspicion of money laundering or terrorism financing or doubt over the veracity or correctness of the identification data obtained previously). AML obliged persons by using adequate measures adapted to the risk of money laundering, are required to

- identify their clients and verify his/her identity
- identify the authoriser and verify his/her identity and identify the beneficial owner, his/her ownership and management structure and verify his/her identity
- obtain information on the purpose and intention of the business relationship
- conduct ongoing monitoring on the business relationship (see A.3).

93. The “identity” of the beneficial owner remains his/her name, first name, and, as far as possible, the date and place of birth and address. Persons subject to the law must compare some or all of the identification data collected with conclusive documents or reliable information obtained from independent sources (art. 16).

94. The law requires persons subject to the legislation to refuse to establish a business relationship, refuse to carry out transactions or terminate a business relationship that had been initiated if it is unable to carry out customer due diligence (art. 18).

(3) The definition of beneficial ownership

95. The definition of beneficial ownership was amended in 2018.

96. During most of the period under review, the term “beneficial owner” was defined in Article 2 point 11 of the 2015 Law as follows:

“Beneficial owner” shall be natural person who ultimately owns or controls the client and/or the natural person in whose name and on whose behalf the transaction is being conducted;

A beneficial owner of a legal entity shall be a natural person who:

a) has direct or indirect share of at least 25% of the total stocks or shares, i.e. of the voting rights of the legal entity, including possession of bearer shares and/or

b) otherwise exercises control on the management of or gains benefits from the legal entity;”

97. This definition was used for due diligence obligations regarding the customers of entities subject to the AML Law. As bearer shares are not allowed in North Macedonia (see Section A.1.2), the reference to bearer shares contained in this definition applied to bearer shares of foreign companies.

98. In the 2018 Law, The term “beneficial owner” is defined in Article 2 point 20 of the 2018 Law as follows:

“Beneficial owner”: any natural person(s) who ultimately owns or controls a client and/or natural person(s) on whose behalf and for whose account a transaction is being conducted. The term also includes natural person(s) who executes ultimate and effective control over a legal entity or foreign legal arrangement;”

99. This definition is in accordance with the FATF definition of a beneficial owner and in accordance with the 2016 ToR. The definition focuses on the natural (not legal) persons who actually own and take advantage of the capital or assets of the legal entity; as well as on those who really exert effective control over it (whether or not they occupy formal positions within that legal entity), rather than just the (natural or legal) persons who are legally entitled to do so. The definition also applies in the context of legal arrangements, meaning the natural person(s), at the end of the chain, who ultimately owns or controls the legal arrangement, including those persons who exercise ultimate effective control over the legal arrangement, and/or the natural person(s) on whose behalf a transaction is being conducted.

100. The law also includes definitions for a beneficial owner of a legal entity or arrangement including a trust or foundation, a sole proprietor or self-employed person or a budget user. These definitions are used for due

diligence obligations regarding the clients of entities subject to the AML Law. Article 19 of the AML law defines the beneficial owner of legal entity as:

1. natural person (persons) who owns the legal entity or controls the legal entity through direct ownership of a sufficient percentage of ownership interest, shares, including bearer shares or voting rights or other rights in the legal entity
2. natural person (persons) who controls the legal entity through indirect ownership of a sufficient percentage of ownership interest, shares, including bearer shares or voting rights or other rights in the legal entity; or
3. natural person (persons) who in other way exercises control of the legal entity.
4. Indicator of direct ownership referred to in paragraph (1), item 1 of this Article is the ownership of more than 25% of ownership interest, voting rights or other rights in the legal entity or ownership of 25% plus one share.
5. Indicator of indirect ownership referred to in paragraph (1), item 2 of this Article is the ownership or control of the natural person (persons) over one or more legal entities which individually or jointly have over 25% of ownership interest or 25% plus one share.
6. If a natural person(s) cannot be identified as a beneficial owner(s) based on the items 1 and 2 of paragraph (1) of this Article or if the entity is not sure that the natural person(s) identified in accordance with items 1 and 2 of paragraph (1) of this Article is/are the beneficial owner(s), in those cases a beneficial owner(s) is/are considered the person(s) identified in accordance with item 3 of paragraph (1) of this Article.

101. To conclude, the only source of beneficial ownership information during the period under review was AML-obliged entities. However, not all companies are required to engage an AML obliged person in North Macedonia and therefore these rules may not ensure that beneficial ownership on all companies is available. In addition, information obtained in accordance with the AML law may not be available to the competent authorities. These gaps should be covered with the establishment of a Register of Beneficial Owners.

Beneficial ownership information – Enforcement measures and oversight

102. This section relates to the sanctions available against AML obliged entities that would not respect their CDD requirements and to enforcement and oversight of AML obliged entities performed during the review period. It does not relate to the enforcement of the future national register of beneficial owners, as it is not yet in force. Considerations relating to the implementation and enforcement of obligation for companies to keep information on their beneficial ownership are dealt with in para 83 to 87 above.

103. A fine of up to EUR 80 000 applies if an obliged entity fails to conduct CDD or to perform internal controls on the implementation of its AML/CFT preventive measures. An additional fine amounting to 30% of the fine applied to the legal entity can be issued to the responsible person in the legal entity. Where the failure is considered to have been deliberate, the fine is between EUR 1 000 000 and 5 000 000 (art. 160).

104. Under the 2015 law and 2018 law, general monitoring of North Macedonia's AML/CFT Law obligations was imposed by different bodies or institutions on obliged persons as required by Article 91 of the AML/CFT law:

- The National Bank of Republic of Macedonia is responsible for monitoring all banks, savings houses, exchange offices and providers of fast money transfer.
- The Agency for Insurance Supervision is responsible for monitoring all insurance companies, insurance brokerage companies, companies for representation in insurance and insurance brokers and insurance agents.
- The Securities and Exchange Commission is responsible for monitoring the brokerage companies, providers of investment advisory services and companies for management of investment funds.
- The Agency for Supervision of Fully Funded Pension Insurance is responsible for monitoring companies which manage voluntary pension funds.
- The Postal Agency for the post offices and the legal persons performing telegraphic transfers or delivery of valuable packages.
- The Public Revenue Office is responsible for monitoring all trade companies organising games of chance (casino), other legal and natural persons performing services relating to real estate trading, tax related advisory services, consulting services and citizens associations and foundations.

- The FIO is the only supervisor of financial leasing providers (7), auditing companies (39), accounting companies (2 064), auction companies (0), financial entities not supervised by the Central Bank (23), and the Central Depository of Securities.

105. The 2018 law, in Article 146, also mandates the Commission of Notaries within the Notary Chamber of the Republic of North Macedonia to supervise notaries and the Commission of Lawyers within the Bar Association of the Republic of North Macedonia to supervise lawyers and law firms. The recent passage of the law means there are no statistics on the monitoring and supervision to be carried out by these bodies.

106. As described further in section A.3 below, financial institutions are subject to robust monitoring carried out by the NBRM. These measures include off-site and on-site inspections and application of enforcement measures where deficiencies are found.

107. Regular supervisory activities are also undertaken by the Financial Intelligence Office, which has shared responsibility with all the other supervisory authorities for the entities outlined above and has specific powers to address the identified misdemeanours as outlined in the AML/CFT law. In practice, the FIO supervises obliged entities that have another primary supervisor mostly in cases where it determines that some obliged entity does not fulfil its AML/CFT obligation, based on data collected during its work (extraordinary supervision). The FIO provided statistics of its supervisory activities.

Supervisory activities of FIO

	2014	2015	2016	2017
Number of entities supervised	39	38	54	39
Regular supervision	33			33
Control supervision	5	7	4	5
Extraordinary supervision	6			6
Number of trained entities	6	7	4	5

108. Presently, 80% of the FIO's supervision activities are focused on lawyers, notaries and accountants, in addition to cash transfers' and money transmitters. Statistics of its supervisory activities provided by the FIO during the on-site visit noted that irregularities had been identified in particular with accountants with respect to client and beneficial owner identification.

109. FIO states that when an irregularity is first identified, a decision is issued for the entity to correct the irregularity within a specified time frame (usually eight days) and the entity receives training. After a specified deadline, the FIO checks whether the entity has rectified the irregularity and issues a conclusion.

110. The FIO also publishes the statistics of its supervisory activities in its annual report highlighting the data for each category of entity. Over the last two years (2016-17), as a result of the report on national risk assessments; more attention was paid to lawyers and accountants as it was determined that there was a higher compliance risk with respect to non-financial entities.

111. The supervision by the FIO has improved greatly during the review period. The FIO carried out trainings regarding AML/CFT requirements so as to improve compliance and address the issues noted during the supervisions. In 2017, in addition to the education programmes carried out, the FIO initiated settlement proceedings against a financial institution and obtained in fines totalling EUR 5 850 or MKD 359 692 for committed misdemeanours. In 2018, the FIO has so far collected EUR 11 700 in MKD equivalent as fines against an accounting firm.

Availability of beneficial ownership information in practice in relation to EOI

112. The availability of beneficial ownership information was not evaluated under the 2010 ToR. During the current review period, North Macedonia did not receive a request for beneficial ownership information.

A.1.2. Bearer shares

113. North Macedonia’s law does not allow for the issuance of bearer shares. The capital of a joint stock company can only be represented by registered shares (art. 283(1) Law on Trade Companies). All shares are issued, transferred and maintained in an electronic form in the Central Securities Depository whereby they are registered in the shareholders’ register of the respective company by indicating the name and full identification data of the shareholder (see paragraph 57).

A.1.3. Partnerships

114. The 2014 Report covered three kinds of partnerships:

- *A general partnership* is an entity of two or more legal or natural persons that are jointly and severally liable to creditors for the company’s liabilities with their entire property.
- *A limited partnership* is an entity of two or more natural or legal persons, where at least one of the partners is personally liable with his/her entire property for the liabilities of the limited partnership (“general partner”) and at least one partner is liable for the liabilities of the limited partnership only up to the amount of his/her subscribed contribution in the capital of the partnership (“limited partner”).

- A *partnership limited by shares* is an entity, the charter capital of which is divided into shares, and in which one or more partners are jointly and severally liable for the liabilities of the company with their entire property (“general partners”) and several partners (not less than three) who have the status of shareholders are liable up to the amount of their contributions and are not liable for the liabilities of the partnership (“limited partners”).

115. There were 479 general partnerships, 7 limited partnerships and 1 partnership limited by shares as at 30 June 2017. The registration and reporting formalities for partnerships, as well as provisions on beneficial owners, are the same as those that apply to companies since they are legal entities with a few variations where applicable (see paras 43 to 112 above).

116. Information on all the “founding partners”, which includes the general and the limited partners, is available with the Central Registry. Any change in the data submitted upon registration, as well as the admission or withdrawal of a partner (both general and limited) from the partnership is registered in the trade register in the form of a resolution to amend the partnership agreement (see art. 115 for general partnerships; art. 153 for limited partnerships). If the agreement contains special provisions for authorising the general partners to represent the limited partnership by shares; such provisions are also entered into the commercial register (art. 463).

117. Shares issued by partnerships limited by shares are subject to the same provisions applying to shares issued by joint stock companies (art. 461(4) Law on Trade Companies). Ownership information on partnerships limited by shares is therefore available at the Central Securities Depository as the owners of a partnership limited by shares are considered issuers for the purposes of the Law on Securities (art. 2 and 3).

118. Parts of general and limited partnerships are not freely transferable. Each transfer requires the written approval of all partners (art. 123 and 159), ensuring that the partners’ identities are always available from the partnership or, at least, the partnership’s manager, in addition to being registered with the Central Registry. The transfer of shares of a partnership limited by shares can only be conducted through the CSD, similar to the procedure for joint stock companies as described in section A.1.1.

119. Foreign partnerships similar to foreign companies, may operate on North Macedonia’s territory by opening a branch office (art. 581(2) of Law on Trade Companies) or a representative office and carrying out all activities through its branch office under the same conditions as domestic companies with the same or similar form and scope of activities.

120. In practice, during the review period, North Macedonia did not receive any EOI requests that related to the identity information of partners or beneficial owners of a partnership.

A.1.4. Trusts

121. The 2014 Report found that North Macedonia does not have the concept of trusts and that North Macedonia has taken all reasonable measures to ensure that information is available to its competent authorities that identifies the settlor(s), trustee and beneficiaries of trusts administered in North Macedonia or in respect of which a trustee is resident in North Macedonia. The availability of information on trusts is guaranteed by the tax obligations of trustees resident in North Macedonia (see para. 128 of 2014 Report).

Beneficial owners

122. The 2014 Report concluded that the obligations imposed by the AML/CFT law were sufficient to ensure the availability of information on the settlors and beneficiaries of trusts. Under the AML/CFT framework, notaries, lawyers, tax advisors and financial institutions must identify their customers and their beneficial owners, as described in A.1.1. These professionals and entities are obliged to maintain ownership and identity information regarding their clients and their clients' beneficial owners. This applies also when such professionals and entities are acting as fiduciaries for non-residents including foreign trusts. Coupled with the obligation to submit information to the revenue authorities, such AML/CFT obligations allow for maintenance of information on the settlors and beneficiaries of trusts that have trustees in North Macedonia.

123. There was no definition for the beneficial owner of a trust in North Macedonia's 2015 AML law, which posed difficulties for persons subject to AML in the identification of the beneficial owners of the trust. The 2018 AML Law has introduced a definition for the identification of the beneficial owners of a trust or other similar arrangement. It defines the beneficial owner of a trust as every natural person who is founder, trustee, manager(s) (if there are any), beneficiary or group of beneficiaries of the managed property, provided that future users are identified or can be identified, natural persons performing functions equal or similar to those of a founder, trustee, manager or beneficiary and/or other natural person who through direct or indirect ownership or in some other way exercises control over the legal arrangement (art. 21).

Availability of trust information in practice

124. North Macedonia's authorities reiterated that trustee activity is not widespread in North Macedonia. Participants in the on-site visit, public

authorities and representatives of the private sector, indicated that the administration of foreign trusts by resident trustees was probably extremely rare; none of them had yet encountered such a case but it has happened that an AML obliged person when performing the CDD measures had to deal with a trust down the ownership chain of a customer. North Macedonia did not receive any EOI request concerning trusts, either during the review period or before.

A.1.5. Foundations

125. North Macedonia's law permits the creation of foundations under the 2010 Law on Associations of Citizens and Foundations (ACF Law). Foundations are legal entities formed for achieving an aim by means of acquiring and managing property and assets in accordance with the ACF Law (art. 27). They can be established by one or more founders (legal entities or individual persons) with a pool of assets amounting to at least EUR 10 000 (or MKD equivalent). Foundations acquire the capacity of a legal entity when entered in the register kept by the Central Registry; they cannot be transformed in other types of entities (art. 6). There are 197 foundations registered in North Macedonia as at 30 June 2017.

126. The 2014 Report stated that foundations are charitable entities that cannot be established for the purpose of gaining profits, however during the review period it was determined that there is no express provision requiring foundations to pursue a non-profit or public interest activity. A recent check with the Central Registry identified about 11 foundations registered as investment management or private purpose foundations. In light of this, the 2014 Report's conclusion on the relevance of foundations for the Global Forum's purposes no longer applies.

127. North Macedonia's legal and regulatory framework ensures the availability of ownership information on the foundations (see paras 138-144 of 2014 Report). All foundations are registered in the Register of Foundations kept by the Central Registry (art. 40 ACF Law) and have to provide information on the full name of the organisation (or its abbreviation, if any), its head office, articles of incorporation, date of establishment, name, surname and personal identification number of the founders, the foundation's aims and activities, the name, surname and personal identification number of the legal representative, as well as the initial property mass. All changes to a foundation's registered data need to be filed with the Registry within 30 days (art. 46(1) ACF Law). Similar registration requirements apply when a foreign entity is a founder or a member of a foundation regulated by North Macedonia's law (arts. 37 ACF Law). North Macedonia's authorities confirmed that data submitted to the Registry include records about the identity of the founders, the members of the foundation's board and any beneficiaries.

128. The ACF Law also requires foundations to keep records of the name, address and the unique identification number of the founders and foundations are required to register with the tax authority.

129. Professionals providing services to foundations are subject to the relevant provisions of the AML/CFT Law. They are obliged to conduct CDD when foundations are their clients. The AML/CFT framework ensures the availability of information on the founders, the members of the foundation's board, the directors and any other beneficiaries in so far as the foundation has a regular relationship with an AML obliged person. While the 2015 AML law did not include a definition of beneficial ownership of foundations, the AML/CFT law passed in June 2018 defined a beneficial owner of a foundation in Article 20 as any natural person authorised to represent or a natural person holding a controlling position in the management of the organisation's assets. The establishment of the Register of Beneficial Owners will also ensure that beneficial ownership information on foundations is available in North Macedonia. The Public Revenue Office is the authority tasked to supervise the application of the obligations of foundations under the 2018 AML Law (see section A.1.1 above).

130. In practice, North Macedonia did not receive any requests for information concerning a foundation. North Macedonia's treaty partners have not made any comments on this matter.

A.2. Accounting records

Jurisdictions should ensure that reliable accounting records are kept for all relevant entities and arrangements.

131. The 2014 Report concluded that North Macedonia's law ensures the availability of accounting information, including supporting documents. The legal and regulatory framework for the availability of accounting information under element A.2 was deemed to be "in place" and the practice rated "compliant" with the EOIR standard. The 2014 Report nonetheless recommended North Macedonia to clarify the accounting requirements for foreign trusts administered in North Macedonia.

132. There have been no substantial changes in the relevant laws since the last review.

133. During the current review period, North Macedonia received seven requests for accounting information and the requested information was available in practice.

134. The new table of recommendations, determination and rating is as follows:

Legal and Regulatory Framework		
Deficiencies identified in the implementation of the legal and regulatory framework	Underlying Factor	Recommendations
	North Macedonia's legislation provides that the accounting books and records of companies that have ceased to exist should be deposited in the National Archives, but this does not include underlying documents.	North Macedonia is recommended to ensure that all the accounting records of companies that have ceased to exist are maintained for at least 5 years in line with the standard.
Determination: The element is in place		
Practical Implementation of the standard		
Deficiencies identified in the implementation of EOIR in practice	Underlying Factor	Recommendations
	While North Macedonia's legislation provides that the books and records of companies that cease to exist should be deposited with the National archives, this is not the case in practice. Thus, the only documents that would remain available are the annual accounts registered with the Central Registry.	North Macedonia is recommended to ensure that records of companies that have ceased to exist are maintained in North Macedonia for at least 5 years in line with the standard.
Rating: Largely Compliant		

A.2.1. General requirements and A.2.2. Underlying documentation

135. The legal obligations of companies and relevant entities in North Macedonia have not changed since the 2014 Report. Commercial entities are obliged to keep accounting records in the manner determined by both the Law on Trade Companies and the accounting regulations. The legal and regulatory framework also ensures that entities keep comprehensive underlying documentation. Each commercial entity, following the expiry of the business year, must prepare annual accounts (which include a balance sheet and income statement) and submit them to the Central Registry (art. 477 Law on Trade Companies).

136. Joint stock companies are also required to prepare and submit to the Securities and Exchange Commission an annual report on their financial results, legal status and operations in accordance with the Law on Securities.

137. In addition, the Law on Tax Procedure requires taxpayers to keep business books and records for the purpose of taxation, if they are regulated under special tax laws (which include all taxpayers falling within the scope of any of the tax laws in force in North Macedonia). All persons by virtue of being subject to North Macedonia's profit tax have record keeping obligations in accordance with the Law on Tax Procedure. In particular, taxpayers are required to keep within North Macedonia, commercial books, accounting documents, notes and inventories, annual and financial statements, notes on applied accounting policies and other documents related to the entity; business letters and correspondence; accounts for recording, and other documents, if they are of relevance for taxation purposes. Records relevant for tax purposes must be kept for 10 years (art. 48 Law on Tax Procedure).

138. Once a year the PRO also obtains from the Central Registry data entered in the annual accounts of legal persons submitted to the Central Registry. The data is entered into the database of the PRO and then processed in order to be readable through specific applications. The annual accounts can then be accessed by PRO employees from the General Office and Regional Offices who are granted access to the application.

139. This means that companies and partnerships in North Macedonia are required to maintain accounting records which: (i) correctly explain all transactions; (ii) enable the financial position of the company to be determined with reasonable accuracy at any time; and (iii) allow financial statements to be prepared.

140. The Law on Trade Companies does not make a distinction between domestic and foreign companies. The foreign company, according to its form and scope of operations, and the foreign sole proprietor are therefore expressly obliged to maintain trade books for their operations in North Macedonia through the branch office (art. 592 Company Law). The branch offices of foreign companies and foreign sole proprietors are required to disclose each year in the trade register (or in another appropriate register) the annual accounts, the audit report and other notes, which are relevant to determine the financial situation of the foreign company and the foreign sole proprietor.

141. Trusts are not recognised in North Macedonia and no special provisions require trustees to keep accounting records. The 2014 Report concluded that the scope of the tax law obligations requiring all taxpayers that conduct a business activity to keep proper accounting records is unclear regarding trustees of foreign trusts. In particular, it is not clear whether resident

professionals acting as trustees of foreign trusts are subject to tax accounting obligations in respect of the trusts and there was no experience in this area in North Macedonia as, to date, the issue had never arisen. There are no other obligations in North Macedonia's laws, which require maintenance of accounting information related to foreign trusts administered in North Macedonia or in respect of which a trustee is resident in North Macedonia.

142. No issue arose during the review period and North Macedonia's authorities stated that they were not aware of any foreign trusts administered by trustees resident in North Macedonia. From 2010 and the first review till 2018, the various public authorities and the representatives of private sector associations met during the on-site visit (lawyers, notaries, accountants, banks) have not come across a single Macedonian trustee. The in box recommendation is therefore removed due to the low risk and materiality of the issue; however North Macedonia is still recommended to clarify the scope of the accounting keeping requirements under the law and ensure that accounting information is kept for foreign trusts administered in North Macedonia or in respect of which a trustee is resident in North Macedonia, should this occur.

143. Foundations are required to keep accounting records pursuant to the Law on the Accounting Records of the Non-Profit Organisations (Law on ARNPO, OG 24/03 and 17/11). They are required to keep a number of business books (the journal, the general ledger and the auxiliary books such as the cash book, the procurement book, the book of inventory of capital assets, the book of incoming bills and the book of outgoing bills) (art. 6 Law on ARNPO). Foundations also have to prepare "basic financial statements", which are submitted to the PRO and the Central Registry each year. Foundations whose total value of assets or annual income is less than EUR 2 500 in MKD equivalent are required to keep only a cash book and a book of revenues and expenditures; they are not obliged to compile and submit financial statements to the Central Registry but must file a letter stating that their revenue for the year did not exceed EUR 2 500 (art. 18 Law on ARNPO).

Companies that ceased to exist

144. All information submitted to the Central Registry is maintained indefinitely. Enclosures, including annual accounts of entities, submitted in paper form are converted into electronic form; the electronic copy is then permanently stored.

145. Entities and liquidators in case of liquidation have no obligation to keep any records after the entity ceased to exist.

146. The Law on Archive Materials (Official of Gazette of the Republic of Macedonia, number.72 of 5 May 2015) in its Article 32(3) states that upon the

termination of the holder of “private archive material”, the archive material should be handed over to its legal successor or to the State Archive if there is no legal successor within 15 days of the termination. North Macedonia’s authorities stated that private archive material consists of the accounting records such as the Annual accounts, Annual financial reports, Financial plans; Balance, final calculation of salary of the workers and participation in the income, lists of salaries if there are no definite calculations and participations in the income, agreements for long term loans and credits; Accounts for public procurement for real estate and capital goods are classified as private archive. However, they were not clear on whether private archive material would also consist of the ownership records and the underlying accounting documents of an entity that has ceased to exist.

147. In practice, there are no records of the transfer of the records of an entity that has ceased to exist to the State Archive for some time but North Macedonia’s authorities indicate that in 2018, some records have been sent to the State Archive. North Macedonia is recommended to ensure that records of companies that have ceased to exist are maintained in line with the standard.

Oversight and enforcement of requirements to maintain accounting records

148. The Central Registry does not perform checks to ensure that entities comply with the company law obligations to keep records, however penalties are imposed by the Central Registry on entities for failure to submit their annual accounts and financial statements. Prior to 2015, the Central Registry had to initiate misdemeanour proceedings in court in order to impose penalties on entities that failed to file. Now the Central Registry has the power to impose penalties directly.

149. The Central Registry organised a campaign to clean up the trade register pursuant to the Law on Trade Companies (art. 552(a) and 552(b)). On 31 December 2015 there were approximately 105 000 companies registered in the trade register: over 5 000 companies were struck off for not having a valid email address on record and 36 747 companies were struck off the trade register by the Central Registry for failure to file annual accounts in 2015. The campaign cleaned up the registry and the Central Registry has maintained these measures to ensure that the register remains up to date and free of inactive companies. Today, the strike off procedure is ongoing for 3 882 companies.

150. In addition, companies that file a nil return and declare no business activity for three years in a row, undergo a strike-off procedure as set out by law. The PRO verifies the nil returns to ensure that indeed there is no

business activity every year. The Central Registry publishes a list of companies that will be struck off the trade register, on its website and a notice is placed in the newspapers about the publication. Creditors have a year to register any claims and stop the process after which they have one further year to initiate bankruptcy procedures against the company. If no claims are registered after the publication, the companies are struck off (art. 552(a) Law on Trade Companies).

151. In practice, the tax authorities have sufficiently wide powers to ensure that companies and partnerships adhere to the obligations to maintain and produce accounting records. This supervision is carried out mainly through monitoring of tax filing obligations and tax audits. Accounting information has to be filed with the annual corporate and partnership income tax returns. During the course of an audit, tax authorities can ask the taxpayer to produce accounting records and underlying documentation.

152. North Macedonia has reported that taxpayer's compliance regarding their accounting and record-keeping obligations is generally good. Details of the compliance rate of taxpayers in submitting their returns to the PRO can be found below.

Taxpayer filing compliance rate

	2014	2015	2016	2017
Profit Tax (Corporate Income Tax) CIT	97.7%	96%	99%	96.2%
Personal Income Tax (PIT) (sole proprietors according to the annual tax balances submitted)	77.8%	75.3%	74.8%	92.6%
Citizens/Individuals	72%	89.6%	87.1%	87%
Retention from salary – PIT and contributions	90.5%	90.9%	99.5%	99.3%
Value Added Tax	98.4%	99.4%	98.1%	99.6%

153. The Tax Audit Department of the PRO develops the annual national audit plan detailing the number of audits to be done by type of tax. The regional offices fulfil this national plan with monthly plans for audits. Prior to 2010, the PRO had a risk criterion for VAT and newly registered taxpayers. Presently, risky taxpayers are identified manually by analysing Excel[®] spreadsheets data on annual accounts, tax returns and other relevant data to identify the risky taxpayers. The PRO however developed new software for risk analysis rolled out in November 2018. The software will be used as a basic mechanism for selection of the taxpayers for audit from 2019. In 2018, 4 299 taxpayers out of 322 974 taxpayers had been audited as at 30 May.

154. Tax auditors met during the on-site visit indicated that during a tax audit, they check the accounting records; however, the scope of a particular

audit depends on several factors such as the type of tax. In general, the tax auditors indicated that they estimate that the quality of records and accounts kept by taxpayers is intrinsically good to very good dependent on particular considerations. Generally, larger, multinational companies have better accounts than smaller entities as they employ skilled professionals and utilise good software.

155. The tax authorities do not have statistics on the types of breaches uncovered during tax audits, available statistics relate to the amount of fines only. In 2018, the PRO issued 743 fines amounting to MKD 87 608 517 (EUR 1 422 324). The PRO has penalties for non-submission of returns and non-keeping of accounts.

Availability of accounting information in practice

156. North Macedonia received seven EOI requests regarding accounting information such as booking records: confirmation of invoices, performed services and payments, and was able to respond to all the requests. Overall, six EOI requests pertained to companies, and one to a natural person. Peers confirm that the accounting information was available in all cases and no issues were raised in this respect.

A.3. Banking Information

Banking information and beneficial ownership information should be available for all account holders.

157. The 2014 Report concluded that North Macedonia’s legislation ensures the availability of banking information and that its practical application by financial institutions and the supervision measures implemented by the National Bank of the Republic of Macedonia (NBRM) and the Financial Intelligence Office (FIO) ensure that financial institutions retain banking information concerning all account-holders. No difficulty was raised with respect to the availability in practice of banking information. Element A.3 was therefore considered “in place” and rated “compliant”.

158. Under the 2016 ToR, information on the beneficial owners of bank accounts must also be available, and banking information must be available for 5 years from the end of the period to which information relates. Practical implementation must also be monitored and appropriate measures taken to ensure the availability of information. Only the information on beneficial owners was not assessed in the 2014 Report.

159. Since the 2014 Report, the main development in North Macedonia has been the amendments of the anti-money laundering law in 2014 and 2015,

as well as the passage of a new AML Law in 2018. As noted in Section A.1, the 2018 law requires financial institutions subject to the law to identify their customers and the beneficial owners of their customers, with the same focus on ensuring availability of information and documentary evidence for the competent authorities. Furthermore, a centralised database of bank accounts was established in North Macedonia. The obligations relating to the identification of customers and retention of documents remain similar to those under the previous law.

160. The new table of recommendations, determination and rating is as follows:

Legal and Regulatory Framework
Determination: The element is in place.
Practical Implementation of the standard
Rating: Compliant

A.3.1. Record-keeping requirements

Availability of banking information

161. The 2014 Report concluded that North Macedonia's banking and anti-money laundering legislations ensure the availability of banking information and that financial institutions retain banking information concerning all account-holders. The 2015 AML/CFT Law maintained the relevant provisions from the previous law ensuring the availability of banking information and the 2018 Law reinforce this.

162. The AML/CFT Law imposes an obligation upon financial institutions to identify and verify the identity of customers. The law requires financial institutions to keep copies of the documents determining and verifying the identity of clients, documents about implemented client or real owner due diligence procedures and the realised or attempted transactions, client files and business correspondence. These records need to be kept for at least ten years after the transaction has been performed. The previous AML/CFT law required the records be maintained for at least five years.

163. The law also contains an express prohibition on banks to open and keep anonymous accounts and introduces an obligation on obliged entities to refuse to establish a business relationship, to refuse carry out a transaction or to terminate a relationship if they are unable to perform customer due diligence.

164. The rules under Article 42 of the AML law, which determines the admissibility of performance of CDD by third parties, are in line with the standard. The ultimate responsibility for meeting those obligations remains with the obliged entity which relies on the third party. In addition, the obliged entities must ensure that they obtain the necessary information without delay with regard to the customer due diligence obligations from the third parties upon whom they are reliant. Furthermore, they must take appropriate steps to ensure that the third party is able to forward them upon request copies of the documentation used to satisfy these due diligence obligations as well as other relevant documentation on the identity of the customer or the beneficial owner(s). Representatives from the banks stated during the on-site visit that in practice, though allowed by law, most of their operational guidelines did not permit reliance on third parties unless from the same group.

165. There is a database of all transaction accounts in North Macedonia (KIBS). It was established as part of a collaboration among the banks and is a private entity with public functions. KIBS contains details of the transaction accounts of resident and non-resident legal entities and natural persons, banks, branches of foreign banks and saving houses, legal entities in bankruptcy or liquidation, the State and clearing houses.

Number of active transaction accounts as at 18 April 2018

Description	Number of transaction accounts
1 Natural persons	3 696 280
2 Commercial persons	187 396
3 Other entities	641
Total	3 884 317

Note: In the total number of the transaction accounts, accounts registered by the commercial banks in KIBS are included, significant number of accounts registered in the Treasury of Ministry of Finance and the Treasury of Health Insurance Fund are not part of this report.

166. Data is transmitted from the banks to KIBS daily. Public authorities such as the NBRM and the FIO have direct access to the information in KIBS, however as a private entity, it is not under the supervision of the NBRM, FIO or PRO. The PRO indicated that they had yet to use the KIBS as a source of information for responding to EOI requests.

Beneficial ownership information on account holders

167. Information relating to the beneficial owners is collected by the banks pursuant to anti-money laundering legislation. The definition of beneficial owners and the due diligence obligations described in Subsection A.1.1 above apply to financial institutions.

168. North Macedonia's legislation continues to allow for a risk based approach to the client due diligence obligations. The law provides for a simplification of identification and identity verification procedures for low risk clients (art 10 and 33 AML/CFT Law). It provides for verification of identity after the establishment of the business relationship; reduction in the frequency of updating the clients' documents and data; reduction in the degree of ongoing monitoring of the client's business relationship and transactions, and determination of the goal and intention of the business relationship based on the type of transactions performed by the client. The NBRM stated even though the law does not prescribe a time frame, in practice, clients' documents are updated by the banks from six months to one year for high risk clients and one to two years for low to medium risk clients.

169. North Macedonia's AML/CFT law contains introduced business rules, which determines the admissibility of performance of CDD by third parties. The obliged entities must ensure that they immediately obtain the necessary information with regard to the customer due diligence obligations from the third parties upon whom they are reliant. The ultimate responsibility for meeting those obligations remains with the obliged entity, which relies on a third party. Furthermore, the third party must be from the same financial group or subject to anti-money laundering legislation in a country whose legislation imposes obligations and control equivalent to those provided for in North Macedonia.

170. In relation to implementation in practice, representatives of the financial sector indicated that they do not rely on the performance of CDD by third parties.

Enforcement provisions to ensure the availability of banking information

171. The National Bank of the Republic of Macedonia (NBRM) is responsible for enforcing the obligations set out in the AML/CFT Laws together with the Financial Intelligence Office (FIO).

172. The NBRM performs on-site inspections on financial institutions to monitor compliance with obligations under the AML law. The on-site visit aims to test and assess the quality of the AML/CFT systems in place and to determine their adequacy in light of the institution's ML/TF risk.

173. The NBRM during an on-site visit checks the internal procedures, test sample customer files and transactions monitoring, which provides an indication as to whether the AML/CFT systems and measures in place are adequately applied in practice. They also meet with the authorised persons responsible for AML and assess the activities of the financial institution.

174. The following table summarises the number of on-site inspections and enforcement measures taken by the NBRM.

Banks and savings houses	2014	2015	2016	2017
Total number of entities	15 banks; 3 savings houses	15 banks; 3 savings houses	15 banks; 3 savings houses	15 banks; 2 savings houses
Number of on-site conducted	13 risk based and 15 compliance based on banks; 4 compliance based on savings houses	25 on banks; 4 on savings houses	18 on banks; 3 on savings houses	24 on banks; 2 on savings houses
Number of AML/CFT specific inspections	1 bank	4 banks	3 banks	0
Number of inspections combined with general supervision	6 banks	5 banks	2 banks ; 3 savings houses	8 banks
Warnings and recommendations	-	-	3	1

175. The NBRM noted that although the banks had demonstrated a strong understanding of their obligations under the AML/CFT law, the banks faced challenges in the identification of beneficial owners where the ownership structure was complicated, included entities outside the jurisdiction or involved legal arrangements such as trusts.

176. In 2016 and 2017 a total of two written warnings were issued to banks in North Macedonia by the NBRM, including in relation to the performance of customer due diligence measures and identification of beneficial ownership. The NBRM's general approach is not to impose sanctions but to ensure that the law is applied. Follow-up visits are an important element in this respect. The NBRM provides a report to the FIO of the findings from the on-site inspections.

177. The FIO is involved in the supervision of all types of AML/CFT obliged persons. North Macedonia's authorities indicate that FIO performs further on-site inspections of financial institutions based on the report of the NBRM and a risk analysis of the suspicious transaction reports (STRs) submitted by the financial institutions.

178. The FIO indicated that on the whole the banks provided the highest quality of STRs and have the highest level of compliance with obligations under the AML/CFT Law. However, some deficiencies were noted during inspections such as a failure to determine the purpose of unusually complex transactions or failure to confirm the identity of the beneficial owner of a client. In most instances, where deficiencies are noted, the FIO carries out educational sessions and the obliged entities correct the deficiencies within the allotted time frame.

179. Overall, the NBRM and the FIO impose few sanctions but on-site inspections and follow-up operations, combined with the educational and training sessions provide an adequate supervisory framework.

Availability of bank information in EOI practice

180. During the review period, North Macedonia received six requests for banking information such as the authorised signatory of the account, bank statements and dates the accounts were opened. The banking institutions provided the information requested in all cases within 20-30 days and the competent authority did not identify any problems with the availability of information. None of the requests concerned the identification of a beneficial owner.

Part B: Access to information

181. Sections B.1 and B.2 evaluate whether competent authorities have the power to obtain and provide information that is the subject of a request under an EOI arrangement from any person within their territorial jurisdiction who is in possession or control of such information, and whether rights and safeguards are compatible with effective EOI.

B.1. Competent authority’s ability to obtain and provide information

Competent authorities should have the power to obtain and provide information that is the subject of a request under an exchange of information arrangement from any person within their territorial jurisdiction who is in possession or control of such information (irrespective of any legal obligation on such person to maintain the secrecy of the information).

182. The 2014 Report noted that North Macedonia’s tax authorities have extensive powers of access to relevant information and did not identify any shortcomings in the existing legal framework, which was determined to be “in place”. Where the information was in the possession of a private person, the tax authority had two ways of requiring information requested, either through written request or through conducting a tax audit.

183. However, it was noted that in practice, North Macedonia’s competent authority used only audits to obtain and provide information and the operation of the access powers were not perfectly adapted for EOI purposes. Some limitative factors had prevented effective exchange of information in some instances. Consequently, North Macedonia was recommended to ensure that the access powers available to the Competent Authority are used effectively to obtain information in all cases and where necessary clarify its laws and procedures. Since then, the authorities analysed the Law on Tax Procedure anew and changed its practice. During the review period, the authority established the most appropriate way of providing the requested information, depending on the circumstances in each case. North Macedonia is therefore considered to have implemented the recommendation made in the 2014 Report.

184. In the current review period, North Macedonia received 31 requests and was able to provide the requested information in all but one of the cases, as was confirmed by peers. Information has generally been adequately accessed from entities and arrangements, service providers, banks and government agencies in North Macedonia and there have been no cases in which the PRO did not provide the information requested due to an inability to access ownership and accounting information that was otherwise available. There was only one request that was not replied, as the information provided in the request was insufficient for identifying in the database the person about whom information was required.

185. The 2016 Terms of Reference now requires information on beneficial ownership of relevant entities and arrangement to be available and accessible to the competent authority. During the review period, the availability of information was ensured mainly through the AML legal framework, which may have created a gap in the access powers of the tax authorities to information held by AML regulated persons. The previous AML legislation required banks to provide relevant information only to the FIO. As a result, the tax authority did not have direct access to information collected by virtue of AML legislation, notably beneficial ownership information. North Macedonia amended the AML law in June 2018, providing the legal basis for a Register of Beneficial Owners that will be fully accessible by the Tax authority. It remains that some other information collected as a result of AML obligations are still not accessible by the PRO.

186. The new table of recommendations, determination and rating is as follows:

Legal and Regulatory Framework		
Deficiencies identified in the implementation of the legal and regulatory framework	Underlying Factor	Recommendations
Determination: The element is in place.		
Practical Implementation of the standard		
Deficiencies identified in the implementation of EOIR in practice	Underlying Factor	Recommendations
Rating: Largely Compliant		

B.1.1 Ownership, identity and bank information and ToR B.1.2. Accounting records

Competent authority

187. north Macedonia's competent authority is the PRO. The 2014 Report (paragraph 222) analysed the 2012 Operational Guidelines of the PRO setting out procedures for the handling of EOI requests. The PRO adopted new guidelines in 2015 with a view to streamlining its process. The 2015 Operational Guidelines outline the procedures to be followed to obtain information for EOI purposes in addition to outlining the responsibilities of the staff in specific circumstances and deadlines for completion of activities. Presently, within the PRO, EOI requests are handled by the Unit for International Exchange of Information within the International Co-operation Department. However, before May 2017, EOI requests were handled by the General Tax Inspectorate Unit, Department for Co-operation with Other Bodies and International Exchange of Information of the PRO. As a result of the recent restructuring of the PRO, the processes for handling EOI requests have been updated and new operational guidelines are being developed to address the changes in its organisational structure. (See section C.5.2)

188. The PRO does not have authority to conduct criminal investigations; as such, when it becomes necessary for providing information for the purpose of responding to a specific request for EOI in criminal tax matters within North Macedonia, the PRO obtains assistance from the Financial Police or Minister of Interior. However, if the wrongdoing does not involve a person in North Macedonia, then the PRO stays competent and can use its full authority to gather and provide the information requested. This co-operation was required by the PRO in one case during the review period but the person could not be located by the Financial Police.

Accessing information generally

189. Under the Law on Public Revenue Office and the Law on Tax Procedure, the PRO has broad powers to obtain information, including ownership, identity, accounting and banking information from persons within North Macedonia's jurisdiction in order to comply with North Macedonia's obligations under its EOI agreements. The 2014 Report analysed the procedures applied in the case of obtaining information. Generally, the same rules continue to apply since there was no legislative change (see the 2014 Report, para. 209-217).

190. The information gathering powers most commonly used by the PRO for EOI purposes are the following:

- accessing information from the PRO database and documentation

- obtaining information from other institutions according to Article 16 of the Law on Public Revenue Office
- obtaining information from banks, according to Article 17 of the Law on Public Revenue Office
- obtaining information from a local taxpayer or other person, using Article 60 of the Law on Tax Procedure, or conducting a partial tax audit of the taxpayer, under Article 87 of the Law on Tax Procedure.

191. During the peer review period, it also happened that several sources were used to gather the several pieces of information requested.

Accessing information in the possession of the tax authorities

192. The PRO has direct access to information, such as tax return information, annual accounts, tax assessments and audits, value added tax registration and payment information. The PRO's EOI Department has direct access to certain types of information.

193. In a case where the Department does not have direct access to the information kept by the PRO, a request can be submitted to the competent organisational unit of the PRO, which must act immediately upon request. The Operational Guidelines of the PRO requires the Department to include in the request submitted to the organisational unit of the PRO, the deadline by which the information should be obtained. If the unit concerned is unable to provide the information by the deadline, it must notify the Department, explaining the reasons for the delay and the foreseen timeframe to provide the information. During the review period, four requests were answered with information from the PRO's databases; two of the requests were responded within 30 days, with the remaining two responses taking between 75 to 90 days.

Accessing information from another government agency

194. According to Article 16 of the Law on PRO, each institution that maintains official registers and other public databases must, at the request of PRO, provide data from those official registers and other public databases. The PRO can therefore obtain information from the Customs Administration, Central Registry, Central Security Depository, Agency for real estate cadastre, Ministry of Interior, Financial Police, Clearing house, Employment Agency, Pension and Disability Insurance Fund, Health Fund and the Securities and Exchange Commission.

195. The PRO makes a written request to the concerned agency, unless it has access to the databases through electronic exchange of information arrangements, i.e.:

- the Central Registry’s database (data for current status of the legal entities and all status changes – TIN, PIN, managers, founders, nominal capital, address, telephone, bank accounts, registered activity, date of first registration and other changes, etc.)
- the Customs Administration’s database (data for import and export of goods for legal entities – for specific period or for certain custom declaration)
- the Ministry of Interior’s database of all physical persons residents of Republic of Macedonia
- the Employment Agency’s database (data for persons employed in certain entities, as well as personal data for employment for physical persons).

196. During the review period, the PRO received 17 requests that required information be obtained from another governmental authority, including information on the address of a person in North Macedonia and information on border crossing (entry and exit), the ownership of real estate property, or proof of death of an individual and information on his heirs. The gathering process is generally very quick in these cases and peers were satisfied with the quality and timeliness of the response.

Accessing information from a taxpayer or third party

197. In each case where information is requested that is not in the possession of the PRO or another governmental authority (mostly information regarding business transactions between legal persons), the PRO has a general power to obtain information from the taxpayer and/or third parties. According to Article 60 of the Law on tax procedure, the taxpayer or third party must, upon the request by the PRO and within a specified timeline, provide it with all information and documents necessary for establishing a factual situation and relevant for taxation. The inspection of such documents can be done at the premises of the PRO, or at the premises of the person obliged to present them (Article 63). The PRO does not have search and seizure powers.

198. The PRO may also initiate an audit in accordance with Article 87 of the Law on Tax Procedure for obtaining the information. In order to launch an audit, the PRO must issue an external control order (Art. 91(4), Law on Tax Procedure).

199. Normally, the order should indicate the type of tax and the factual situation being audited but this requirement is not applied where the audit is launched for EOI purposes. The situation is described as “business relations”. Since a taxpayer cannot normally be audited a second time for the same tax

in respect of the same year, this reason allows the PRO to ensure that they are always able to open an audit in an EOI case. The PRO also preserves its own ability to launch an audit subsequently for that period. The 2014 Report noted that the practice of omitting one of the required elements on the external order raised a concern that such an order be challenged by a taxpayer, resulting in the impediment to access information by the PRO. However, North Macedonia's authorities indicated that this practice was also used for domestic purposes and no issues had been raised to date.

200. The 2014 Report also noted that the information related to periods more than five years in the past could not be obtained, because of the statute of limitations for audit purposes under the Law on Tax Procedure (but the period can be interrupted and run anew in case of an audit occurring). Although the time limit refers to the limit for the “calculation of tax”, PRO's authorities interpret this in a way that it applies equally to an EOI request where no “type of tax” is specified and no further tax is being calculated, and so would also apply for the purposes of access under Article 87. This limitation to EOI existed especially because tax audit was the only method used in practice by the PRO, and could have been avoided, should the procedure under Article 60 be effectively applied.

201. During the current review period, North Macedonia utilised both written requests under Article 60 and audits under Article 87 of the Law on Tax Procedure to obtain requested information for EOI purposes. The PRO undertook an analysis of the legal provisions of the Law on Tax Procedure with particular attention to Article 60 and concluded that there are no limitations to using this provision as method for obtaining requested information from a taxpayer or third party. Consequently, each newly received request for information from a foreign tax authority was analysed in order to determine the most appropriate way of accessing and providing the requested information while ensuring the quality and timeliness of the information.

202. In practice, it can be noted that, among seven cases concerning requests of information on business transactions and accounting information, North Macedonia used Article 60 for two cases and tax audits in four cases. When a tax audit is performed, the information is exchanged at the end of the audit, but this has never unduly delayed the exchange of information, since the audits are opened for the very purpose of answering the EOI request. In practice, the competent authority has never answered a request in more than 180 days during the review period. In the one remaining request for business transactions and accounting information, the PRO obtained the information from other institutions upon request. The PRO used Article 60 in one more instance where information on employment income and other personal activities was requested.

203. The approach by the PRO was effective as the requested information was obtained and peers indicated that they were satisfied with the responses. To conclude, the B.1 recommendation made in the 2014 Report is considered addressed and removed.

Accessing bank information

Information held in application of the banking law

204. Access to information held by banks generally follows the same rules as in respect of other types of information, with slight variations. Article 17 of the Law on Public Revenue Office states that the information for bank accounts and bank statements of legal or physical persons are not subjected to the provision of bank secrecy. This means that each bank, upon a written request from PRO, must provide the requested information within the period specified in the request. In addition, according to Article 112 of the Law of Banks, the obligation of confidentiality applicable to persons with special rights and obligations, shareholders, employees, providers of bank services or other persons that have access to bank documents and information does not apply in case of a written request from the PRO within its jurisdiction.

205. In practice, banking information is obtained by the PRO through a written request sent to the bank. The bank is obliged to answer within the period specified in the request, usually 20-30 days and North Macedonia stated that the banks do comply with the timelines given in practice.

206. In order to obtain banking information, the following details may be provided by the EOI partner in the request: name of bank, name of account holder and other identity information (date of birth, address and/or passport number), account number. North Macedonia indicated that these elements were not mandatory and that in practice the bank account number without a name could be enough since the IBAN system allows the authorities to know which bank is concerned and then request the information from the bank's headquarters.

Information held in application of the AML law exclusively

207. In the case of information held by banks in application of the AML/CFT legislation (for more details about the scope of the information collected, see part A) there was a potential limitation. According to Article 40 of the 2015 AML/CFT law, the FIO was responsible for gathering the information that should be collected by AML obliged persons as established by Article 3 of the law, including banks, financial institutions and other AML obliged persons. Articles 29 and 30 of the AML/CFT law further limited the use of information collected under the AML/CFT law for the purposes of the

detection and prevention of money laundering and terrorism financing only. As a result, this information, including beneficial ownership information, could not be directly obtained from the banks and other AML obliged persons by the PRO.

208. In practice, the PRO has not requested information collected under the AML/CFT law from banks or other AML obliged persons. However, representatives from the Banker’s Association stated during the on-site visit that, according to their understanding of the law, the PRO does not have access to information collected by the banks under the 2015 AML/CFT law. It is important to note that the Special Public Prosecutor approached the banks for information collected under the AML/CFT law and the banks, with the support of the FIO, refused to provide the requested information as it was prohibited by the AML/CFT law. Even though the AML/CFT law requires inter-institutional co-operation, the FIO would share information with other authorities only in relation to money laundering and related predicate offences, which does not represent most EOI requests.

209. North Macedonia’s AML/CFT law passed in 2018, while maintaining this restriction, introduced the Register of Beneficial Owners. Upon the implementation of the Register, the PRO would have access to beneficial ownership information. However, it will still not have access to information collected by the banks or other AML obliged persons under the AML/CFT law. As a result of this, the PRO would not have access to information collected by banks or other AML obliged persons as part of their KYC procedures.

210. North Macedonia should ensure that the absence of direct access power of the PRO to information collected under AML/CFT law does not impede effective exchange of information.

The private central registry of banks

211. North Macedonia also maintains a central register of “transaction accounts” within the jurisdiction. This Register, which is referred to as *Klirinshki Interbankarski Sistemi AD Skopje* (KIBS), is a joint stock company established by the banks and payment operations carriers. KIBS maintains the system integrating the bank’s data, according to the Law on Payment Operations; however, the manner of maintaining the data contained in system is set by the NBRM. The data from the system may be used only under the terms provided by the law(s). Data contained in the system includes transaction accounts for legal entities and nearly full coverage for natural persons; for instance, all employed natural persons are covered. The authorities note that this is possible thanks to a high level of financial inclusion in Republic.

212. KIBS classifies information for transaction accounts by type, according to the status of account holder, as follows: resident – legal entity; resident

– natural person; banks, foreign bank branches and saving houses; legal entity under bankruptcy/liquidation; non-resident – legal entity; non-resident – natural person; legal entity, natural person, person who performs public authorisation under a law; Government; clearing house(s).

213. The Central Bank and FIO have access to KIBS, however there is some doubt as to whether the PRO would have direct access to the information in KIBS. The Banker’s Association expressed the view that the PRO would be entitled to access the data, but the KIBS could be considered to be a private database and as such PRO would not be entitled to access it under Article 16 of the Law on PRO. Questioned on the opportunity of having an access to KIBS data, for instance as an alternative mode of obtaining some banking information and especially on identifying the relevant bank to be approached, the tax authorities indicated that they never felt such a need, either for EOI or for domestic purposes (and never attempted to obtain information held in KIBS).

214. In practice, the PRO obtains banking information directly from the banks. In domestic practice, the PRO approaches the 15 banks when it is not known in which bank an individual holds an account (which has never occurred so far in EOI cases as the name of the bank and/or the account number has been provided by the requesting authorities). Therefore, although it would be recommended that the PRO has direct access to the data kept in KIBS, as to any information held by any person in North Macedonia, this situation does not affect the efficiency of EOI.

Access to banking information in practice

215. During the current review period, North Macedonia received seven requests for banking information and collected the information from banks in all cases. The competent authority provided full responses in all cases but in one case, North Macedonia’s Competent Authority first provided a partial response. This however, was not because of a lack of access but rather the request could not be considered as foreseeably relevant. North Macedonia sought clarification from the requesting jurisdiction and subsequently provided the requested information. Peer input indicated that they were satisfied with the response and no further issues were raised by peers.

B.1.3. Use of information gathering measures absent domestic tax interest

216. The concept of “domestic tax interest” describes a situation where a party can only provide information to another party if it has an interest in the requested information for its own tax purposes.

217. The 2014 Report concluded that North Macedonia has no domestic tax interest limitation with respect to its information gathering powers. All domestic gathering measures described above in B.1.1 and B.1.2 can be used whether there is a domestic interest in the matter or not. North Macedonia's legislation still does not contain any provisions requiring domestic tax interest prior to fulfilling an EOI request. Under the Law on Tax Procedure, the PRO has the power to obtain information from all persons, including the ones not required to keep such information, absent any requirement of domestic tax interest.

218. North Macedonia's ability to provide information regardless of domestic tax interest was also confirmed in practice. During the review period, the competent authority provided information in five cases where there was no domestic tax interest in obtaining the requested information. For instance, North Macedonia received a request on whether a foreign natural person had a bank account or property in North Macedonia and North Macedonia provided the requested information even though there was no domestic tax interest in obtaining the information.

B.1.4. Effective enforcement provisions to compel the production of information

219. Jurisdictions should have effective enforcement provisions in place to compel the production of information.

220. North Macedonia has in place effective enforcement provisions to compel the production of information, as concluded in the 2014 Report. There has been no change in these provisions since then.

221. Although this has never occurred in EOI cases, tax auditors can request the assistance of the police if a business taxpayer refuses access to its premises for audit, in application of Article 177 of the Law on Tax Procedure, pursuant to which all courts and (local) government bodies are obliged to provide the necessary assistance as regards taxation. This procedure is successfully used in domestic cases. In addition, Article 179b of the Law on Tax Procedure sets out penalties ranging between EUR 2 500 and 3 000 for failure to provide the information (see paragraphs 253-254 of the 2014 Report).

222. In practice, there were no cases where a person failed to provide information requested during the peer review period.

B.1.5. Secrecy provisions

223. The main secrecy provisions relevant in the exchange of information context are rules governing banking secrecy and legal professional privilege.

Bank secrecy

224. Bank confidentiality is protected under Art 111 of the Banking Act, pursuant to which documents, data and information acquired while performing banking and other financial activities to individual persons and transactions for individual persons and the deposits of individual persons represent a bank secrecy that the bank is obliged to protect and hold. However, Article 112 of the Banking Law provides for an exception to the banks' duty of confidentiality for requests made by the PRO, including requests for information for EOI purposes.

225. In practice, the PRO has not experienced cases where bank secrecy impeded access to information.

Professional secrecy

226. The 2014 Report indicated that secrecy provisions applicable to various professions do not prevent effective exchange of information though the scope of some of the provisions might go beyond the international standard. North Macedonia's tax law allows certain persons, including professionals such as attorneys, notaries public and auditors to refuse to disclose information acquired in their professional capacity, pursuant to confidentiality provisions in the relevant professional laws. Both the tax and the sectoral laws protect the confidentiality of information shared with certain professionals only to the extent that it is confidential information acquired in their professional capacity. Protection does not extend to documents, the professional may be holding on behalf of the taxpayer, when the latter is obliged to keep them under any of North Macedonia's laws or to documents that the professional happens to hold and that are accessed during an external control at the professional's premises. The authorities indicated that should a professional, such as a lawyer, provide tax advisory services outside the preparation of a court case or other core activity, the information would not be covered by professional secrecy.

227. In practice, the PRO never requests for information directly from these professionals, so there was no case during the period under review where professional secrecy or privilege was an impediment to obtaining the requested information.

B.2. Notification requirements, rights and safeguards

The rights and safeguards (e.g. notification, appeal rights) that apply to persons in the requested jurisdiction should be compatible with effective exchange of information.

228. The 2014 Report found that there were no issues regarding notification requirements or appeal rights and the element was determined to be in place. There has been no change in the relevant rules or practices since then.

229. The table of determination and rating remains as follows:

Legal and Regulatory Framework		
Deficiencies identified	Underlying Factor	Recommendations
Determination: The element is in place		
Practical Implementation of the standard		
Deficiencies identified practice	Underlying Factor	Recommendations
Rating Compliant		

B.2.1. Rights and safeguards should not unduly prevent or delay effective exchange of information

230. North Macedonia's domestic law does not require the PRO to notify the taxpayer of an EOI request, nor does it require the PRO to notify the taxpayer during a tax audit that the information provided has been required by a foreign tax.

231. Article 92 of the Law on Tax Procedure requires taxpayers to be informed about a tax audit order within appropriate period prior to the commencement of the audit. However, Article 92(2) provides an exception where prior notice would prevent or hinder the audit. This provision is utilised in cases where it is necessary to provide information in response to a request by a foreign tax authority pursuant to an international agreement. In such case, the tax audit order shall be submitted immediately prior to the commencement of the audit.

232. In practice so far, when utilising Article 60 of the Law on Tax Procedure, the taxpayer was also not informed that the information is required for EOI. The competent authority explained that in the letters, the taxpayer was informed that, according to art. 60(1), it must provide all the requested information and documentation needed for determining the actual condition of the business

relations between the requested companies, on request by the PRO. No appeal right applies against the written requests of Article 60 as they are not considered as “decision” of the administration. Only the use of compulsory powers can be appealed against.

233. During the review period, no practical difficulties have been experienced by North Macedonia with regard to notification, or any rights and safeguards, such as appeal rights.

Part C: Exchanging information

234. Sections C.1 to C.5 evaluate the effectiveness of North Macedonia’s network of EOI mechanisms – whether these EOI mechanisms provide for exchange of the right scope of information, cover all North Macedonia’s relevant partners, whether there were adequate provisions to ensure the confidentiality of information received, whether North Macedonia’s network of EOI mechanisms respects the rights and safeguards of taxpayers and whether North Macedonia can provide the information requested in a timely manner.

C.1. Exchange of information mechanisms

Exchange of information mechanisms should provide for effective exchange of information.

235. The 2014 Report concluded that North Macedonia’s network of EOI mechanisms was “in place” and was “compliant” with the standard. North Macedonia’s had signed 45 Double Taxation Conventions (DTC) and 1 Tax Information Exchange Agreement (TIEA) providing for exchange of information. In addition, North Macedonia’s tax administration also exchanged information under a 2006 regional administrative co-operation agreement with the tax authorities of Bosnia and Herzegovina, Bulgaria, Montenegro and Serbia.

236. Since then, North Macedonia has signed six new DTCs and one protocol.⁷ North Macedonia has also signed the multilateral Convention on Mutual Administrative Assistance in Tax Matters (Multilateral Convention) on 27 June 2018 and will almost triple its EOI network to over 134 partners, once the Multilateral Convention is ratified.

237. During the first round of review, most of North Macedonia’s agreements were found to provide for exchange of information in line with the international standard with the exception of its DTCs with Austria and

7. Bosnia and Herzegovina, India, Israel, Saudi Arabia, United Arab Emirates and Viet Nam; protocol with Germany.

Switzerland. North Macedonia was recommended (in the text) to renegotiate these agreements so that they provide for effective exchange of information. North Macedonia indicated that it has recently communicated to these partners a proposal to renegotiate the DTCs in order to align their provisions with the standard. In addition, the problems would also be remedied, once the Multilateral Convention comes into force.

238. The EOIR standard now includes a reference to group requests in line with paragraph 5.2 of the Commentary on Article 26 of the OECD Model Tax Convention. North Macedonia indicated it stands ready to answer group requests in line with the standard. The PRO also reviewed its EOI Manual to include more detailed information about the foreseeable relevance of a group request. In practice, the PRO has not received any EOI group requests during the period under review.

239. The table of determination and rating remains as follows:

Legal and Regulatory Framework		
Deficiencies identified	Underlying Factor	Recommendations
Determination: The element is in place		
Practical Implementation of the standard		
Deficiencies identified practice	Underlying Factor	Recommendations
Rating: Compliant		

Other forms of exchange of information

240. Exchange of information on request is the main type of exchange used by North Macedonia. North Macedonia also receives information on an automatic basis, as provided within the operational guidelines for exchange of information of the PRO, with some of its partners, such as Bulgaria, Germany, and Norway.

241. The 2006 regional administrative agreement with Bosnia and Herzegovina, Bulgaria, Montenegro and Serbia provides for exchange on request as well as for spontaneous exchanges, service of documents and presence and participation of representatives from requesting jurisdictions at examinations. During the period under review, exchange of information took place mainly on the basis of the DTC North Macedonia has with these partners, and the Agreement has been used between North Macedonia and Bosnia and Herzegovina for exchange of information on request only.

C.1.1. Foreseeably relevant standard

242. Exchange of information mechanisms should allow for exchange of information on request where it is foreseeably relevant to the administration and enforcement of the domestic tax laws of the requesting jurisdiction. This concept, as articulated in Article 26 of the OECD Model Tax Convention, is to be interpreted broadly, but does not extend so far as to allow for “fishing expeditions”. The Article 26 commentary recognises that the standard of “foreseeable relevance” can be met when alternative terms are used in an agreement, such as “necessary” or “relevant”.

243. The 2014 Report found that most of North Macedonia’s DTCs (with the exception of its DTC with Switzerland) follow the OECD Model Tax Convention and are applied consistent with the Commentary on foreseeable relevance. Similarly, North Macedonia’s TIEA follows the 2002 Model Agreement on Exchange of Information on Tax Matters. North Macedonia’s DTC with Switzerland provides for the exchange of information that is “necessary” for carrying out the provisions of the agreement, but does not provide for the exchange of information in aid of the administration and enforcement of domestic laws. It also incorporates additional language that is not in line with the international standard. The last Report recommended that North Macedonia renegotiate this agreement to provide for effective exchange of information. North Macedonia has recently sent a letter to Switzerland indicating its intention to renegotiate this agreement. Renegotiations of the Double Tax Treaty between North Macedonia and Switzerland will commence in March 2019. These negotiations will include the topic of exchange of information on request. The relationship will also be up to the standard once the Multilateral Convention will enter into force in North Macedonia. In spite of the fact that no requests were exchanged between the two jurisdictions, North Macedonia is recommended to renegotiate this treaty.

244. Since the 2014 Report, North Macedonia has concluded agreements with Bosnia and Herzegovina, India, Israel, Saudi Arabia, United Arab Emirates and Viet Nam. North Macedonia’s new DTCs and the Multilateral Convention include the term “foreseeably relevant” in their EOI Article.

Clarifications and foreseeable relevance in practice

245. North Macedonia does not require a specific template to be used for incoming requests; however, a request should contain sufficient information to demonstrate the foreseeable relevance of the information requested. The approach is formalised in the Operational Guidelines of the PRO.

246. During the peer review period, North Macedonia did not refuse to answer any EOI requests on the basis of lack of foreseeable relevance, however there were a few cases where it requested clarification on the belief

that the request was overly broad or vague (e.g. all clients of a Macedonian company). The requesting jurisdiction reverted with additional information and North Macedonia provided the requested information. In some instances, North Macedonia provided a partial response, while waiting for clarification from the requesting jurisdiction.

247. Another reason for requesting clarification during the review period was that the treaty partner did not provide sufficient identification details of the taxpayer or holder of the information in North Macedonia, or mistakes were made in the details sent. Identification of the taxpayer can be done by providing different indicators. Typically, more than one identifier is necessary to identify the taxpayer uniquely, such as the name and date of birth or address. In practice, North Macedonia indicated that a taxpayer can be identified with the following elements: name and tax identification number (TIN) for legal entities; name, surname, date of birth and personal identification number (EMBG) for individuals. It is particularly important for the competent authority to receive as many elements as possible to ensure accuracy as transliteration between Latin and Cyrillic alphabets can trigger mistakes. The partners of North Macedonia have not raised any concern about the requests for clarifications received from the competent authority.

Group requests

248. There is no indication that any of North Macedonia's EOI agreements contains language prohibiting group requests. The process for responding to group requests is the same as for any other request for information.

249. During the review period, North Macedonia did not receive any group request. Therefore, its practice could not be effectively assessed. Nevertheless, North Macedonia indicated that it does not foresee requiring any specific information to be provided by the requesting jurisdiction in the case of a group request. The competent authority interprets foreseeable relevance with respect to group requests in a similar manner as with regular requests. North Macedonia updated its operational guidelines to include provisions governing group requests and is updating its procedures accordingly.

C.1.2. Provide for exchange of information in respect of all persons

250. The 2014 Report found that most of North Macedonia's EOI agreements do not restrict the jurisdictional scope of the exchange of information. North Macedonia's DTCs with Bulgaria, Poland, Qatar, Russian Federation, Switzerland, Turkey and Ukraine do not contain the sentence indicating that the exchange of information is not restricted by Article 1 (on Persons Covered). Nonetheless, with the exception of the DTC with Switzerland, the EOI provision of these treaties applies to carrying out the provisions of the

agreement or of the domestic laws of the contracting States concerning taxes covered by the agreement insofar as the taxation thereunder is “not contrary to” or is “in accordance with” the agreement. These treaties would therefore not be limited to residents because all taxpayers, resident or not, are liable to the domestic taxes listed in Article 2 and are as such in line with the standard. These relationships will also be complemented by the Multilateral Convention. The DTC with Switzerland restricts the exchange of information since its application is limited to residents of one or both of the Contracting States.

251. The additional agreements that North Macedonia has entered into since the 2014 Report do not have such restrictions. No issues arose in the review period in this regard; there were no requests related to a person not resident in either North Macedonia or the partner jurisdiction and no peer has raised any issues.

C.1.3. Obligation to exchange all types of information

252. Article 26 of the OECD Model Tax Convention and the OECD Model TIEA both require the exchange of all types of information, including bank information, information held by a fiduciary or nominee, or information concerning ownership interests.

253. The DTCs with Austria and Switzerland do not establish an obligation to exchange all types of information due to domestic restrictions on access to information. The 2014 Report recommended North Macedonia to ensure that all of its EOI relationships allow for exchange of information in line with the Standard. North Macedonia recently contacted these partners to update these relationships, which will also be complemented by the Multilateral Convention. During the review period, North Macedonia has not exchanged banking information on the basis of its DTCs with Austria or Switzerland.

254. With the exception of the DTC with Bosnia and Herzegovina,⁸ the other additional agreements that North Macedonia has entered into since the 2014 Report all include paragraph 5 of Article 26 of the OECD Model Tax Convention, which provides that a contracting state may not decline to supply information solely because it is held by a financial institution, nominee or person acting in an agency or a fiduciary capacity or because it relates to ownership interests in a person. With the exception of North Macedonia’s DTCs with Belarus, Egypt, Montenegro, Chinese Taipei and Serbia, the rest of North Macedonia’s DTC that were in force prior to the 2014 Report and did not contain paragraph 5 of Article 26 of the OECD Model Tax Convention are with jurisdictions that are signatories to the Multilateral Convention.

8. As no review of Bosnia and Herzegovina has been performed by the Global Forum yet, it is unknown whether the treaty meets the standard.

255. In practice, banking information was exchanged with partners in absence of a provision similar to paragraph 5 of Article 26 of the OECD Model Tax Convention, for instance with Slovenia, thus confirming the broad interpretation of North Macedonia. Peers have not raised any issues in practice during the current review period. North Macedonia is recommended to ensure that all its EOI relationships are in line with the standard.

C.1.4. Absence of domestic tax interest

256. EOI partners must be able to use their information gathering measures even though invoked solely to obtain and provide information to the requesting jurisdiction. The 2014 Report noted that only eight⁹ of North Macedonia's DTCs explicitly included language requiring information-gathering measures without regard to a domestic tax interest (akin to paragraph 4 of the Article 26 of the OECD Model Tax Convention). While in practice there was no issue with any partners in exchanging information, the Report noted that a domestic tax interest requirement might exist in some of North Macedonia's partner countries, posing a potential risk for limitation on the exchange of information in the absence of any specific provision excluding such requirement.

257. The additional agreements that North Macedonia has entered into since the 2014 Report all include an explicit provision in that sense.

258. In practice, for the period under review, North Macedonia had five cases where there was no domestic tax interest in obtaining the requested information. In all cases, the required information was provided to the foreign tax authority, even though some of them were based on a DTC that does not contain an equivalent to paragraph 4 of Article 26 of the OECD Model Tax Convention, thus confirming the broad interpretation of North Macedonia. Peers have not raised any issues during the current review period in this respect.

C.1.5. Absence of dual criminality principles

259. All of North Macedonia's EOI agreements require the exchange of information regardless of whether, if the conduct under investigation were committed in North Macedonia, it would constitute a crime. The additional agreements that North Macedonia has entered into since then do not include dual criminality provisions either.

260. No issues in respect of dual criminality were identified in the 2014 Report and no such issues arose over the current review period. North Macedonia

9. Estonia, Ireland, Kazakhstan, Kosovo,* Luxembourg, Moldova, Morocco and United Kingdom.

* This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.

C.1.6. Exchange information relating to both civil and criminal tax matters

261. North Macedonia's network of agreements provides for exchange in both civil and criminal matters and no issues arose in practice. North Macedonia received EOI requests related to both civil and criminal matters.

262. The foreign qualification of the procedure does not matter for the handling of the request in North Macedonia, e.g. in one case, it received an EOI request related to a criminal tax procedure in the requesting county and North Macedonia used its usual gathering powers to answer it. The PRO has to invoke a different process when a request relates to a criminal tax matter in North Macedonia. It does not have the authority to conduct criminal investigations. All matters concerning financial investigations falls under the authority of the Financial Police and the Financial Office can co-operate with the PRO in certain financial investigations regarding tax matters. Therefore, where criminal investigations are required for tax matters the PRO requests the assistance and co-operation of the Financial Police. This occurred in one case where the PRO could not locate a natural person and needed the assistance of the police to do so.

263. The additional agreements that North Macedonia has entered into since the 2014 Report provide for exchange of information in both civil and criminal tax matters.

C.1.7. Provide information in specific form requested

264. There are no restrictions in the exchange of information provisions in North Macedonia's EOI agreements that would prevent North Macedonia from providing information in a specific form, as long as this is consistent with North Macedonia law and administrative practices.

265. In practice, the competent authority provides information in the requested form but has not received any special request during the period under review. No peers reported any issues in relation to the form of the information provided.

C.1.8. Signed agreements should be in force

266. According to the Constitution of North Macedonia, international agreements are concluded by the President of North Macedonia or by the Government, when it is so determined by law (art. 119). They are then ratified by the Assembly (art. 68). North Macedonia is generally able to bring a signed agreement into force within twelve months.

267. The 2014 Report noted that of the 46 bilateral EOI instruments, only one had not yet been ratified by North Macedonia. Since then that EOI instrument has been ratified, less than 9 months after it was signed.

268. All of the DTCs signed since the last review have been ratified by North Macedonia, however two DTCs are awaiting ratification by North Macedonia's treaty partner to come into force (Israel and Viet Nam). Similarly, the DTC with Egypt, signed on 22 November 1999 is still awaiting ratification by the treaty partner (it was ratified by North Macedonia's Assembly in 2002).

269. The Multilateral Convention, signed in June 2018 is not yet in force.

270. The following table summarises the outcomes of the analysis under element C.1 in respect of North Macedonia's bilateral EOI mechanisms. Note that North Macedonia's 50 EOI bilateral instruments apply to 51 partners since the DTC with Yugoslavia is used in the exchange of information with Montenegro and Serbia.

EOI bilateral mechanisms

			Total bilateral instruments	Bilateral EOI Mechanisms not complemented by the MAC
A	Total Number of DTCs/TIEAS	$A = B + C$	50	9
B	Number of DTCs/TIEAs signed (but pending ratification), i.e. not in force	$B = D + E$	3	2
C	Number of DTCs/TIEAs signed and in force	$C = F + G$	47	7
D	Number of DTCs/TIEAs signed (but pending ratification) and to the Standard		3 (Egypt, Israel, Viet Nam)	2 (Egypt, Viet Nam)
E	Number of DTCs/TIEAs signed (but pending ratification) and not to the Standard		0	0
F	Number of DTCs/TIEAs in force and to the Standard		45	7
G	Number of DTCs/TIEAs in force and not to the Standard		2 (Austria, Switzerland)	0

C.1.9. Be given effect through domestic law

271. For information exchange to be effective, the parties to an exchange of information arrangement need to enact any legislation necessary to comply with the terms of the arrangement.

272. North Macedonia has in place the legal and regulatory framework to give effect to its EOI mechanisms. No issues were raised in the 2014 Report in this regard, and similarly no issues arose in practice during the current review period.

C.2. Exchange of information mechanisms with all relevant partners

The jurisdiction's network of information exchange mechanisms should cover all relevant partners.

273. North Macedonia has a treaty network of 134 EOI relationships, including 51 bilateral relationships in place covering mainly jurisdictions situated in Europe and Asia and notably with most of its trading partners and neighbouring countries, namely Bulgaria, Croatia, Germany, Italy, Montenegro, Russia, Serbia and Slovenia.

274. The 2014 Report found that element C.2 was “in place” and “Compliant” with the standard. North Macedonia was recommended to continue to develop its EOI network and conclude agreements to the standard with all relevant partners.

275. North Macedonia reports that after the last review, it made a proposal for negotiations with 50 priority States: EU members States, OECD members, G-20 countries and jurisdictions with which North Macedonia has high mutual trade exchanges. Some jurisdictions indicated they were not interested but North Macedonia successfully concluded DTCs with six partners and a couple of other partners showed interest (e.g. Iceland, but negotiations have not started).

276. These priorities would not limit North Macedonia's ability to negotiate an EOI agreement if requested by another jurisdiction. No jurisdiction has indicated that North Macedonia had refused to enter into or delayed negotiations of an EOI agreement.

277. North Macedonia indicated that it received an initiative for amendments of the existing DTC from Germany in order to conclude a Protocol for amendments of the Agreement from 13 July 2006. A Protocol was signed on 14 November 2016 and was ratified in the end of 2017. North Macedonia stated that negotiations are underway with four jurisdictions.

278. Most importantly and recently, North Macedonia is now a signatory to the Multilateral Convention (since 27 June 2018). North Macedonia now needs to proceed to the ratification and deposit of the instruments of ratification of the Convention.

279. As the standard ultimately requires that jurisdictions establish an EOI relation up to the standard with all partners who are interested in entering into such relation, North Macedonia is recommended to continue to develop its exchange of information network and conclude agreements to the standard with all relevant partners.

280. The new table of recommendations, determination and rating is as follows:

Legal and Regulatory Framework		
Deficiencies identified	Underlying Factor	Recommendations
Determination: The element is in place		
Practical Implementation of the standard		
Deficiencies identified in practice	Underlying Factor	Recommendations
Rating: Compliant		

C.3. Confidentiality

The jurisdiction's information exchange mechanisms should have adequate provisions to ensure the confidentiality of information received.

281. The 2014 Report concluded that all of North Macedonia's EOI agreements have confidentiality provisions in line with the standard. This is also the case for all of North Macedonia's EOI agreements and protocols signed since the first round review.

282. The 2014 Report concluded that the applicable treaty provisions and statutory rules that apply to officials with access to treaty information and the practice in North Macedonia regarding confidentiality were in accordance with the standard.

283. There are adequate confidentiality provisions protecting tax information in North Macedonia's domestic tax laws, which have not been amended since the last report. These provisions apply to information exchanged under North Macedonia's EOI instruments. The confidentiality rules also cover incoming EOI request letters and only information necessary to obtain the requested information is disclosed in notices to information holders.

284. The applicable rules are properly implemented in practice to ensure confidentiality of the received information. No issue in respect of confidentiality of information exchanged was reported by peers either. However, the PRO and particularly the EOI unit is undergoing a reorganisation and as such it is recommended that the PRO take steps to ensure that its processes remain in line with the international standards on confidentiality.

285. The table of determination and rating remains as follows:

Legal and Regulatory Framework		
Determination: The element is in place		
Practical Implementation of the standard		
Rating: Compliant		

C.3.1. Information received: disclosure, use and safeguards

286. The 2014 Report concluded that all of the EOI articles in North Macedonia's DTCs have confidentiality provisions modelled on Article 26(2) of the OECD Model Tax Convention and its TIEA with Argentina contains a confidentiality provision modelled on Article 8 of the OECD Model TIEA. The same applies to the EOI instruments signed since then.

287. The 2016 Terms of Reference (ToR) clarified that although it remains the rule that information exchanged cannot be used for purposes other than tax, an exception applies where the authority supplying the information authorises the use of information for purposes other than tax purposes, in accordance with the amendment to Article 26 of the OECD Model Tax Convention introducing this element, which previously appeared in the commentary to this Article. In the period under review, North Macedonia reported that there were no requests wherein the requesting partner sought North Macedonia's consent to utilise the information for non-tax purposes and similarly North Macedonia did not seek consent from its partners to use information received for non-tax purposes.

288. As concluded in the 2014 Report, there are adequate confidentiality provisions protecting tax information contained in North Macedonia's domestic laws, which are supported by administrative and criminal sanctions applicable in the case of breach of these obligations (see paragraphs 313 to 316 of the 2014 Report).

289. Tax officials are under a general obligation to keep information obtained in the course of a tax procedure confidential. Pursuant to Article 9 of the Law on Tax Procedure, officials are obliged to keep secret all documents, information, data or other facts about the taxpayer obtained in tax or criminal proceedings as well as trade secrets and data on inventions and patents. The obligation to keep tax data confidential continues after the official leaves the tax administration. Officials breaching the duty to keep tax information confidential are subject to disciplinary measures, as well as to criminal charges and misdemeanour procedures (art. 35 Law on PRO).

290. The provisions for tax secrecy in the domestic law of North Macedonia are general and apply to all information and documents related to the exchange of information (request of information, background documents to the requests and any other documentation reflecting the provided information, as well as communications between North Macedonia and the foreign tax authority and communications within the tax authority).

291. Taxpayers may request to have an insight into their tax acts (art. 8, Law on Tax Procedure). The competent authority however clarified that these provisions do not apply to the EOI file and the EOI request letters or correspondence between competent authorities, because these are not defined as

tax acts according to art. 42 of the Law on Tax Procedure. In practice, the EOI unit never shares the EOI file with the taxpayers.

292. North Macedonia's Law on Personal Data Protection does not require the disclosure of the information provided by the requesting jurisdiction (or the request itself) to the taxpayer or to any third persons.

293. The 2014 Report concluded that all of the exchange of information articles in North Macedonia's double tax agreements had confidentiality provisions modelled on Article 26(2) of the OECD Model Tax Convention and the TIEA with Argentina contained a confidentiality provision modelled on Article 8 of the OECD Model TIEA. All North Macedonia's conventions signed since the Report also contain confidentiality provisions in line with the standard. Pursuant to these provisions, information provided by foreign tax authorities can only be used for the purpose for which they are required and can be disclosed only in judicial proceedings.

C.3.2. Confidentiality of other information

294. Confidentiality rules should apply to all types of exchanged information, including information provided by a requesting jurisdiction in a request, information transmitted in response to a request and any background documents to such request.

295. The 2014 Report notes that the confidentiality provisions in the agreements and in North Macedonia's domestic law do not draw a distinction between information received in response to requests and information forming part of the requests themselves. North Macedonia's authorities confirm that these provisions apply equally to all requests for such information, background documents to such requests, and any other document reflecting such information, including communications between the requesting and requested jurisdictions and communications within the tax authorities of either jurisdiction.

Confidentiality in practice

296. The 2014 Report did not raise any issue with regard to confidentiality in practice. The EOI request and the supporting documentation, including communications between competent authorities, are treated as confidential.

297. The EOI unit sometimes relies on different organisational units of the PRO to gather information to answer an EOI request. Where the EOI officer is unable to obtain the requested information directly (such as a tax auditor using the powers under Article 87), the EOI Unit will make a request to the relevant PRO organisational unit. The request includes only information from the requesting jurisdiction's letter that is necessary to enable the PRO officer obtain the requested information.

298. In general, the PRO’s Rulebook on technical and organisational measures incorporates the concepts of confidentiality of tax data and information security, in particular in respect of information security management, staff recruitment, training and departure policies.

299. More specifically in relation to the exchange of information, the competent authority does not have an electronic archiving system; therefore, all original requests are kept in paper form. The hard copy files are kept in locked cabinets on premises that can only be accessed by EOI unit staff and the team applies a clean desk policy.

300. No case of breach of the confidentiality obligation in respect of the information exchanged has been encountered by North Macedonia’s authorities and no such case or concern in this respect has been indicated by peers.

301. Certain concerns arise in respect of the restructuring of the PRO, which involved the transfer of the Competent Authority office (Department for international exchange of information) from the General Tax Inspectorate to the Sector for international co-operation and a change in the authorised person for international exchange of information. This change necessitated an update in the operational guidelines of the unit and will require a further restructuring of the processes for the handling of requests and the practical implementation of confidentiality safeguards. The restructuring occurred in the latter part of the review period (end May 2017) and as such, there was not enough information to assess the effect of the reorganisation. The sensitisation and awareness of the members of the Sector for international co-operation not in charge of EOI should notably be strengthened to ensure the physical security of documents (e.g. ensure that the keypad locked door to the floor does not remain open). In addition, since now the full EOI request letter is sent to the General Inspectorate, which will extract relevant elements to be sent to local tax inspectors, the EOI team will stamp them to expressly mention that the content is protected by the confidentiality clause of the underlying treaty (similar to what is already done when North Macedonia received information in response to an outgoing EOI request). North Macedonia is recommended to monitor and ensure that the new processes are in line with the standard.

C.4. Rights and safeguards of taxpayers and third parties

The information exchange mechanisms should respect the rights and safeguards of taxpayers and third parties.

302. The international standard allows requested parties not to supply information in response to a request in certain identified situations. Among other reasons, a request for information can be declined where the requested information would disclose confidential communications protected by attorney-client privilege.

303. The 2014 Report concluded that North Macedonia’s legal framework and practices concerning the rights and safeguards of taxpayers and third parties was in line with the standard and element C.4 was determined to be “in place” and Compliant, with no recommendations made.

304. According to replies received from peers, there have not been any cases in which North Macedonia failed to respect taxpayers’ rights or safeguards, neither have North Macedonia’s authorities identified any requests in respect of which sending certain information to the partner jurisdiction could have had an impact on rights or safeguards applicable in North Macedonia.

305. The enhanced ToR have not changed this element and the situation remains the same. The table of determination and rating remains as follows:

Legal and Regulatory Framework		
Deficiencies identified	Underlying Factor	Recommendations
Determination: The element is in place		
Practical Implementation of the standard		
Deficiencies identified in practice	Underlying Factor	Recommendations
Rating: Compliant		

C.5. Requesting and providing information in an effective manner

The jurisdiction should request and provide information under its network of agreements in an effective manner.

306. In order for exchange of information to be effective, jurisdictions should request and provide information under their network of EOI mechanisms in an effective manner. In particular:

- *Responding to requests*: Jurisdictions should be able to respond to requests within 90 days of receipt by providing the information requested or provide an update on the status of the request.
- *Organisational processes and resources*: Jurisdictions should have appropriate organisational processes and resources in place to ensure quality of requests and quality and timeliness of responses.
- *Restrictive conditions*: EOI assistance should not be subject to unreasonable, disproportionate, or unduly restrictive conditions.

307. The 2014 Report concluded that North Macedonia’s practice in terms of effective processing of EOI requests complied with the standard. Nevertheless, the Report noted that North Macedonia’s provision of status updates was not fully compatible with effective exchange of information and North Macedonia was recommended to address this issue. North Macedonia has improved in providing status updates in situations where responding to a request takes longer than 90 days. Peer input has been mostly positive.

308. Under the 2016 ToR, the review also concerns the quality of requests issued by North Macedonia. North Macedonia made 27 requests during the review period (from 1 July 2014 to 31 June 2017).

309. In all respects, North Macedonia continues to perform to the standard in terms of responding to requests, which totalled 31 during the period under review. The organisation and procedures during the review period were complete and coherent and peers were generally very satisfied with the responses sent. However, as a result, of the reorganisation of the PRO, these organisation and procedures are in the process of being updated. North Macedonia is recommended to ensure that the new organisation and procedures are in line with the standard.

310. The new table of recommendations and rating is as follows:

Legal and Regulatory Framework		
This element involves issues of practice. Accordingly, no determination has been made.		
Practical Implementation of the standard		
Deficiencies identified in the implementation of EOIR in practice	Underlying Factor	Recommendations
	North Macedonia did not provide status updates where a request could not be answered within 90 days on a systematic basis. The procedures outlined in the new guidelines are new and North Macedonia is required to monitor that status updates are provided to its treaty partners where relevant.	North Macedonia should monitor that status updates are provided to the requesting jurisdictions where relevant.
Rating: Compliant		

C.5.1. Timeliness of responses to requests for information

311. Over the period under review (1 July 2014 to 31 June 2017), North Macedonia received 31 requests for information. The information requested¹⁰

10. Please note that some requests entailed more than one information category and some requests entailed more than one entity type.

related to (i) ownership information (2 cases), (ii) accounting information (7 cases), (iii) banking information (7 cases) and (iv) other type of information (19 cases). The entities for which information was requested are broken down into (i) companies (9 cases), (ii) individuals (24 cases), (iii) foundations and other entities (2 cases).

312. North Macedonia's most significant EOI partners (by virtue of the number of exchanges with them) are Belgium, Norway, Poland, Sweden, Germany and Slovenia. For the review, the timeliness of North Macedonia's answer to EOI requests is tabulated below.

Statistics on response times

	From July 2014		2015		2016		To 30 June 2017		Total	
	Num.	%	Num.	%	Num.	%	Num.	%	Num.	%
Total number of requests received	2	6.45	17	54.84	9	29.03	3	9.68	31	100
Full response: ≤ 90 days	1	50	13	76.47	9	100	2	66.67	25	80.6
(cumulative) ≤ 180 days	2	100	16	94.12	-	-	-	-	29	100
(cumulative) ≤ 1 year	-	-	-	-	-	-	-	-	-	-
> 1 year	-	-	-	-	-	-	-	-	-	-
Status update provided within 90 days (for responses sent after 90 days)	1	100	1	33.33	-	-	-	-	-	-
Declined for valid reasons	-	-	-	-	-	-	1	33.3	1	3.2
Failure to obtain and provide information requested	-	-	1	5.88	-	-	-	-	1	3.2
Requests withdrawn by the requesting jurisdiction	-	-	-	-	-	-	-	-	-	-
Requests still pending at date of review	-	-	-	-	-	-	-	-	-	-

313. North Macedonia explained that requests that are fully dealt with within 90 days typically relate to information already at the disposal of the competent authority or another government agency. For instance, one partner always asks for the address of natural persons. North Macedonia's authorities note that most of the requests received related to individuals, and less about business transactions.

314. During the period under review, the time taken to deal with an EOI request has never exceeded 180 days. In some cases, for example requests for locating an individual who is a national of North Macedonia but resident in another European country (when that person is not a taxpayer), the authorities take several actions to ensure the person is not in North Macedonia, which might extend the time taken to obtain and send a response, but these efforts are appreciated by the partner jurisdictions. There were no pending cases from the review period.

315. North Macedonia declined one request during the review period because the requesting jurisdiction did not provide accurate and adequate information to enable the identification of the subject of the request and was not able to provide further detail after North Macedonia asked for clarification (i.e. no person corresponded to the name, address and date of birth provided).

316. In the period under review, five requests for clarification were made by North Macedonia to the requesting jurisdictions. North Macedonia explained that in two instances the requests were too broad and did not provide sufficient information to help determine if the request was foreseeably relevant (see C.1.1 above).

Status updates and communication with partners

317. The 2014 Report recommended North Macedonia to ensure that its internal procedures result in providing status updates to EOI partners within 90 days in those cases where it is not possible to provide a response within that timeframe. Both the 2012 and 2015 operational guidelines for EOI adopted by the PRO specifically instructs its EOI officers to provide a status update if a complete response to a request cannot be given in 90 days.

318. In practice, Peer input confirmed that status updates are provided in most cases. Thus, the previous recommendation is regarded as sufficiently addressed, although North Macedonia should continue to ensure that status updates are provided in accordance with the standard.

319. Communication with EOI partners as well as with other administrations and departments is done using a generic email account for non-confidential information and by post for confidential information. The competent authority also agreed with two partners to use email with password-protected attachments for urgent requests.

C.5.2. Organisational processes and resources

Organisation of the competent authority

320. In the Former Yugoslav Republic of Macedonia, the exchange of information function under DTCs, the regional instrument and TIEA, is centralised in a single unit of the PRO called the Unit for international exchange of information (EOI) which is part of the Sector for international co-operation. The Minister of Finance delegated the EOI competence to the PRO, and the Director sub-delegated the competence to the Head of the Sector for international co-operation. The same will apply once the Multilateral Convention will have entered into force.

321. Prior to 29 May 2017 (which means for most of the period under review), the EOI Department was a part of the General Tax Inspectorate

of the PRO. At that time, delegation by the PRO Director was given to two persons. The change of delegation to the Head of the Sector for international co-operation was communicated to all North Macedonia's treaty partners and the Global Forum's secure Competent Authorities database was also updated with the change of sub-delegation.

Resources and training

322. The EOI Department has an EOI manual, the operational guidelines for exchange of information with foreign tax authorities. The manual is an invaluable tool to the EOI Department, setting out the proper procedures for handling requests, providing template forms for requesting information to fulfil a partner's request, and information on confidentiality. During the on-site visit, the EOI department was utilising a manual that was adopted in November 2015 to replace the 2012 guidelines assessed during the 2014 report. The work manual has since been revised after the transfer of the EOI Department. North Macedonia updated the manual to cover the new work processes necessitated by the restructuring of the EOI Department and to include information on group requests.

323. The EOI Department comprise three staff working full time in exchange of information on request, headed by the head of the Sector for international co-operation. Two of the three persons in charge of EOIR in the General Inspectorate were transferred to the EOI Department of the International Co-operation to ensure continuity. Training of new staff member is done on the spot by more experienced staff – the same applies to the Head of Department who has no tax audit background. Considering the low volume of EOI activity of North Macedonia, the staffing is sufficient and the persons perform other tasks in addition to handling incoming and outgoing EOI requests. However, should North Macedonia ratify the Multilateral Convention and participate in other EOI activities (related to BEPS or automatic exchange), the level of resources would need to be re-evaluated.

324. North Macedonia organises trainings within the PRO on EOI when necessary. Trainings are typically overseen by the EOI Department. During the review period, North Macedonia organised two training sessions internally for over 29 employees. Employees of the PRO and the Ministry of Finance also undertook a study tour of the EOI unit of Denmark. Finally, short presentations on the EOI procedures were given to all PRO inspectors in 2017 but so far, the number of outgoing requests did not increase. Training appears to be adequate.

325. The Competent Authority uses several performance measures to monitor the effective operation of the EOI unit. They include response time (to measure the length of time before a reply is issued); number of requests handled (incoming and outgoing requests); number of open cases and case age (to ensure that cases are being continually reviewed); and number of closed cases (to measure EOI unit accomplishments).

Incoming requests

326. North Macedonia's Competent Authority utilises a computerised system for recording EOI requests and for easier tracking and monitoring. All EOI requests (outbound and inbound) are recorded in an MS Excel worksheet by an EOI officer.

Competent Authority's handling of the request

327. When a request for information is received, the correspondence is taken to the archive department where it is given a unique number. The request is then processed to the Department and assigned to an EOI officer. The requests are normally received in English and must be translated by staff of the EOI unit into Macedonian.

328. The request is analysed in line with the guidelines to determine if it is complete, valid or has legal basis in line with North Macedonia's EOI mechanisms. If not, the foreign tax administration is informed within one month about the deficiencies in the request, and clarification is sought where necessary.

329. Where the requested information is in the possession of PRO, the Department sends the request to the authorised PRO Sector or Department for providing the required information, specifying a deadline for reply, usually one month. After receiving the required information, reply is sent to the requesting authority.

330. Where the requested information is in possession or control of the taxpayer or a third party, the Department needs the assistance of the Tax Inspectorate for using Article 60 of the Law on Tax Procedure or conducting partial tax audit, depending on the type of information required. Prior to the reorganisation, the EOI team was part of the General Tax Inspectorate and as such had authority to obtain the information directly by written request from the taxpayer or third party according to Article 60.

331. Where a tax audit was necessary, a request was sent to the Regional Tax Inspectorate. After the completion of the audit, the Regional Tax Inspectorate would send a report to the EOI team about the findings of the audit within the timeframe specified by the EOI team. On basis on this report and other documentation, the EOI team would prepare and send response to the foreign tax administration.

332. After the reorganisation, the EOI Department will now have to send a request to the General Tax Inspectorate, where the requested information is in the possession of a taxpayer, i.e. the request will undergo one additional step in the new procedure. The General Tax Inspectorate will then decide on the most efficient means of obtaining the information. This change in procedure did not

have any impact on the requests received during the period under review and as such, its effect on the efficient exchange of information could not be fully assessed. So far, since the EOI team was within the General Tax Inspectorate, it had close ties with the local inspectors and the monitoring of the handling of requests was quite easy, often done by phone. Now that the EOI team is in another department, it is unsure whether the same level of priority and monitoring will remain, especially as the EOI team now has limited access to the PRO database and cannot determine whether an action such as an audit has been opened. The fact that two of the three EOI officers have been transferred to the new unit mitigates this risk. North Macedonia is however recommended to monitor and ensure that the new organisation and procedures do not have a negative effect on effective exchange of information.

Outgoing requests

333. The 2016 ToR also addresses the quality of requests made by the assessed jurisdiction. Jurisdictions should have in place organisational processes and resources to ensure the quality of outgoing EOI requests.

334. North Macedonia made 27 requests during the review period, mostly about business relationships. The main recipient countries were Bulgaria, Kosovo, Slovenia and Serbia.

335. The department responsible for processing incoming requests is also responsible for outgoing requests and applies the same quality controls to incoming and outgoing requests. The EOI Manual contains a chapter on outgoing requests. All organisational units of the PRO that require information from a foreign tax authority have to submit a request for information to the EOI unit. The form used for outgoing requests is also used for the tax inspectors to send their request to the EOI unit. The unit checks in particular that the inspector has exhausted the available internal means to collect the requested information.

336. Partners requested clarifications in two cases and were satisfied with the clarifications provided by North Macedonia. No peers indicated any issues with the quality of requests initiated by North Macedonia.

C.5.3. Unreasonable, disproportionate or unduly restrictive conditions for EOI

337. There are no factors or issues identified that could unreasonably, disproportionately or unduly restrict effective EOI.

Annex 1: List of in-text recommendations

Issues may have arisen that have not had and are unlikely in the current circumstances to have more than a negligible impact on EOIR in practice. Nevertheless, there may be a concern that the circumstances may change and the relevance of the issue may increase. In these cases, a recommendation may be made; however, such recommendations should not be placed in the same box as more substantive recommendations. Rather, these recommendations can be mentioned in the text of the report. However, in order to ensure that the Global Forum does not lose sight of these “in text” recommendations, they should be listed in an annex to the EOIR report for ease of reference.

- Element A.1: North Macedonia’s authorities are recommended to ensure a better keeping of ownership information in the form of register of parts of limited liability companies and foreign companies that ceased to exist.
- Element A.2: North Macedonia is recommended to clarify the scope of the accounting keeping requirements under the law and ensure that accounting information is kept for foreign trusts administered in North Macedonia or in respect of which a trustee is resident in North Macedonia, should this occur.
- Element B.1: The authorities should consider getting the PRO access to data maintained in the central register of banks KIBS.
- Element B.1: North Macedonia should ensure that the absence of direct access power of the PRO to information collected under AML/CFT law does not impede effective exchange of information.
- Element C.1: North Macedonia is recommended to ensure that all its EOI relationships are in line with the standard.
- Element C.2: North Macedonia needs to proceed to the ratification and deposit of the instruments of ratification of the Multilateral Convention.
- Element C.2: As the standard ultimately requires that jurisdictions establish an EOI relation up to the standard with all partners who

are interested in entering into such relation, North Macedonia should continue to conclude EOI agreements with any new relevant partner who would so require.

- Element C.3: The PRO, and particularly the EOI unit, is undergoing a reorganisation and, as such, it is recommended that the PRO take steps to ensure that its processes remain in line with the international standards on confidentiality.
- Element C.5: North Macedonia should continue to ensure that status updates are provided to requesting peers in accordance with the standard.
- Element C.5: As a result of the reorganisation of the PRO, the EOI organisation and procedures are in the process of being updated. North Macedonia is recommended to ensure that the new organisation and procedures, including the EOI work manual, are in line with the standard and do not have a negative impact on effective exchange of information.

Annex 2: North Macedonia's EOI mechanisms

1. Bilateral international agreements for the exchange of information

	EOI partner	Type of agreement	Signature	Entry into force
1	Albania	DTC (Double Tax Convention)	15-Jan-98	02-Sep-98
2	Argentina	TIEA (Tax Information Exchange Agreement)	26-Apr-13	17-Dec-2013
3	Austria	DTC	10-Sep-07	20-Jan-08
4	Azerbaijan	DTC	19-Apr-13	12-Aug-13
5	Belarus	DTC	19-May-05	26-Jan-06
6	Belgium	DTC ^a	21-Nov-80	26-May-83
		DTC	06-Jul-10	17-Jul-17
7	Bosnia and Herzegovina	DTC	24-Sep-13	02-June-14
8	China (People's Republic of)	DTC	09-Jun-97	29-Nov-97
9	Bulgaria	DTC	22-Feb-99	24-Sep-99
10	Croatia	DTC	06-Jul-94	11-Jan-96
11	Czech Republic	DTC	21-Jun-01	17-Jun-02
12	Denmark	DTC	20-Mar-00	14-Dec-00
13	Egypt	DTC	22-Nov-99	Not yet in force
14	Estonia	DTC	20-Nov-08	21-May-09
15	Finland	DTC	25-Jan-01	22-Mar-02
16	France	DTC	10-Feb-99	01-May-04

	EOI partner	Type of agreement	Signature	Entry into force
17	Germany	DTC	13-Jul-06	29-Nov-10
18	Hungary	DTC	13-Apr-01	14-Mar-02
19	India	DTC	17-Dec-13	12-Sep-14
20	Iran	DTC	12-Jul-00	17-Jan-14
21	Ireland	DTC	14-Apr-08	23-Jun-09
22	Israel	DTC	9-Dec-15	Not yet in force
23	Italy	DTC	20-Dec-96	08-Jun-00
24	Kazakhstan	DTC	02-Jul-12	12-Aug-08
25	Kosovo	DTC	07-Apr-11	13-Apr-12
26	Kuwait	DTC	20-Mar-12	17-Feb-15
27	Latvia	DTC	08-Dec-06	25-Apr-07
28	Lithuania	DTC	29-Aug-07	27-Aug-08
29	Luxembourg	DTC	15-May-12	23-July-13
30	Moldova	DTC	21-Feb-06	28-Dec-06
31	Montenegro ^b	DTC	04-Sep-96	22-Jul-97
32	Morocco	DTC	11-May-10	14-Sep-12
33	Netherlands	DTC	11-Sep-98	21-Apr-99
34	Norway	DTC	19-Apr-11	01-Nov-11
35	Poland	DTC	28-Nov-96	17-Dec-99
36	Qatar	DTC	28-Jan-08	26-Sep-08
37	Romania	DTC	12-Jun-00	16-Aug-02
38	Russian Federation	DTC	21-Oct-97	05-Jul-00
39	Saudi Arabia	DTC	15-Dec-14	01-May-16
40	Serbia ^c	DTC	04-Sep-96	22-Jul-97
41	Slovak Republic	DTC	05-Oct-09	27-Apr-10
42	Slovenia	DTC	15-May-98	20-Sep-99
43	Spain	DTC	20-Jun-05	01-Dec-05
44	Sweden	DTC	17-Feb-98	15-May-98
45	Switzerland	DTC	14-Apr-00	27-Dec-00
46	Chinese Taipei	DTC	09-Jun-99	09-Jun-99
47	Turkey	DTC	16-Jun-95	28-Nov-96
48	Ukraine	DTC	02-Mar-98	23-Nov-98
49	United Arab Emirates	DTC	26-Oct-15	08-Feb-17

	EOI partner	Type of agreement	Signature	Entry into force
50	United Kingdom	DTC	08-Nov-06	08-Aug-07
51	Viet Nam	DTC	15-Oct-14	Not yet in force

Notes: a. The agreement was signed by the former Socialist Federal Republic of Yugoslavia (SFRY), and continued to apply to North Macedonia until 1 January 2018 as date of Application of the DTC between North Macedonia and Belgium.

b. North Macedonia signed the DTC with the former Federal Republic of Yugoslavia which continues to apply to its relations Serbia and Montenegro.

c. North Macedonia signed the DTC with the former Federal Republic of Yugoslavia which continues to apply to its relations Serbia and Montenegro.

2. Convention on Mutual Administrative Assistance in Tax Matters (as amended)

The Convention on Mutual Administrative Assistance in Tax Matters was developed jointly by the OECD and the Council of Europe in 1988 and amended in 2010 (the Multilateral Convention).¹¹ The Multilateral Convention is the most comprehensive multilateral instrument available for all forms of tax co-operation to tackle tax evasion and avoidance, a top priority for all jurisdictions.

The original 1988 Convention was amended to respond to the call of the G20 at its April 2009 London Summit to align it to the international standard on exchange of information on request and to open it to all countries, in particular to ensure that developing countries could benefit from the new more transparent environment. The Multilateral Convention was opened for signature on 1 June 2011.

The Multilateral Convention was signed by North Macedonia on 27 June 2018. North Macedonia will be able to exchange information with all other Parties to the Multilateral Convention once the Multilateral Convention will have entered into effect in North Macedonia.

As of 13 August 2018, the Multilateral Convention is in force in respect of the following jurisdictions: Albania, Andorra, Anguilla (extension by the United Kingdom), Argentina, Aruba (extension by the Netherlands), Australia,

11. The amendments to the 1988 Convention were embodied into two separate instruments achieving the same purpose: the amended Convention (the Multilateral Convention) which integrates the amendments into a consolidated text, and the Protocol amending the 1988 Convention, which sets out the amendments separately.

Austria, Azerbaijan, Bahamas, Bahrain, Barbados, Belgium, Belize, Bermuda (extension by the United Kingdom), Brazil, British Virgin Islands (extension by the United Kingdom), Bulgaria, Cameroon, Canada, Cayman Islands (extension by the United Kingdom), Chile, China (People's Republic of), Colombia, Cook Islands, Costa Rica, Croatia, Curaçao (extension by the Netherlands), Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands (extension by Denmark), Finland, France, Georgia, Germany, Ghana, Gibraltar (extension by the United Kingdom), Greece, Greenland (extension by Denmark), Grenada, Guatemala, Guernsey (extension by the United Kingdom), Hong Kong (China), Hungary, Iceland, India, Indonesia, Ireland, Isle of Man (extension by the United Kingdom), Israel, Italy, Japan, Jersey (extension by the United Kingdom), Kazakhstan, Korea, Kuwait, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macau (China), Malaysia, Malta, Marshall Islands, Mauritius, Mexico, Moldova, Monaco, Montserrat (extension by the United Kingdom), Nauru, Netherlands, New Zealand, Nigeria, Niue, Norway, Pakistan, Panama, Peru, Poland, Portugal, Romania, Russia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Saudi Arabia, Senegal, Seychelles, Singapore, Sint Maarten (extension by the Netherlands), Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Tunisia, Turkey, Turks and Caicos Islands (extension by the United Kingdom), Uganda, Ukraine, United Arab Emirates, United Kingdom and Uruguay and Vanuatu.

In addition, the Multilateral Convention was signed by the following jurisdictions, where it is not yet in force: Antigua and Barbuda (entry into force on 1 February 2019), Armenia, Brunei Darussalam, Burkina Faso, Dominican Republic, Ecuador, El Salvador, Gabon, Jamaica (entry into force on 1 March 2019), Kenya, Liberia, Morocco, Paraguay, Philippines, Qatar (entry into force on 1 January 2019), United States (the original 1988 Convention is in force since 1 April 1995, the amending Protocol was signed on 27 April 2010).

Annex 3: Methodology for the review

The reviews are based on the 2016 Terms of Reference, conducted in accordance with the 2016 Methodology for peer reviews and non-member reviews, as approved by the Global Forum in October 2015 and the 2016-21 Schedule of Reviews.

This evaluation is based on the 2016 ToR, and has been prepared using the 2016 Methodology. The evaluation is based on information available to the assessment team including the exchange of information arrangements signed, laws and regulations in force or effective as at 21 December 2018, North Macedonia's EOIR practice in respect of EOI requests made and received during the three year period from 1 January 2014 to 31 December 2016, North Macedonia's responses to the EOIR questionnaire, information supplied by partner jurisdictions, as well as information provided by North Macedonia's authorities during the on-site visit that took place from 19-23 March 2018 in Skopje.

List of laws, regulations and other materials received

Civil and Commercial Laws

Constitution (Official Gazette no. 52/1991, 1/1992, 31/1998, 91/2001, 84/2003, 107/2005 and 3/2009)

Criminal Code (Official Gazette no. 37/1996, 80/1991, 4/2002, 43/2003, 19/2004, 81/2005, 60/2006, 73/2006, 7/2008, 139/2008, 114/2009 and 51/2011)

Law on Criminal Procedure (Official Gazette no. 150/2010)

Law on General Administrative Procedures (Official Gazette no. 38/2005, 110/2008 and 51/2011)

Law on Litigation Procedure (Official Gazette no. 79/2005; 110/2008, 83/2009 and 116/2010)

Law on Trade Companies (Official Gazette no. 28/2004, 84/2005, 25/2007, 87/2008, 42/2010, 48/2010, 24/2011, 166/2012, 70/2013, 119/2013, 120/2013, 187/2013, 38/2014, 41/2014, 138/2014, 88/2015, 192/2015, 6/2016, 61/2016, 71/2006, 17/2009, 23/2009, 8/2011 and 21/2011)

Law on Central Register (Official Gazette no. 50/2001; 49/2003; 109/2005 and 88/2008 and 35/2011)

Law on One stop-shop system and keeping a trade register and register of other legal entities (OSS Law) (Official Gazette no. 84/2005; 13/2007; 150/2007, 140/2008 and 17/2011)

Law on Technological Industrial Development Zones (Official Gazette No. 14/2007, 103/2008, 130/2008 139/2009 and 156/2010)

Law on the Protection of Competition (Official Gazette No. 145/2010)

Law on Associations and Foundations (ACF Law) (Official Gazette No. 52/2010)

Law on the Accounting Records of the Non-Profit Organisations (ARNPO Law) (Official Gazette no. 24/2003 and 17/2011)

Tax Laws

Profit Tax Law (Official Gazette no. 112/14, 129/15, 23/16 and 190/16)

Personal Income Tax Law (Official Gazette no. 80/1993, 3/1994, 70/1994, 71/1996, 28/1997, 8/2001, 50/2001, 52/2001, 02/2002, 44/2002, 96/2004, 120/2005, 139/2006, 160/2007, 159/2008, 20/2009, 139/2009 and 171/2010)

Law on Value Added Tax (Official Gazette no. 44/1999, 59/1999, 86/1999, 11/2000, 8/2001, 21/2003, 19/2004, 33/2006, 101/2006, 114/2007, 103/2008, 114/2009, 133/2009, 95/2010, 102/2010 and 24/2011)

Law on Public Revenue Office (Law on PRO) (Official Gazette no. 43/14 and 61/17th April 2015)

Law on Tax Procedure (Official Gazette no. 13/2006, 88/2008, 159/2008, 105/2009, 133/2009, 145/2010 and 171/2010 and 53/2011)

Anti-money laundering and financial laws

Law on prevention of money laundering and financing of terrorism (AML/CTF Law) (Official Gazette no. 130 dated 03.09.2014 with amendments as of 2015)

Law on Securities (Official Gazette no. 95/2005, 25/2007, 07/2008 and 57/2010)

Law on Investment Funds (Official Gazette no. 12/2009) Banking Law
(Official Gazette no. 67/2007, 90/2009, 67/2010)

Law on National Bank (Official Gazette no. 158/2010)

Law on Banks and Savings Houses Act (excerpts) (Official Gazette
no. 31/1993, 78/1993, 17/1996, 37/1998 and 25/2000)

Authorities interviewed during on-site visit

Association of Auditors

Association of Accountants

Association of Notaries

Banker's Association

Bar Association

Central Register

Central Securities Depository

Financial Intelligence Office

Ministry of Economy

Ministry of Finance

Ministry of Justice

National Bank of the Republic of Macedonia

National Archives

Public Revenue Office

Securities and Exchange Commission

Current and previous reviews

This report is the third review of North Macedonia conducted by the Global Forum. The Former Yugoslav Republic of Macedonia previously underwent a review of its legal and regulatory framework (Phase 1) originally in 2010 the implementation of that framework in practice (Phase 2) in 2014. The 2014 Report containing the conclusions of the first review was first published in August 2014 (reflecting the legal and regulatory framework in place as of May 2013).

The Phase 1 and Phase 2 reviews were conducted according to the terms of reference approved by the Global Forum in February 2010 (2010 ToR) and the Methodology used in the first round of reviews.

Summary of reviews

Review	Assessment team	Period under review	Legal Framework as of	Date of adoption by Global Forum
Round 1 Phase 1 Report	Mr Paul Walsh of Ireland; Mr Olivier Vetillard, of the Principauté de Monaco; and Ms Francesca Vitale of the Global Forum Secretariat	n.a.	October 2010	January 2011
Round 1 Phase 2 Report	Mr Paul Walsh, of Ireland ; Mr Olivier Vetillard, of the Principauté de Monaco; Mr Robin Ng and Ms La Toya James of the Global Forum Secretariat	1 January 2009 to 31 December 2011	May 2013	July 2014
Round 2 Report	Ms Yamini Rangasamy of Mauritius; Ms Annelie Nord of Sweden; Ms Nana Akua Mensah of the Global Forum Secretariat	1 January 2014 to 31 December 2016	21 December 2018	15 March 2019

Annex 4: North Macedonia’s response to the review report¹²

North Macedonia would like to express immense gratitude to the PRG assessment team, which was working hard with our team in order to prepare this Exchange of Information on Request Peer Review Report (Second Round).

North Macedonia considers that the suggestions received during the peer review process contributed significantly to the improvement of the national legislation and regulation on exchange of information.

North Macedonia strongly supports all efforts for improving tax transparency and cooperation at international level, including activities of the Global Forum, in order to fight tax evasion and tax avoidance.

North Macedonia remains dedicated to improvement of its legislation, as well as its practical implementation, in order to increase the transparency in the process of exchange of information, and expresses its willingness to work on the implementation of the remaining recommendations.

12. This Annex presents the Jurisdiction’s response to the review report and shall not be deemed to represent the Global Forum’s views.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

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GLOBAL FORUM ON TRANSPARENCY AND EXCHANGE
OF INFORMATION FOR TAX PURPOSES

**Peer Review Report on the Exchange of Information
on Request REPUBLIC OF NORTH MACEDONIA 2019
(Second Round)**

The Global Forum on Transparency and Exchange of Information for Tax Purposes is a multilateral framework for tax transparency and information sharing, within which over 150 jurisdictions participate on an equal footing.

The Global Forum monitors and peer reviews the implementation of international standard of exchange of information on request (EOIR) and automatic exchange of information. The EOIR provides for international exchange on request of foreseeably relevant information for the administration or enforcement of the domestic tax laws of a requesting party. All Global Forum members have agreed to have their implementation of the EOIR standard be assessed by peer review. In addition, non-members that are relevant to the Global Forum's work are also subject to review. The legal and regulatory framework of each jurisdiction is assessed as is the implementation of the EOIR framework in practice. The final result is a rating for each of the essential elements and an overall rating.

The first round of reviews was conducted from 2010 to 2016. The Global Forum has agreed that all members and relevant non-members should be subject to a second round of review starting in 2016, to ensure continued compliance with and implementation of the EOIR standard. Whereas the first round of reviews was generally conducted as separate reviews for Phase 1 (review of the legal framework) and Phase 2 (review of EOIR in practice), the EOIR reviews commencing in 2016 combine both Phase 1 and Phase 2 aspects into one review. Final review reports are published and reviewed jurisdictions are expected to follow up on any recommendations made. The ultimate goal is to help jurisdictions to effectively implement the international standards of transparency and exchange of information for tax purposes.

This report contains the 2019 Peer Review Report on the Exchange of Information on Request of the Republic of North Macedonia.

Consult this publication on line at <https://doi.org/10.1787/c02d85f9-en>.

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