

**Assessment of non-tax and parafiscal costs and regulatory compliance
Case: food processing industry and construction sector**

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List of abbreviations

CEA	Center for Economic Analyses
ENER	Unique National Electronic Registry of regulations
EU	European Union
GDP	Gross Domestic Product
GVA	Gross Value Added
MKD	Macedonian denars
NCA	Nacional Classification of Activities
RM	Republic of Macedonia
SSO	State Statistics Office

Executive summary and Recommendations

Non-tax and parafiscal costs imply additional costs for the businesses that are often hidden, not transparent and cannot be well planned for which may cause business uncertainty, and therefore be a direct reason of reduced competitiveness as well as cause higher goods/services' market prices. For some of the mandatory non-tax and parafiscal charges, the public sector does not provide the business entities with any additional rights, service or good, or the businesses receive a certain benefit however disproportionate to the financial burden. An analysis for eventual reduction or elimination of these costs would result in reduced business costs and improved business environment resulting in increased earnings or investments, and consequently potential for higher budget tax revenues in the long-run.

The study aims to provide recommendations for rationalization of the non-tax and parafiscal private sector burden. Without an ambition for compiling an exhaustive list of non-tax and parafiscal charges of the private sector, that would exceed the available resources, the analysis focuses on the non-tax and the parafiscal charges of the business entities within two sectors: construction sector and the food processing industry. The primary data used in the analysis are gathered directly from a sample of companies in the construction sector and in the food processing industry through a tailor-made questionnaire, while additional secondary data used include statistical data, business associations and chambers' data, academic research and data from government sources.

The study is divided into three sections:

- Analysis of the sample companies' perceptions,
- Economic analysis and
- Legal analysis.

The first part analyzes the sample companies' perceptions and findings; the second section covers a simulation of the Republic of Macedonia's gross added value (GVA) impact of a possible non-tax and parafiscal charge reduction, and the third section provides a detailed non-tax and parafiscal charges overview within the construction sector and the food processing industry.

The conclusions of the study:

- The relevant legal analysis and company's perceptions suggest that some of the non-tax and parafiscal charges are ample, unpredictable and not clearly defined. In addition to a rationalization, it is necessary to make an exhaustive list of all non-tax and parafiscal charges, following the example of other countries - a process that requires a synchronized engagement of numerous authorized institutions. Such an approach will have a twofold effect, improving the business environment and reducing the financial and other burden, as well as reducing the administrative burden on the administration;
- The non-tax revenues of the budget of the Republic of Macedonia in the last ten years, show a decreasing trend in terms of absolute value, as a percentage of the total budget revenues (in Y2017, 5%) and as a

percentage of GDP (from 4.43% in Y2008 to 2.16% in Y2017). This is largely due to the regulatory guillotine activities - implemented in the period Y2007-Y2013;

- Despite the general downward trend in the non-tax charges, the companies still consider that a rationalization of some of the charges levied is necessary;
- Nevertheless, it is important to notice the upward trend of charges collected within the budget line "other administrative fees" continuously and repeatedly increasing in the last ten years, starting from 3% to 17% of the overall non-tax revenues;
- According to the data available, it can be estimated that a food processing industry company has an average annual cost of 260,599 denars non-tax and parafiscal charges, while the companies in the construction sector have an average annual cost of 959,755 denars non-tax and parafiscal charges;
- A substantial portion of the estimated per company total non-tax and parafiscal costs are the indirect opportunity costs arising from profits foregone (from regular operations) due to the waiting times while the administrative procedures last, amounting to more than half of the total non-tax costs for both industries;
- Three scenarios of possible cost reduction effects towards the gross added value of the Republic of Macedonia were analyzed. The first scenario considers a reduction of non-tax costs by 10%; the second scenario considers a reduction of non-tax costs by 15% and the third scenario considers a reduction of non-tax costs by 20%
 - The average annual non-tax and parafiscal charges costs (including the opportunity costs) at the level of the entire food processing industry is 379 million denars. The average marginal annual contribution to the GDP growth when a reduction of non-tax costs by 10% is assumed, would be 0.01 p.p., with a decrease of 15% would be 0.015 p.p. and with a 20% reduction it would be 0.02 p.p.
 - The average annual non-tax and parafiscal charges costs (including the opportunity costs) at the level of the entire construction sector is 3,792 million denars. A company has an average of 959,755 denars of non-tax and parafiscal charges (including opportunity costs). The average marginal annual contribution to the GDP growth by non-tax costs reduction of 10% would be 0.098 p.p., with a decrease of 15% would be 0.146 p.p., and with a 20% reduction would be 0.195 p.p.
- Although the lessening of non-tax charges would cause decreased non-tax budget revenues, a positive change that could be expected is an increase of the tax revenues after possible increased economic activity of the business entities and reduced administrative burden.
- The calculations show that the additional profit tax as public revenue generated annually from the food processing industry by reduction of the non-tax charges, would be around 3.8 million MKD with the first scenario, 5.7 million MKD with the second scenario and 7.5 million MKD with the third scenario; while for

the construction sector these would be 37.9 million MKD per year with the first scenario, 56.8 million MKD with the second scenario and 75.8 million MKD with the third scenario.

Food processing industry

- According to the food industry companies, none of them stated that the sector is significantly burdened with non-tax charges, whether it concerns national/central level, local level or at the level of associations/chambers;
- Most of the companies have a neutral position to the statement that they are heavily burdened with non-tax charges; more specifically with the highest frequency of answers for burden by charges of chambers and associations, to a lesser extent charges paid to local governments, and the least for charges paid to the central government. Out of those companies which provided answers for charges that they find inadequate or do not receive a service in proportion to the amount paid, specifically were emphasized the sanitary and other checkups and tariffs, or the municipal local level fees;
- However, almost half of the food industry companies surveyed agreed that significant resources are spent both in terms of finances as well as time required to comply with the sector regulatory requirements (42%), an additional 29% are neutral in their statements. Most (35% who fully or partially agree) consider that the non-fiscal charges negatively affect the competitiveness of the enterprise;
- Regarding the adequacy of the services provided compared to the amount of money (value-for-money) the food industry companies pay, they generally consider that they do not receive a service proportionate to the value paid for non-tax charges at the local level, at central level or to the associations and chambers, and in terms of their timeliness, the companies are largely neutral in their responses with a higher frequency of those companies that tend to incline towards lack of timeliness of the state structures;
- The companies in the food industry believe that the sector has frequent regulatory changes, one-third have a neutral (so-so) opinion (33%), with a higher frequency of those companies that agree with the position on frequent changes in the regulation (36%) and those who disagree (31%);
- Most companies in the food industry (75%) reported that they had been consulted in the process of amending and adopting new sector regulations, most often (85% of those who had been consulted) through the chambers where they hold memberships, and only 10% of those who answered affirmatively stated that they participate through ENER and 5% participated through direct consultations with the authorized institutions;
- Over 44% of the food industry companies are not at all acquitted with the possibility of being involved in the procedures for regulation amendment; similarly as many as 44% are not familiar with the procedure and the manners how to do so or how to be informed about the current modifications and changes, 36% are somewhat familiar, while 20% stated that they knew the procedure, the manner of informing themselves and how to get involved. Only 20% of the sample interviewees had been at least once directly involved in a procedure for regulatory amendment;

- Out of those respondees that are familiar with the procedure for participation in regulatory processes, 49% never expressed their opinions and suggestions, and 31% of these stated that the reason is the lack of knowledge on how it can be done. 20% of the surveyed companies in the sector stated that they had been an initiator of a procedure for regulatory amendment or supplement.

Construction sector

- According to the construction companies' statements, none stated that the sector is significantly burdened with non-tax charges, whether it concerns national/central level, local level or at the level of associations/chambers. The majority of the companies stated neutral outlook that they are heavily burdened with non-tax and parafiscal charges, with a higher frequency of answers for charges paid to local and central government level and less to the chambers and associations;
- 29% of construction sector companies surveyed agree (in a whole or in part) with the statement of spending significant financial and time resources in for sector's regulatory requirements compliance, 41% are neutral in their statements, while 29% disagree. Most of those that fully or partly agreed, considered that non-tax and parafiscal charges negatively affect the competitiveness of the enterprise;
- Regarding the adequacy of the services compared to the paid amount (value-for-money), the construction sector companies reflect that they do not receive a service proportionate to the value paid for non-tax and parafiscal charges at the local level, at the central level or to the associations and chambers;
- On the subject of the timeliness of the services provided, the respondents are in large part neutral in their opinions with a higher frequency of those companies that tend to respond towards adequate timeliness of services provided;
- The frequency of responses among companies that believe that the sector has frequent regulatory changes is: one-third have a neutral (so-so) opinion (33%), with a higher frequency of those companies that do not agree with the position for frequent changes in the regulation (41%) as opposed to those who agree (26%).
- Most of the companies in the construction sector (67% reported that had been consulted in the process of amendment and adopting new sector regulations, most often (86% of those who stated they were consulted) through the chambers where they hold memberships, and only 11% of those who answered affirmatively, stated that they participated through ENER and 3% participated through direct consultations with the authorized institutions;
- 52% of the respondents are not at all acquainted with the possibility of being involved in the procedures for regulation amendment; 35% are somewhat familiar, while 13% stated that they knew the procedure, the manner of informing and how to get involved. Only 13% of the sample interviewed had been at least once directly involved in a procedure for regulation amendment;

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Case: food industry and construction sector

- 43% of the sample companies in the construction sector never provided an opinion or suggestion, although they stated that they had been familiar with the procedure for regulation amendment; additional 44% did not provide an opinion due to lack of knowledge on how to do it. Those companies that gave an opinion or suggestions amount to 13% of the sample (6% expressed an opinion that has not been accepted at all, and with approximately 4% both those whose suggestions had been partially and fully accepted).

Introduction

Taxes and other fee charges are a constitutional category and according to Article 33 of the Constitution of the Republic of Macedonia “Every person 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”. However, apart from taxes, legal entities are obliged by the regulation with other charges which are non-tax i.e. do not qualify as taxes, both at the central and at the local level.

Taxes and other public contributions with payment obligation determined by law, i.e. the amount of which (in absolute or percentage) is determined by law or by-law, based on an authorization determined by law, constitute the **fiscal revenues** of the central and/or local governments’ budgets.

As an exception, certain public fees/charges, i.e. levies payable by the users for certain services and data, represent revenue of the budget users (first-line budget users and budget user units) as self-financing activities. The types of fiscal revenues of the Budget of the Republic of Macedonia and the budgets of the local self-government units are more closely defined by the Law on Budgets¹ according to which taxes and other mandatory payments determined by law, inflows arising from ownership of assets (interests, dividends, rents and similar), charges for given goods or services, gifts, donations, subsidies and transfers are revenues.

Budget users in terms of the Law on Budgets are **first-line budget users** in the field of legislative, executive and judicial power (hereinafter: central government), funds, municipal budget users (hereinafter: local government) and users established by a law entrusted with a public authorization, while unit users are **second-line users** financed through the adequate first-line user.

Since the charges levied are regulated by laws and by-laws, their frequent change causes additional costs for introduction, regulation and control by the administration, and such costs are borne by the budget (regardless of the level). The additional costs include investment costs (if asses investment is needed such as space, software, etc.) as well as human resources costs (e.g. time spent by the administrative officers) as required. Other costs borne by the taxpayers (legal or natural persons) are costs per given tariff and regulatory compliance costs (following the changes, process alignment, training, new staff, employee’s time, capital investments, equipment procurement, service procurement, etc.).

Furthermore, frequent regulatory changes cause uncertainty, unfavorable business environment and greater risk for both existing and new potential investments, affecting the business planning as well as the economic growth potential. The business sector uncertainty is caused by frequent regulatory changes, the inability to anticipate or plan for a longer term, regulation non-implementation - the rule of law, and the existence of the additional so-called hidden costs not directly related to taxation, but arise from the legislation and represent superfluous costs for the businesses that cannot be easily and clearly anticipated within the planning process. These include fees and other mandatory non-tax payments, for which the business entities do not receive

¹ Law on Budgets (Official Gazette of the Republic of Macedonia No. 64/05, 04/08, 103/08, 4/08, 103/08, 156/09, 95/10 156/09, 95/10, 180 / 11, 171/12, 192/15 and 167/16)

practically any additional rights, services or goods in return, or receive a service that is disproportionate to the financial burden of the fee/charge.

Hence, non-tax charges are all those fees, duties, payments, compensations, allowances and other costs paid by the private sector, not including taxes, customs duties and penalties.

In doing so, a distinction should be made between "non-tax charges" and "parafiscal charges". For the purposes of this research, non-tax charges are fiscal charges, but are not taxes, duties or penalties, however are, for example, levies, fees, and other public fees, and are revenues of budget users or the individual budget units. Parafiscal charges are non-tax duties, but are not fiscal charges and they are exclusively income of non-state institutions, such as, chambers and other associations.

An example non-tax charges are the communal and administrative fees paid to the central or local government accounts, or at the expense of other legal entities that, pursuant to law, perform public authorizations for obtaining certain services or documents. Additionally, as non-tax charges, more precisely, as parafiscal charges, are considered also other allowances paid out by the legal entities to the accounts of the chambers or other associations for obtaining licenses, certificates, approvals, etc.

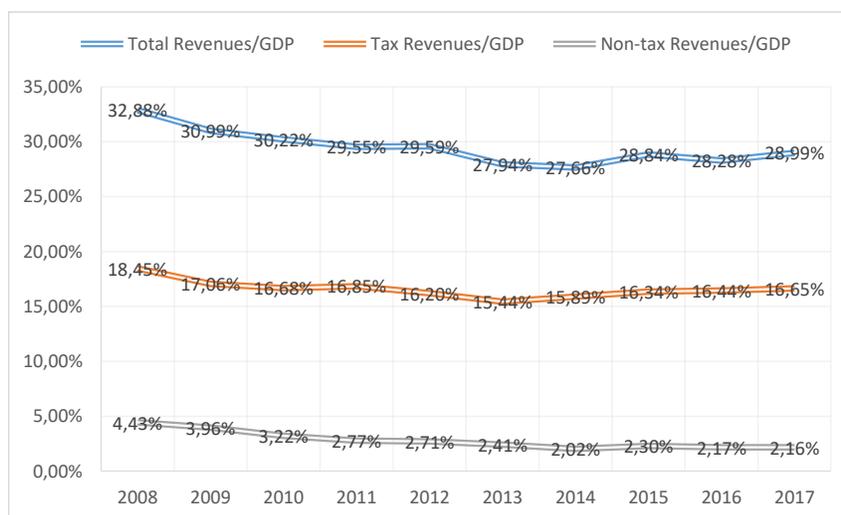
Although Macedonia is promoted as a country with one of the lowest profit taxes, both in the region and in Europe, still, the factor of a complex system of various non-tax charges and payments is often neglected. These charges are often referred to as an important growth limiting factor for the companies along with the unpredictability of the regulation due to the frequent regulatory changes which have a financial and economic impact on the business sector.

Considering the aforementioned, we can come up with the effective fiscal burden for the economy, which is higher than when only taxes are considered. The effective fiscal burden has an impact on the competitiveness of the economy, hence their rationalization or reduction is needed for more competitive sectors and the economy.

The study has the goal to analyze and provide recommendations for rationalization of the non-tax and private sector parafiscal burden through a potential reduction or elimination of charges without ambitions to make an exhaustive list of all non-tax and parafiscal charges. An exhaustive list of detailed analysis in all sectors and for the entire regulation would be an overwhelming task within the available resources, and thus we recommend that the state urgently implements a synchronized commitment of all authorized institutions not to only compile a registry (following the example of many countries in the world), however to also implement complete or partial elimination or reduction of identified charges. Such an approach would have a twofold effect, both improvement of the business environment, reduction of the financial and other costs, as well as reduction of the state administrative costs.

Assessment of non-tax and parafiscal costs and compliance with the regulation
Case: food industry and construction sector

Figure 1 Share of total, tax and non-tax revenues in GDP



Source: The GDP data are SSO published data, the revenue data from the Treasury budget execution, Ministry of Finance

Specially, the subject of this analysis are the non-tax and parafiscal charges levied on the business entities in two sectors (1) the construction sector and (2) the food processing industry. During the preparation of this analysis, the subject of research were **not all** non-tax and parafiscal charges paid by the legal entities, natural persons and/or economic operators in the Republic of Macedonia, in the construction sector and the food industry, **but only the charges that arise and are based on the laws regulating the manner and conditions for performing the activities in this area, or which arise and are based on the laws related to these activities.**

Within the construction sector, the Construction Law and the Law on Spatial and Urban Planning, and the related laws within this activity were analyzed, including the Law on Construction Land, the Law on Real Estate Cadastre and the Law on Administrative Fees.

Within the food industry, the Law on Food Safety was analyzed, as well as the Law on Administrative Fees for charges intended for the business entities. Simultaneously, the bylaws adopted on the basis of the aforementioned laws, which determine the amount of certain non-tax and parafiscal charges, are also covered.

1. Methodology and approach

Non-tax and parafiscal costs take various forms and occur at different stages of the business entities' development, both for the private sector and for the public sector. These costs, including the administrative burden, tangible and intangible costs, administrative costs, financial costs, indirect costs, opportunity and macroeconomic costs, are pooled in the total costs arising from the regulation. Their quantification is a complex analytical challenge as it requires availability of an extensive database that exceed the available resources allocated for the analysis. Hence, the study analyzes:

1. Financial non-tax costs;
2. Opportunity costs; and
3. Macroeconomic effects (Effects over the gross added value of the Republic of Macedonia).

The indirect costs (arising from the effects that the regulation may have on third parties in the economy) and the financial costs (the cost of capital investments of the companies as a result of the regulation) are not taken into account in this survey. Likewise, the administrative burdens and administrative costs of the state apparatus are not the subject of this analysis, as well as the overhead, or equipment and material costs that may arise from the regulations.

The data used in the analysis are compiled from a number of sources:

1. Secondary data such as statistics, data from business associations and chambers, academic research and data from government sources.
2. Primary data were collected through a questionnaire as a tool for direct sample data collection on a sample of 55 food industry companies and 54 construction sector companies.

The focus of this analysis are non-tax and parafiscal charges in the construction sector and the food industry, stemming of and are based on the laws regulating the manner and conditions for conducting activities in the sectors, or are based on the laws related to performing these activities.

This study is divided into three parts:

- (1) **Analysis of findings and perceptions from the sample of companies interviewed and an assessment of the non-tax and parafiscal charges** - This section examines the perceptions of the companies in terms of costs and burdens stemming from the regulation, the frequency of the regulation amendments and the ability to influence the processes of adopting new regulations. Therefore, the interviews were conducted with companies in the tow selected sectors. At the same time, quantitative data regarding the companies' financial performance were collected, including their opinion for certain costs based on former experience. Data collection was performed using a tailor-made structured questionnaire composed of several parts. The structure of the questionnaire covered: 1) general legal entity data, 2) financial performance data for four years, 3) non-tax expenses for the last year, and 4) companies' perception of non-tax charges and the possibility of influencing the regulation. Based on the data acquired from the questionnaire and the legal analysis,

an assessment, calculation of the costs of non-tax and parafiscal costs for the companies was delivered.

- (2) **Economic analysis and simulation** – The section examines three different hypothetical scenarios for simulation of the effect on the gross value added-GVA in each of the sectors, by reduction of the non-tax and parafiscal charges by 10%, 15% and by 20%. In all of the scenarios an economic analysis of the following parameters is prepared:
- An increase in the average gross value added for the period 2011-2015;
 - Decrease of non-tax charges in the period 2011-2015;
 - Decrease of non-tax charges as a % of GVA in the period 2011-2015;
 - Increase of tax revenues from corporate income tax (profit).
- (3) **Legal analysis** - reviews the non-tax and parafiscal charges imposed on the legal entities conducting activities in the food processing industry and in the construction sector. The subject of this analysis is the public fees that are charged on the business entities in the construction sector and the food industry, expressed as fees, administrative fees and other payments, except taxes, customs duties and penalties, regardless if these are established by the central or local governments, or by independent agencies, funds, institutions, associations and the like. Specifically, the construction sector part covers the Construction Law and the Law on Spatial and Urban Planning, i.e. the related laws as well, including the Law on Construction Land, the Law on Real Estate Cadastre and the Law on Administrative Fees. The food industry section covers the Law on Food Safety as well as the Law on Administrative Fees. At the same time, the by-laws based of the aforementioned laws, which determine the amount of certain non-tax expenditures, are also considered.

2. Food processing sector perceptions of regulatory assessment for non-tax and parafiscal costs

The questionnaire intended to determine the costs for non-tax and parafiscal charges under the existing regulations. The interviewed and the data collected, are micro and small companies in the food industry across the country. The sample includes fifty-five companies signifying 3.6% of the total number of enterprises in this sector². According to the statements³ of the companies, the total number of employees in the sample for the last 2017 is 1,513 individuals while the total number of employees has increased in the last four years, compared to the latest statistics for the overall processing sector in 2015 (the last year with available statistical disaggregated data). The share of the sample is 8.77% of the total number of employees in the food industry. At the same time, the generated sample company revenues compared with the total turnover in the sector in 2015, participates with 2.86% of the total sector turnover⁴.

Food industry perception of the non-tax and parafiscal burden

According to the answers of the companies, none stated that the sector is significantly burdened with non-tax charges (with a score 5 on a scale from 1 to 5), whether it is concerning charges on a national/central level, local level or towards associations. Most companies' statements are neutral (neither agree nor disagree) whether they are heavily burdened with non-tax charges, with a highest frequency of answers for the charges paid to the chambers and affiliated associations, and to a lesser extent to local governments, and lastly for the charges at the central level.

Those companies in the food processing industry sector naming charges that they find inadequate or do not receive a service proportionate to the paid amount are primarily for: sanitary and other inspections and tariffs, or communal taxes paid at the local level.

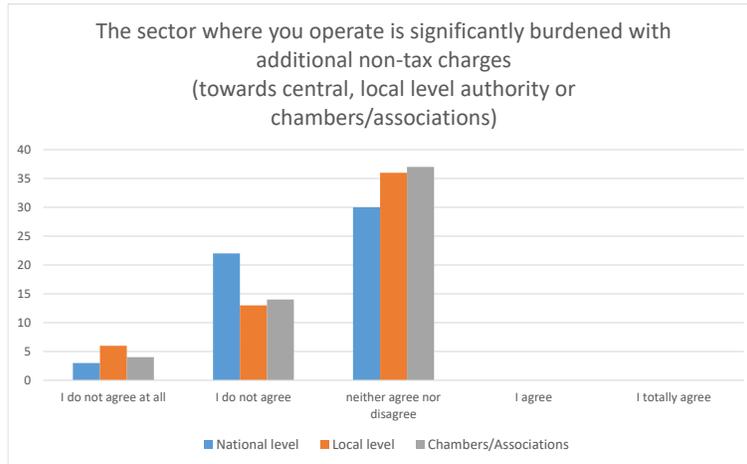
² State statistics office, Basic structural business indicators per activity (NCA Rev2), year and variables, total number of entities in the food procession industry for 2015 is 1,529, while in the procession industry 7,362, i.e. total 54,739 entities.

³ The data referring to the financial estimated and well as the data from the financial statements of the companies are based on their statements without any insight of consistency with the annual financial statements or compliance of the financial operations with accounting standards;

⁴ Comparison of 2015, statistical disaggregated data on Turnover in the sector B Processing industry, B10 Production of food products, with the amount of total revenues from the operation of the sample expressed in denars

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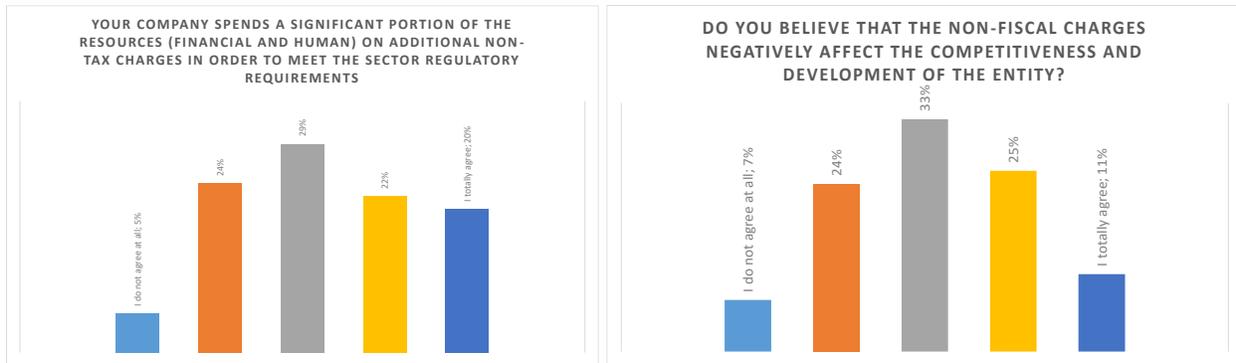
Figure 2 Food processing industry perceptions of the non-tax burden



Source: Authors' calculations based on company inquiry data

However, almost half of the surveyed companies agree that they spend significant resources, both in terms of finance and time to comply with regulatory requirements in the sector (42%), an additional 29 % are neutral in their statements. Most (35% who fully or partially agree) consider that non-fiscal charges negatively affect the competitiveness of the enterprise.

Figure 3 Food processing industry perceptions of the non-tax burden - impact on resources and competitiveness



Source: Authors' calculations based on company inquiry data

Food industry perception of the service versus the value of non-tax and parafiscal charges

In regards to the adequacy of services delivered compared to the amount of money paid for, the companies generally consider that they do not receive a service proportionate to the value they pay for non-tax charges at the local level, at central level or for the associations and chambers.

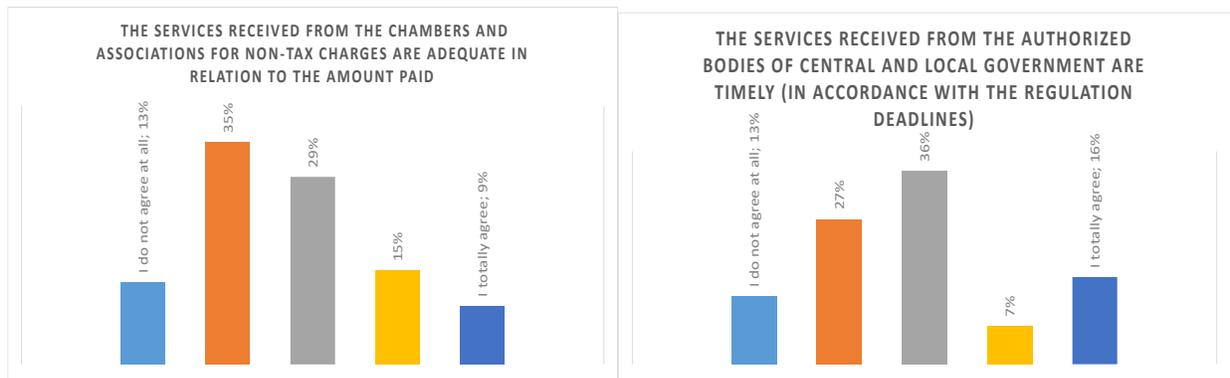
Concerning the timeliness, respondents are largely neutral in their perceptions, with a higher frequency of those companies who tend to incline towards there is no timely response of the authorities in providing the service in question as to the regulation determined deadlines.

*Assessment of non-tax and para-fiscal costs and compliance with the regulation
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Figure 4 Food processing industry perceptions for non-tax and para-fiscal charges - adequacy of the service value and timeliness



Source: Authors' calculations based on company inquiry data



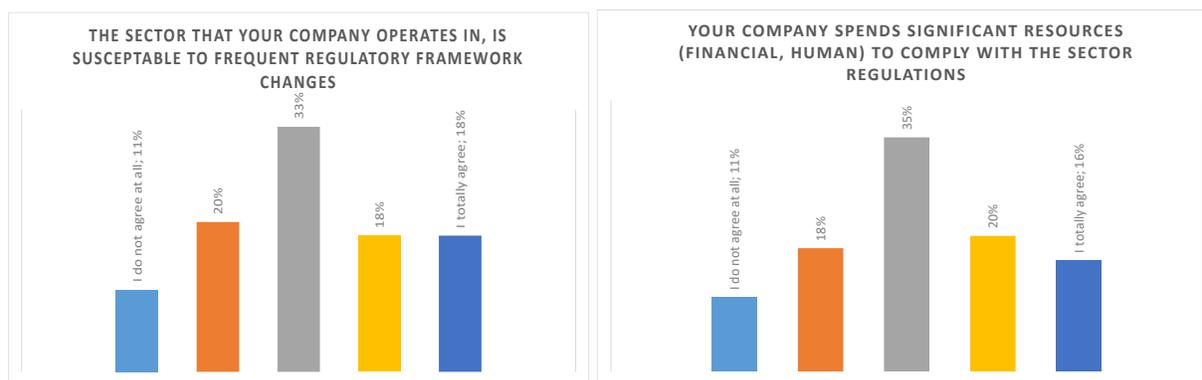
Source: Authors' calculations based on company inquiry data

Food industry perception of the regulatory changes

Concerning the frequency of responses among companies that believe that the sector has frequent regulatory amendments, one third have a neutral opinion (33%), with a higher frequency of companies that agree with the statement for frequent regulatory amendments (36%) versus those who disagree (31%). Almost equal frequency of responses concern the question of allocation significant resources for regulatory compliance, with one third of the companies are with neutral positions (35%), 36% (in whole or in part) agree that they allocate significant resources to comply with the regulation and amendments and 29% consider (in whole or in part) that they do not allocate significant resources to comply with regulatory amendments.

*Assessment of non-tax and para-fiscal costs and compliance with the regulation
Case: food industry and construction sector*

Figure 5 Food processing industry perceptions for non-tax and para-fiscal charges – regulatory compliance



Source: Authors' calculations based on company inquiry data

Regulatory consultation forms and awareness with the process of consultation and participation in regulatory amendments among the food industry companies

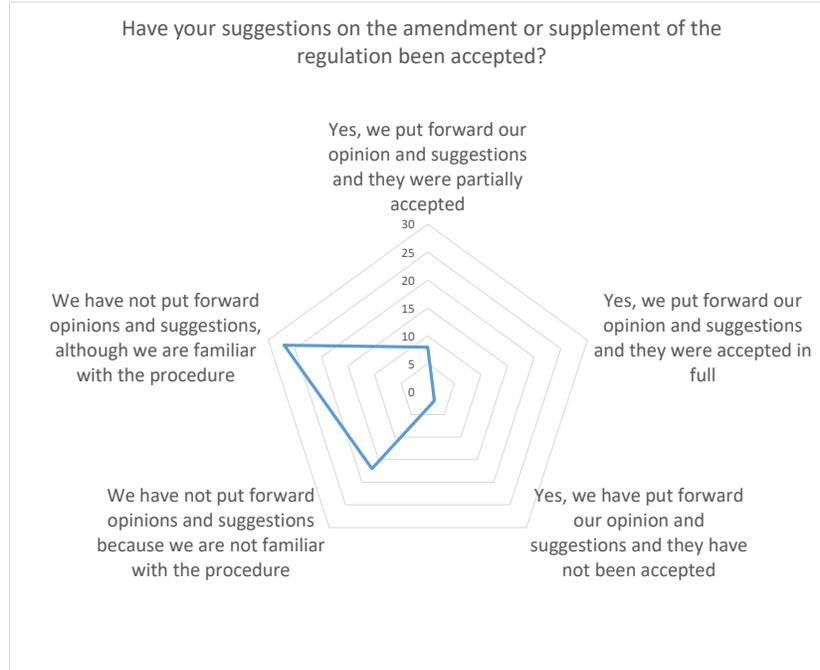
Most of the companies in the food industry sector (75%) stated that they had been consulted in the processes of amending and new regulations adopting, and most often (85% of those who stated that they have been consulted) through the chambers, only 10% of those who answered affirmatively, stated this had occurred through ENER and 5% stated that is occurred through direct consultations with the authorized institutions.

Although most of the companies stated that they have been consulted in the processes of regulatory amendments or adaptation of new regulation, still, when asked if they know that they can be involved in the processes and whether they know the procedure for regulatory amendments, 44% of the respondents answered that they are not at all familiar with the possibility to be included in the regulatory amendment procedures and how, other 36% stated that they are somewhat familiar, and additional 20% stated that they know the procedure and the how to get informed and involved.

Only 20% of the companies have at least once been directly involved in a regulation amendment procedure the rest of the respondents are not familiar at all or stated that they have not joined and initiated. 20% of the surveyed companies have been the initiators of the regulatory amendment or supplement procedure. Out of those companies that are familiar with the regulatory participation procedure, 49% never expressed opinions and suggestions, and 31% of them, as a reason for not giving their opinion and suggestions indicate the lack of knowledge of the process.

*Assessment of non-tax and parafiscal costs and compliance with the regulation
Case: food industry and construction sector*

Figure 6 Food sector perceptions for non-tax charges - impact on the regulation



Source: Authors' calculations based on company inquiry data

The amount of non-tax and parafiscal charges in the food industry sector

According to the identified non-tax and parafiscal charges for the sector within the scope of the laws considered overall 79 charges have been identified.

Table 1 Laws reviewed and number of non-tax and parafiscal charges - food industry

Basis / Law - Food industry	No. of charges
Law on Administrative Fees	16
Food Safety Law Act	63
Total charges	79

Source: Calculations of authors based on data from the legislation

In the course of data collection, it was established that the food sector companies' records do not keep a detailed record of the amounts of non-taxable and parafiscal charges paid out to the various governmental levels and institutions while at the same time are not fully knowledgeable about the amount as well. The accounting records are often recording various administrative costs⁵ that are not always in relation to charges paid out to the institutions, and include various administrative costs for the company's operations.

⁵ Rulebook on the chart of accounts and the contents of individual accounts in the chart of accounts, (OG 174/11) according to which 447 - Taxes that do not depend on the result, membership fees and other charges

The assessment of the average cost per company including the financial and opportunity costs are based on the data obtained from the final annual financial statements (such as operating income, operating expenses, pre-tax profits, etc.) and the company's statements for the amount of costs paid for specific licenses, permits, approvals, communal fees and other expenses.

Costs are divided into several categories: licensing costs, permits costs, approvals costs, communal fees and other administrative costs paid out to various institutions.

For each type of non-tax and parafiscal charges, the costs are calculated as a sum of the financial costs and the opportunity costs. The financial costs are the direct payment under the above categories of charges. Opportunity costs are expressed as the human resource time (amount of time x cost per working hour) as well as the potential gross profit loss as a result of the waiting for a given document / approval (average gross profit per day x waiting time).

A) Licenses - out of fifty-five companies interviewed, forty-two provided data on the value of the financial costs for preparation and obtaining licenses. The values provided by the companies are recorded as costs that are one-off (or multi-annual) and annual costs repeating each year.

One-off costs – the amount of the declared costs for one-off payments (for starting operation or activity or once in a period of several years) ranges from 30,000 to 45,000 MKD, hence the average value based on the given answers and their frequency.

Annual expenses - costs that the companies stated as incurred annually (repeat each year) for different licenses ranges from 12,000 to 20,000 MKD, hence the average value based on the frequency of the given amount is taken.

Employee time for preparation and corrections - on average ten to fifteen working hours are necessary for preparation and additional three to six working hours for corrections of license related documents, according to the companies. The average employee cost (based on the annual financial reports) per hour for assumed 220 working days per year and eight working hours per day, in the food industry are 202 MKD per hour.

Waiting time - on average obtaining a license by the authorized authority takes four working days. If we assume that at a given moment of waiting the company cannot continue its operating activities, then there is a potential loss of profit prod the given day. The average profit per day before tax for the sample is 21,000 MKD, hence the potentially lost profit that could be generated as an opportunity cost for the company.

Assessment of non-tax and para-fiscal costs and compliance with the regulation
Case: food industry and construction sector

Table 2 Licensing costs - food sector

Licenses	Annually MKD	One-off MKD
1. Expenses for license issuing (Average value of paid out financial resources)	17,619.05	40,384.62
A. Labor force time – preparation and correction (sample average)	16.65	16.52
B. Average cost per work hour (average cost with assumed 220 working days per year and 8 working hours per day)	202.33	202.33
2. Employee costs (opportunity cost = A * B)	3,369.53	3,343.11
C. Days of waiting (average number per company for at least one license)	4.15	4.02
D. Average value of profits lost (opportunity cost from profit lost from regular operations before tax average per day per company)	21,180.20	21,180.20
3. Profit lost from regular operations (opportunity cost = C * D)	87,979.31	85,213.38
TOTAL	108,967.89	128,941.10

Source: Authors' calculations based on company inquiry data

Permits – all fifty-five companies interviewed provided data on the costs for preparing and obtaining permits. The values given are recorded as cost that are annual, biennial or occurring every three years.

Annual expenses - costs that the companies stated as incurred either for one/two/three years for different permits, range from one thousand to ten thousand denars and the average value considered is based on the response frequency.

Employee time for preparation and corrections - on average sixteen working hours are required for preparation and corrections for permit related document. The average employee costs (based on the annual financial reports) per hour for assuming 220 working days per year and eight working hours per day in the food industry are 202 MKD per hour.

Waiting time - on average obtaining a permit by the authorized authority takes three to six business days. . If we assume that at a given moment of waiting the company cannot continue its operating activities, then there is a potential loss of profit per day. The average profit per day before tax for the sample is 21,000 MKD, hence the potentially lost profit that could be generated as an opportunity cost for the company.

Assessment of non-tax and para-fiscal costs and compliance with the regulation
Case: food industry and construction sector

Table 3 Permits costs - food sector

Permits	Annually MKD	Once in two years MKD	Once in three years MKD
1. Expenses for permit issuing (Average value of paid out financial resources)	2,191.18	3,875.00	8,653.85
A. Labor force time – preparation and correction (sample average)	16.74	16.74	16.74
B. Average cost per work hour (average cost with assumed 220 working days per year and 8 working hours per day)	202.33	202.33	202.33
2. Employee costs (opportunity cost = A * B)	3,386.58	3,386.58	3,386.58
C. Days of waiting (average number per company for at least one permit)	3.78	3.78	3.78
D. Average value of profits lost (opportunity cost from profit lost from regular operations before tax average per day per company)	21,180.20	21,180.20	21,180.20
3. Profit lost from regular operations (opportunity cost = C * D)	80,071.50	80,071.50	80,071.50
TOTAL	85,649.26	87,333.08	92,111.93

Source: Authors' calculations based on company inquiry data

Approvals - all fifty-five companies interviewed provided data on the costs for preparing and obtaining permits. The amount of costs granted by the companies are recorded as annual costs.

Annual costs - costs that the companies stated as incurred for approvals range from 4,000 to 10,000 MKD and the average value based on the frequency of the given answers has been used.

Employee time for preparation and corrections - on average sixteen working hours are required for preparation and corrections for approvals related documentation. The average employee costs (based on the annual financial reports) per hour for assuming 220 working days per year and eight working hours per day in the food industry are 202 MKD per hour.

Waiting time - on average obtaining an approval by the authorized authority takes three to six business days. If we assume that at a given moment of waiting the company cannot continue its operating activities, then there is a potential loss of profit per day. The average profit per day before tax for the sample is 21,000 MKD, hence the potentially lost profit that could be generated as an opportunity cost for the company.

Assessment of non-tax and para-fiscal costs and compliance with the regulation
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Table 4 Cost for approvals - food sector

Approvals	One-off costs MKD
1. Expenses for approval issuing (Average value of paid out financial resources)	5,854.55
A. Labor force time – preparation and correction (sample average)	16.62
B. Average cost per work hour (average cost with assumed 220 working days per year and 8 working hours per day)	202.33
2. Employee costs (opportunity cost = A * B)	3,363.08
C. Days of waiting (average number per company for at least one approval)	4.10
D. Average value of profits lost (opportunity cost from profit lost from regular operations before tax average per day per company)	21,180.20
3. Profit lost from regular operations (opportunity cost = C * D)	86,737.98
TOTAL	95,955.60

Source: Authors' calculations based on company inquiry data

In terms of communal fees, the amounts of the stated costs are within the legally determined range and, depending on the location, range from 2,000 to 8,000 MKD per year. Payments are made according to an issued decision and thus it does not take a waiting time for the companies.

Table 5 Costs for communal fees - food sector

Communal fees	Annual
1. Expenses for communal fees (Average value of paid out financial resources)	4,825.45
A. Labor force time – preparation and correction (sample average)	1.00
B. Average cost per work hour (average cost with assumed 220 working days per year and 8 working hours per day)	202.33
2. Employee costs (opportunity cost = A * B)	202.33
C. Days of waiting (average number per company)	0.00
D. Average value of profits lost (opportunity cost from profit lost from regular operations before tax average per day per company)	21,180.20
3. Profit lost from regular operations (opportunity cost = C * D)	0.00
TOTAL	5,027.78

Source: Authors' calculations based on company inquiry data

Regarding **other different administrative costs**, a very small number of the companies interviewed gave an answer to the exact amount of these costs. Companies cannot easily extract these specific costs from their records.

The comparison of the annual financial expense (repeated annually, without taking into account the one-time costs) for issuing permits, licenses, approvals to the total operating costs (compared to the final accounts for 2017⁶), in absolute value ranges from 7,500 MKD to 50,700 MKD. The average value of the annual financial cost (from the sample) is 32,263 MKD, and it participates from 0.04% to 0.22% of the total expenditures (for 2017), i.e. in average 0.16% of the total operating expenditures (within the sample of companies in the food industry).

The one-off financial costs, if compared to the total expenditures in only one fiscal year, e.g. 2017, represent an additional 0.18 % to 0.33% of the total expenditures.

Additional non-tax burden – sample companies from the food processing sector

If an estimate of the non-tax burden on the companies is made (using the tax burden approach - the percentage of non-tax revenue of the total revenues for each of the companies), the calculation shows that the additional non-tax burden on the food industry companies for those costs that reoccur every year, in average amount to 0.13% of total revenues⁷.

	2017
Average sample company revenues (MKD)	25,313,810
Average expense paid for licenses, permits, approvals (MKD)	32,263
% Non-tax burden *	0.13%*

* the calculation is based on the provided company data for each company individually and for four consecutive years, due to the protection of individual company data per company, the data here are presented on average and cumulative.

Opportunity cost

Determining the opportunity costs through simple parameters, points to profits foregone, but also potential profit tax losses for the budget of the Republic of Macedonia. Thus, the opportunity costs taken into account are:

A. Employees' time spent on preparing requests and correction of requests and documents for obtaining licenses, permits and approvals - necessary for the operation of the company, as a multiplication product of the average sector working hour value times the time period required for preparation and eventual corrections of the procedural requirements and documentation submitted by the legal entity to the authority (average gross per employee cost per hour), and

B. Potential profits foregone that the company would have gained if it would not have waited for the issuance of the given document (average daily regular operations profits before taxation x average number of waiting days for obtaining a document)

Taking into consideration the provided input from the companies interviewed, the annual average company has over 334 thousand denars opportunity costs, for the most part as potential profit from regular operations foregone.

⁶ Note that these concern micro and small enterprises, and may be significantly larger for larger enterprises

⁷ Observed individually, it ranges from 0.03% to 0.20% in each of the companies surveyed, however with highest frequency of 0.11% or 0.14% of the total revenue.

Table 6 Opportunity costs - food processing sector

Company average	One-off (MKD)	Annually (MKD)
Opportunity costs for employees (total average for licenses, permits, approvals)	6,706	13,144
Opportunity costs for profits foregone (total average for licenses, permits, approvals)	171,951	321,515
TOTAL Opportunity costs - average per company	178,658	334,659

Source: Authors' calculations based on company inquiry data

3. Construction sector perceptions of regulatory assessment for non-tax and parafiscal costs

The interviewed and collected data are from the sample of fifty-four companies of the construction sector, representing 1.31% of the total number of enterprises in this sector⁸. According to the statements⁹ of the companies, the total number of employees in the sample for the last 2017 is 1,581 persons while the total number of employees has increased in the last four years, compared to the latest statistics for the overall processing sector in 2015 (the last year with available statistical disaggregated data). The share of the sample is 4.99% of the total number of employees in the construction sector. . At the same time, the generated sample company revenues compared with the total turnover in the sector in 2015, participates with 1.3% of the total sector turnover¹⁰.

Construction sector's perception on the non-tax and parafiscal burden

According to the companies, none of them stated that the sector is significantly burdened with non-tax charges (with a score 5 on a scale from 1 to 5) to none of the given options, whether it is charged on a national/central level, local level or towards associations. Most companies' statements are neutral to the statement (neither agree nor disagree) that they are heavily burdened with non-tax charges, with a highest frequency of answers for the charges paid to the local governments and central government level and to a lesser extend for the charges paid to the chambers and affiliated associations.

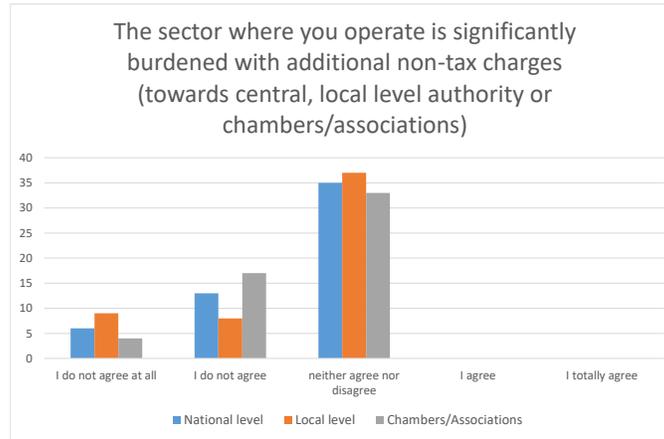
⁸ State statistics office, Basic structural business indicators per activity (NCA Rev2), year and variables, total number of entities in the construction sector for 2015 is 4,133, and total 54,739 entities

⁹ The data referring to the financial estimated and well as the data from the financial statements of the companies are based on their statements without any insight of consistency with the annual financial statements or compliance of the financial operations with accounting standards;

¹⁰ Comparison of 2015, statistical disaggregated data on Turnover in the sector F Construction with the amount of total revenues from the operation of the sample expressed in denars

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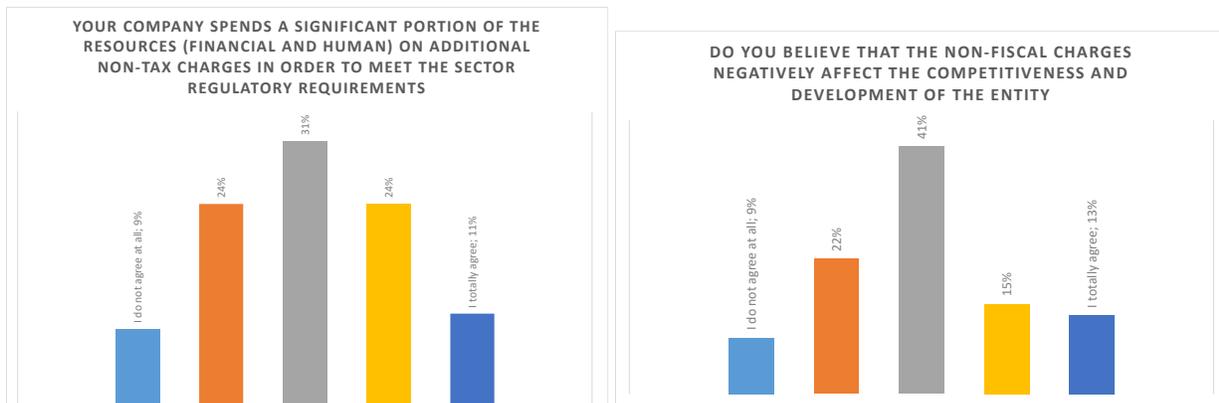
Figure 7 Construction sector perceptions of the non-tax burden



Source: Authors' calculations based on company inquiry data

The companies in the sector, which agree (in whole or in part) that they spend significant resources, both in finance and in time in order to respond to the regulatory requirements represent 29% of the sample, 41% are neutral in their statements, while 29% disagree. Most part of those who fully or partially agree, consider that non-tax and parafiscal charges negatively affect the competitiveness of the enterprise.

Figure 8 Perceptions of companies in the construction sector for non-tax charges – resource and competitiveness impact



Source: Authors' calculations based on company inquiry data

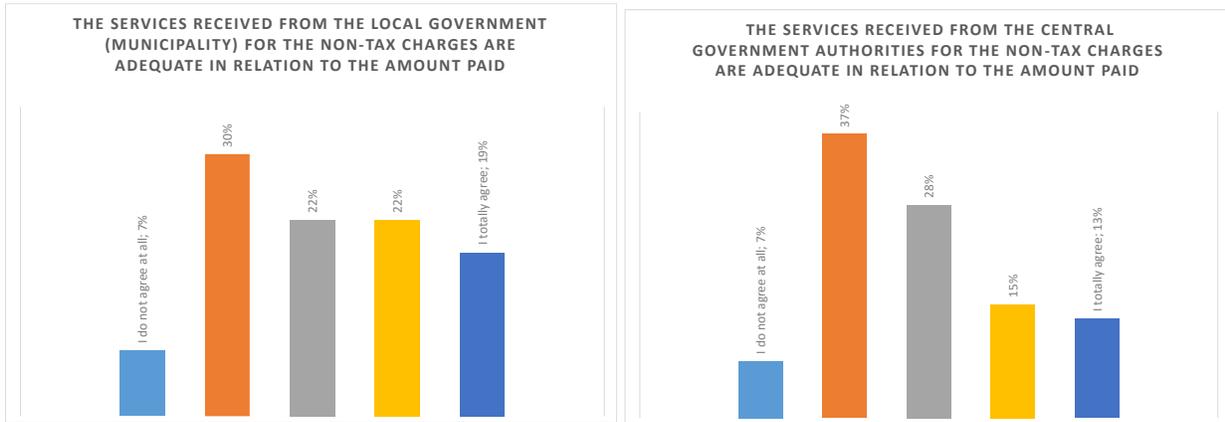
Construction sector perceptions of the service versus the value of non-tax and parafiscal charges

Regarding the service appropriateness compared to the amount of money paid (value-for-money), the companies in the construction sector consider that they do not receive a service proportional to the value of money that they pay for non-tax and parafiscal charges.

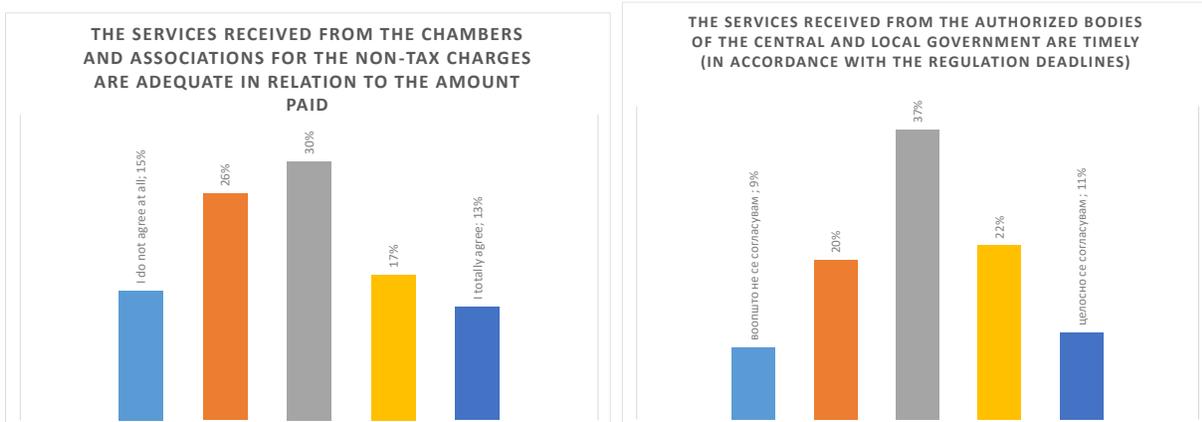
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In terms of timeliness of the service, the respondents are largely neutral in their perceptions with a higher frequency of those companies that incline towards the timeliness of the authorities to providing the service in question within the sector regulation.

Figure Error! Unknown switch argument. Construction sector companies' perception on non-tax charges - adequacy of the amount charged and the timeliness of the service



Source: Authors' calculations based on company inquiry data



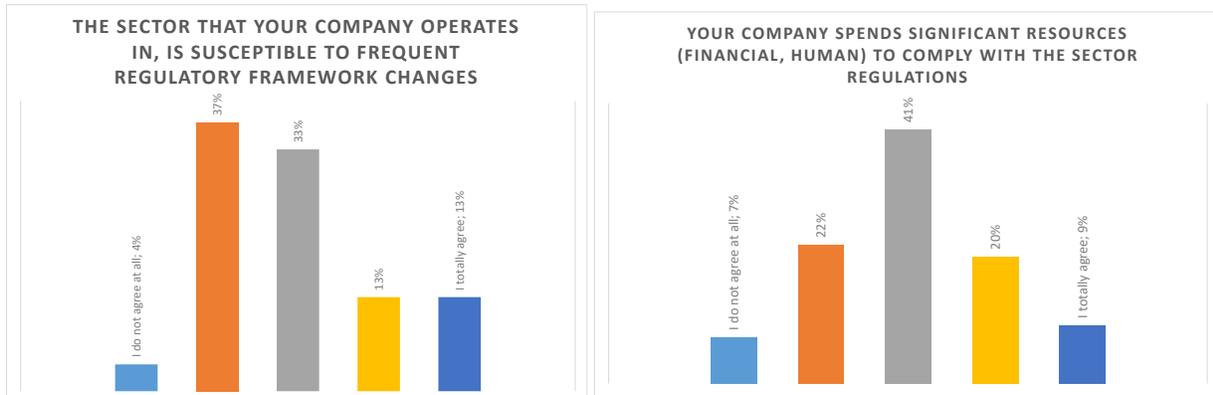
Source: Authors' calculations based on company inquiry data

Construction companies' perception of regulatory changes

The frequency of the companies' responses stating that they believe that the sector is frequently exposed the regulatory changes are, one third with a neutral opinion (33%), with a higher frequency of those companies that disagree with the statement for frequent regulatory changes (41%) versus those who agree with the same statement (26%). However, on the issue of spending significant resources to comply with the regulation, 41% of enterprises have neutral views, while 29% (in whole or in part) agree that they spend significant resources to comply with the regulation and the changes, and as many (29%) consider (fully or partially) that they do not allocate significant resources for regulatory change compliance.

*Assessment of non-tax and para-fiscal costs and compliance with the regulation
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Figure Error! Unknown switch argument. Construction sector companies' perception on non-tax and para-fiscal regulatory compliance



Source: Authors' calculations based on company inquiry data

Regulatory consultation forms and awareness with the process of consultation and participation in regulatory amendments among the construction sector companies

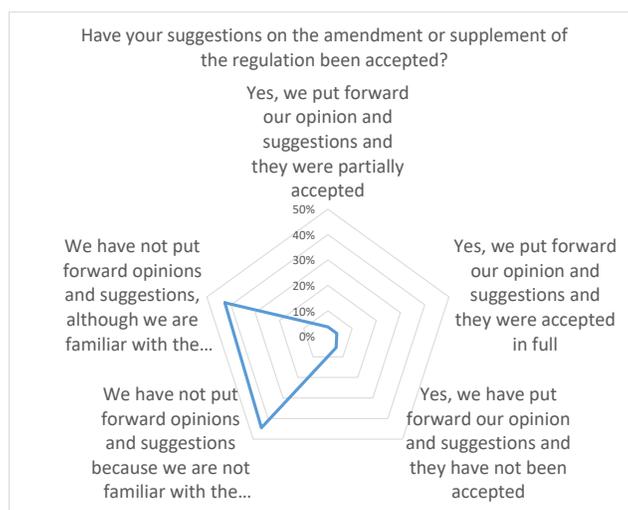
Most of the companies (67%) reported that they were consulted in the process of amending and adopting new regulations in the construction sector, most often (86% of those who stated that they have been consulted) through the chambers where they hold membership, and only 11% of those which answered affirmatively stated that they do this through ENER and 3% through direct consultations with the authorized institutions.

About 52% of the respondents do not know at all how they can be involved in the procedure for amending the regulation, 35% of the respondents are partially acquainted with the procedure, and 13% of the respondents stated that they are fully acquainted with the procedure and the manner of informing and how to engage.

Out of the total sample, 43% of the companies never gave an opinion and suggestions, although they were familiar with the procedure, 44% have not provided an opinion because they do not know how. Those companies that made suggestions or have been an initiator for some procedure of amendment or supplementing the regulation present 13% of the surveyed companies.

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Figure 11 Construction sector perceptions for non-tax charges - impact on the regulation



Source: Authors' calculations based on company inquiry data

The amount of non-tax and parafiscal charges in the construction sector

According to the identified non-tax and parafiscal charges for the sector within the scope of the laws considered overall 104 charges have been identified.

Table 7 Laws reviewed and number of non-tax and parafiscal charges – construction sector

Basis / Law – Construction sector	No. of charges
Law on Administrative Fees	28
Law on Construction Land	6
Law on Real Estate Cadastre	8
Construction Law	54
Law on Spatial and Urban Planning	8
Total charges	104

Source: Calculations of authors based on data from the legislation

In the course of data collection, it was established that the records of companies in the sector do not keep a detailed account of the amount of non-tax and parafiscal charges to the various levels of government and institutions and are not fully knowledgeable about the amount as well. This is especially pointed out by companies that declare that such records are carried out by external companies, i.e. accounting companies, and they do not have detailed records. Additionally, based on sample company statements, it was determined that the structure of the costs for the construction sector covering licenses, permits, approvals is to a large extent dependent on the size of the company and the number and dimensions of the construction buildings/sites.

Costs for each of the given categories i.e. for each administrative activity are calculated solely as opportunity costs as potential profit foregone (profits foregone x waiting time) as a result of the limited information disclosed by the companies.

Licenses and permits - Data on the type of licenses relate to employee licenses (engineers and architects) as well as licenses for the building manager, design, execution, supervision, etc. which refer to the legal entity, which represent one-off or recurrent costs (for renewal). The time for obtaining the licenses is on average 7-10 days. The amount of these one-time licenses (or lasting more years) can range from three hundred to over five hundred thousand denars.

Table 8 Expenses for licenses and permits - construction sector

Licenses and permits	One-off
C. Days of waiting <i>(average number per company for at least one license)</i>	7.61
D. Average value of profits lost <i>(opportunity cost from profit lost from regular operations before tax average per day per company)</i>	43,599
3. Profit lost from regular operations <i>(opportunity cost = C * D)</i>	331,788
TOTAL	331,788

Source: Authors' calculations based on company inquiry data

Approvals – Most companies surveyed provided data on preparation and obtaining of concerning the time needed for preparation for: building approvals, office space approvals and opinions for a given construction site.

The expenditure related to the employees' time to prepare and correct the documentation according to the companies is up to one working day, i.e. 8 working hours, while the waiting time - for obtaining approvals by the authority, in average ranges from 15 to 30 days. If we assume that at a given moment of waiting the company cannot continue its operations, this also means a potential loss of profit. The average pre-tax profit per day for the sample of companies is 43,599 MKD, hence the amount of potential profit foregone that could have been generated, i.e. the opportunity cost of the company.

Table 9 Cost for approvals – construction sector

Approvals	Depending on construction
A. Labor force time – preparation and correction (sample average)	8.21
B. Average cost per work hour (average cost with assumed 220 working days per year and 8 working hours per day)	173.85
2. Employee costs (opportunity cost = A * B)	1,427.30
C. Days of waiting (average number per company for at least one approval)	20.37
D. Average value of profits lost (opportunity cost from profit lost from regular operations before tax average per day per company)	43,599
3. Profit lost from regular operations (opportunity cost = C * D)	888,112
TOTAL	889,539

Source: Authors' calculations based on company inquiry data

In terms of communal fees, the amounts of the stated costs are within the legally determined range and, depending on the location, range from 2,000 to 8,000 MKD per year. Payments are made according to an issued decision and thus it does not take a waiting time for the companies.

Regarding **other different administrative costs**, a very small number of the companies interviewed gave an answer to the exact amount of these costs. Companies cannot easily extract these specific costs from their records. It can be assumed that they amount to 50 to 500 MKD for different administrative fees. **Additional costs** listed as significant expenditures by this sector include charges on waste handling and membership fees to the chambers.

Opportunity cost

Determining the opportunity costs through simple parameters, points to profits foregone, but also potential profit tax losses for the budget of the Republic of Macedonia. Thus, the opportunity costs taken into account are:

A. Employees' time spent on preparing requests and correction of requests and documents for obtaining licenses, permits and approvals - necessary for the operation of the company, as a multiplication product of the average sector working hour value times the time period required for preparation and eventual corrections of the procedural requirements and documentation submitted by the legal entity to the authority (average gross per employee cost per hour), and

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B. Potential profits foregone that the company would have gained if it would not have waited for the issuance of the given document (average daily regular operations profits before taxation x average number of waiting days for obtaining a document)

Taking into consideration the provided input from the companies interviewed, the annual average company has over 889 thousand denars opportunity costs, for the most part as potential profit from regular operations foregone.

Table 10 Opportunity costs - construction sector

Company average	MKD
Opportunity costs for employees (total average for licenses, permits, approvals)	1,427.3
Opportunity costs for profits foregone (total average for licenses, permits, approvals)	888,112
TOTAL Opportunity costs - average per company	889,539.3

Source: Authors' calculations based on company inquiry data

4. Economic Analysis and Simulation

4.1. Fiscal: Tax and non-tax burden in relation to GDP

Tax burden as a percentage of GDP is the ratio of the tax collection revenues to the national gross domestic product (GDP). However, outside the tax revenues, the state budget also includes non-tax revenues, with a share that can also be compared with the gross domestic product and to the overall state revenues generated, covering the overall fiscal burden.

The share of total revenues compared with the GDP (excluding income from borrowing) in 2017 is 28.99%, with an increasing trend starting from Y2013. Tax revenues as a share of GDP also have a slight increase since 2013, reaching 16.65% in Y2017.

Non-tax revenues in the total gross domestic product in Y2017 account for 2.16%, with a constant trend of around and below 2.5% from Y2011 onwards, prior which the ratio declined from 4.43% in Y2008 to 2.71% in Y2011. Under the government project known as Regulatory Guillotine¹¹, in the period from Y2007 to Y2013, in order to reduce the administrative barriers and bureaucratic procedures for the improvement of the business environment a number of laws and by-laws were amended.

It is important to note however the trend of increased collected "other administrative fees" revenues that have steadily and repeatedly increased in the last ten years, starting from 3% to 17% of the Total non-tax revenues.

Table 11 Overview of revenue categories in the budget of the Republic of Macedonia and GDP share, 2008-2017

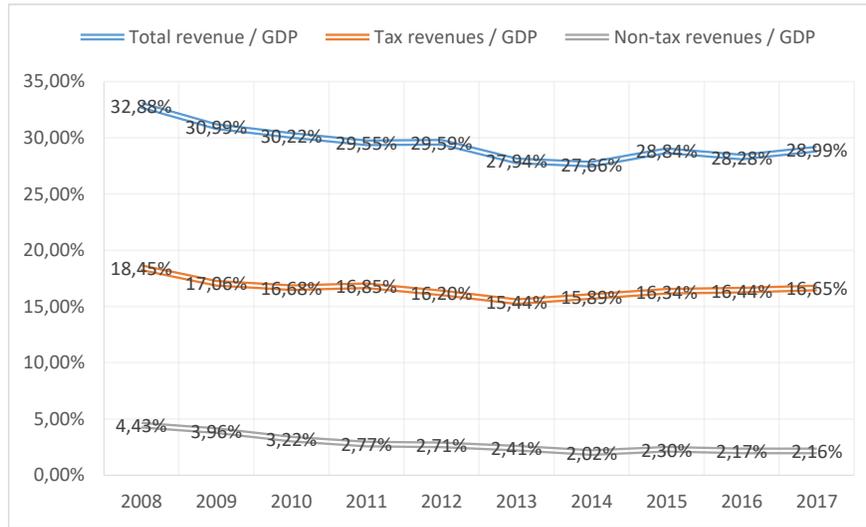
<i>in million denars</i>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GDP at current prices, production method SSO	414.890	414.622	437.296	464.186	466.703	501.891	527.631	558.954	598.881	619.788
TOTAL REVENUE (Treasury data, borrowing revenues not included)	136.411	128.498	132.149	137.166	138.115	140.248	145.929	161.207	169.356	179.673
Tax Revenues (Treasury data, benefits not included)	76.559	70.754	72.938	78.206	75.619	77.478	83.845	91.357	98.457	103.217
Non-tax Revenues (Treasury data)	18.400	16.402	14.066	12.844	12.626	12.109	10.634	12.859	12.973	13.396
Other administrative fees	561	514	543	668	721	831	1.190	1.733	1.886	2.277
Other non-tax revenues	942	1.265	883	1.937	1.705	3.014	849	1.498	636	561
Other administrative fees % of non-tax revenues	3%	3%	4%	5%	6%	7%	11%	13%	15%	17%
Total tax and non-tax revenues	94.959	87.156	87.004	91.050	88.245	89.587	94.479	104.216	111.430	116.613
%										
Total revenue / GDP	32,88%	30,99%	30,22%	29,55%	29,59%	27,94%	27,66%	28,84%	28,28%	28,99%
Tax revenues / GDP	18,45%	17,06%	16,68%	16,85%	16,20%	15,44%	15,89%	16,34%	16,44%	16,65%
Non-tax revenues / GDP	4,43%	3,96%	3,22%	2,77%	2,71%	2,41%	2,02%	2,30%	2,17%	2,16%
(Tax + Non-Tax Revenue) / GDP	22,89%	21,02%	19,90%	19,61%	18,91%	17,85%	17,91%	18,64%	18,61%	18,81%

Source: The data on GDP are based on the published SSO data, the revenue data based on data for the execution of the Budget, Treasury, and Ministry of Finance

¹¹ A cumulative report for this project has not been found, according to the government archive and according to the then Minister of Finance, changes were made to 100 legal regulations and 600 by-laws, <http://www.vlada.mk/?q=node&page=756&ln=mk>

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Figure 12 Budget revenue participation in GDP

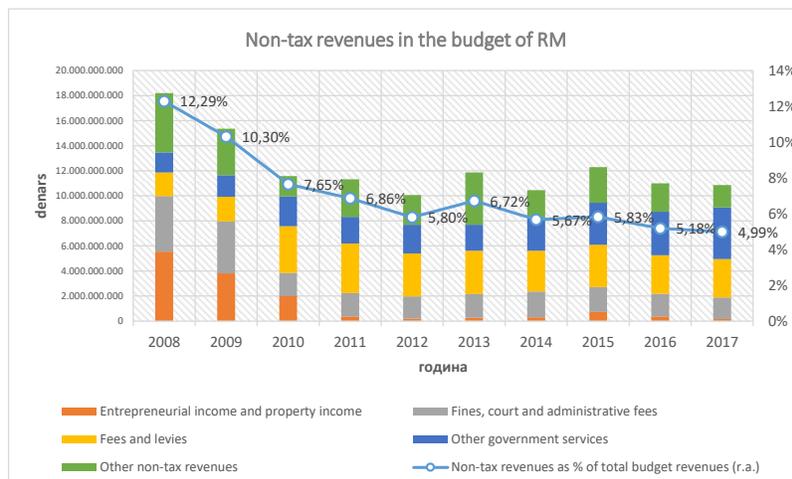


Source: The data on GDP are based on the published SSO data, the revenue data based on data for the execution of the Budget, Treasury, and Ministry of Finance

A comparison of the total revenues in the budget of the Republic of Macedonia during the last ten years, show a downward trend of the non-tax revenues both in absolute value and as a share in the total budget revenues.

If we consider specific categories, the largest share fall under the category "other government services" with 38% of the non-tax revenues in Y2017, and with a constant upward trend, while the revenues "fees and charges" represent a 28% of the Y2017 non-tax revenues also with an upward increasing participation share.

Figure 13 Types of non-tax revenues and participation in the total revenues of the budget of the Republic of Macedonia (in MKD)



Source: The data are based on the final accounts of the Budget of the Republic of Macedonia 2008-2017

Therefore, the effective taxpayers' i.e. private sector's burden can be grasped clearer than when exclusively the tax burden is considered. The effect that they increase both in absolute value and in revenue share or

ratio to GDP results from the need for additional funding of the institutions in the public sector, although we note that in this section we do not analyze what these funds are used for, nor how are these distributed and how transparent, efficient and effective the spending is.

Non-tax and parafiscal charges also adversely affect investors' decisions for which the tax rates alone are not vital, but the consistency and predictability of the non-tax and parafiscal charges regulations. Hence, the need for rationalization of these costs, in order to create an environment for credible business planning, increased competitiveness, investment stimulus and private sector growth.

4.2. Simulation of the effect of reduced non-tax and parafiscal charges over the GVA in the food industry and the construction sector

In the previous chapters, the average annual cost per category of non-tax and parafiscal charges per company in the food industry and the construction sector was determined, according to the data obtained from the companies interviewed. These charges were expressed not only through the direct financial outflow for payment of fees for obtaining licenses, approvals, permits and communal fees, but also through the indirect - opportunity costs. The indirect opportunity costs are calculated as a sum of the cost of employees for regulatory compliance and profits foregone from the regular operations as a consequence of waiting for completion of administrative procedures.

In order to simplify the overview and calculation in the simulation, the following **assumptions** have been made:

- The number of companies per sector remains unchanged;
- The political environment in Macedonia remains unchanged;
- The productivity of the employees in the sectors remains unchanged;
- The level of technical and technological development of the companies remains unchanged;
- The efficiency of the administration is at the same level;
- The average number of 220 working days per annum;
- The demand for products and services i.e. the market conditions for these sectors remain unaffected;
- The savings that the companies are to be generated due to an elimination / reduction of the charges are to be reinvested in the company and are not to be distributed as dividends;
- Investments of the companies directly influence the increase of the gross domestic product.

Considering that some of the non-tax and parafiscal charges are one-off payments and others are multiple, in this chapter the non-tax and parafiscal duties of the food industry (Table 12) and the construction sector (Table 13) are systematized in order to determine the average annual cost of non-tax and parafiscal charges per company for the period 2011-2015.

In accordance with the available data, a food processing company has an average annual cost of 260,599 denars, while a company in the construction sector has an average annual cost of 959,755 denars for non-tax charges.

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In addition to the fact that some of the charges are assessed by the interviewed companies as disproportionate to the value of the public service received and should be reduced or eliminated, the potential reforms need to be further focused on accelerated administrative procedures and enhanced administrative efficiency. As it can be seen from the Table 12 and Table 13, a considerable portion of the non-tax and parafiscal charges derive from staff costs that devote a certain portion of their time for regulatory compliance which, according to the perception of companies from the sample, often changes. Additionally, a significant portion of the total cost of non-tax charges is indeed the indirect opportunity costs arising from the profits foregone from regular operations due to the waiting time for the administrative procedures and amount to more than half of the total non-tax costs in both industries.

Table 12 Average annual costs for non-tax and parafiscal charges in the food industry for the period 2011-2015 (in MKD)

Non-tax cost in food procession industry (MKD)				
Type of non-tax charge	Type of cost	One-off costs (MKD)	Multiple costs – annual (MKD)	Total average annual costs per company (MKD) (for 2011-2015)
Licenses	Costs for license issuance	17,619	40,384	43,908
	Costs for employees	3,369	3,343	4,017
	Costs from profits forgone for regular activities	87,979	85,213	102,809
Permits	Costs for permit issuance	0	2,191	2,191
	Costs for employees	0	3,386	3,386
	Costs from profits forgone for regular activities	0	80,071	80,071
Approvals	Costs for approval issuance	5,854	0	1,171
	Costs for employees	3,363	0	673
	Costs from profits forgone for regular activities	86,737	0	17,347
Communal fees	Costs for communal fee	0	4,825	4,825
	Costs for employees	0	202	202
	Costs from profits forgone for regular activities	0	0	0
			TOTAL (MKD):	260,599

Source: Calculations of authors based on data from company questionnaires and data from the SSO

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Table 13 Average annual costs for non-tax and parafiscal charges in the construction sector for the period 2011-2015 (in MKD):

Non-tax costs for the construction sector (MKD)				
Type of non-tax charge	Type of cost	One-off costs (MKD)	Multiple costs – annual (MKD)	Total average annual costs per company (MKD) (for 2011-2015)
Licenses	Costs for license issuance	n.a.	n.a.	
	Costs for employees	n.a.	n.a.	
	Costs from profits forgone for regular activities	331,788	n.a.	66,358
Permits	Costs for permits issuance	n.a.	n.a.	
	Costs for employees	n.a.	n.a.	
	Costs from profits forgone for regular activities	n.a.	n.a.	
Approvals	Costs for approval issuance	n.a.	n.a.	
	Costs for employees	1,427	n.a.	285
	Costs from profits forgone for regular activities	n.a.	888,112	888,112
Communal fees	Costs for communal fee	n.a.	5,000	5,000
	Costs for employees	n.a.	n.a.	
	Costs from profits forgone for regular activities	n.a.	n.a.	
			TOTAL (MKD):	959,755

Source: Calculations of authors based on data from company questionnaires and data from the SSO

Reduction of the disproportionate or elimination of the inadequate non-tax charges, as well as advancement of the administrative procedures and reduction of the waiting times could bring savings in the food industry and the construction sector, which by the increase of the taxable profits would also mean increased tax revenues or could be used for new investments that in the future could generate additional growth.

Three different hypothetical scenarios for simulating the effect of reducing the cost of non-tax and parafiscal charges on the modification of the gross value added (GVA) in each of the sectors are presented:

- Scenario 1: Reduction of non-tax costs by 10%;
- Scenario 2: Reduction of non-tax costs by 15%;
- Scenario 3: Reduction of non-tax costs by 20%;

In the above scenarios, the following parameters are analyzed:

- Increase of the average gross value added for the period 2011-2015;
- Reduction of non-tax charges for the period 2011-2015;
- Reduction of non-tax charges as % of GVA for the period 2011-2015;
- Increase of the gross domestic product real growth rate;
- Increase tax revenues from income profit tax.

Food industry

Since the average annual cost of non-tax charges per company has been estimated, the number of entities within the entire food industry is known from the State Statistical Office data, an assessment of the total

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amount of non-tax charges on the level of the entire industry can be made. Based on the data obtained from the sample of 55 companies, an average of 379 million denars costs for non-tax charges are generated on an industry level (Table 14).

Table 14 GVA in the food industry by scenarios (MKD million)

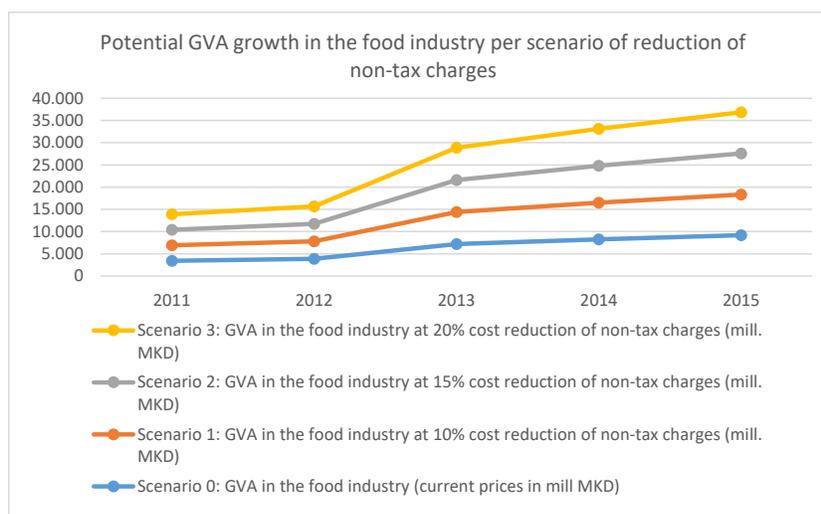
Year	2011	2012	2013	2014	2015	Average value
No. of companies in the food processing industry	1,429	1,430	1,420	1,478	1,529	/
Non-tax charges costs on an industry level (Mill. MKD)	372,40	372,66	370,05	385,17	398,46	379,75
Scenario 0: GVA in the food industry (Current prices in mill. MKD)	3,430	3,881	7,170	8,241	9,158	6,376
Scenario 1: GVA in the food industry at 10% cost reduction of non-tax charges (mill. MKD)	3,467	3,918	7,207	8,280	9,198	6,414
Scenario 2: GVA in the food industry at 15% cost reduction of non-tax charges (mill. MKD)	3,486	3,937	7,226	8,299	9,218	6,433
Scenario 3: GVA in the food industry at 20% cost reduction of non-tax charges (mill. MKD)	3,504	3,956	7,244	8,318	9,238	6,452

Source: Calculations of authors based on data from company questionnaires and data from the SSO

As shown in the table, the average gross added value in the food industry for the period 2011-2015 is 6,376 million denars. According to the three scenarios, with a reduction of the non-tax charges costs by 10%, the average annual gross value added for the period would amount to 6,414 million denars, while reduction of the non-tax charges by 15%, the average annual gross value added for the period would amount to 6,433 million, while reducing non-tax charges by 20%, the average annual gross value added for the period would amount to 6,452 million denars. The potential growth of the gross added value in the food industry while reducing the costs of non-tax charges for all three scenarios is presented in Figure 14 below.

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Figure 14 GVA Growth in Food Industry by Scenarios (Million MKD)



Source: Calculations of authors based on data from company questionnaires and data from the SSO

According to the three scenarios, the total amount that would have been saved in 5 years (2011-2015) at the entire food industry level by 10% reduction of the non-tax costs would have been 190 million denars, with a decrease of 15% - 285 million denars, and with a decrease of 20% - MKD 380 million denars.

Table 15 Reduction of non-tax and parafiscal charges in absolute value by scenario considered (mil. MKD)

Reduction of non-tax and parafiscal charges in absolute value in food industry (mill. MKD)						Total
Year	2011	2012	2013	2014	2015	
Reduction of non-tax charges costs by 10%	37	37	37	39	40	190
Reduction of non-tax charges costs by 15%	56	56	56	58	60	285
Reduction of non-tax charges costs by 20%	74	75	74	77	80	380

Source: Calculations of authors based on data from company questionnaires and data from the SSO

According to scenario 1 - the reduction of non-tax charges costs by 10% would result in an average annual increase in the gross value added by 0.69%, according to scenario 2 - the reduction of non-tax charges costs by 15% would result in an average growth of gross added value of 1.04%, and according to scenario 3 - the reduction of non-tax charges costs by 20% would result in an average increase of gross added value by 1.39% (Table 16).

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Table 16 GVA change in the food industry, in % for given scenarios

Change in GVA of food procession industry in % in given scenarios compared with GVA in a given year						Average (ln %)
Year	2011	2012	2013	2014	2015	
Reduction of costs for non-tax charges by 10%	1.09	0.96	0.52	0.47	0.44	0.69
Reduction of costs for non-tax charges by 15%	1.63	1.44	0.77	0.70	0.65	1.04
Reduction of costs for non-tax charges by 20%	2.17	1.92	1.03	0.93	0.87	1.39

Source: Calculations of authors based on data from company questionnaires and data from the SSO

The change caused by the reduction of non-tax charges, according to the three scenarios, can also be seen through the change in the real growth rate of the gross domestic product. As shown in Table 17 and 18, the gross domestic product real growth rate is increasing with a decrease of non-tax revenues.

Table 17 GDP real growth rate change with non-tax charge cost reduction in the food industry (%)

Year	2011	2012	2013	2014	2015
GDP real growth rate (%)	2.350	-0.466	2.925	3.629	3.856
GDP real growth rate at non-tax charges decrease by 10% (%)	2.360	-0.456	2.935	3.639	3.866
GDP real growth rate at non-tax charges decrease by 15% (%)	2.365	-0.451	2.940	3.644	3.871
GDP real growth rate at non-tax charges decrease by 20% (%)	2.370	-0.446	2.945	3.649	3.875

Source: Calculations of authors based on data from company questionnaires and data from the SSO

Table 18 Cumulative effect - change in the rate of real GDP growth in the reduction of non-tax duty per scenario in the food industry (expressed in pp)

Food processing industry	2011	2012	2013	2014	2015
Cumulative effect - change in the real GDP growth rate at 10% reduction of non-tax charges, in pp	0.010	0.019	0.030	0.040	0.050
Cumulative effect - change in the real GDP growth rate at 15% reduction of non-tax charges, in pp	0.015	0.029	0.045	0.060	0.074
Cumulative effect - change in the real GDP growth rate at 20% reduction of non-tax charges, in pp	0.020	0.039	0.059	0.079	0.099

Source: Calculations of authors based on data from company questionnaires and data from the SSO

The cumulative effect on the GDP growth caused by the reduction of the non-tax charges in the food industry under scenario 1 (reduction of non-tax costs by 10%) would be increased growth in 2015 by 0.05 p.p., under scenario 2 (reduction of non-tax costs by 15%) would be 0.074 p.p. and according to scenario 3 (reduction of non-tax cost by 20%) would be 0.099 p.p.

Table 19 presents the expected tax income from income tax by reducing non-tax charges in the food industry. This expectation arises from the assumption that the savings from the reduction of non-tax charges will result in increased profits, and therefore in increased budget tax revenues.

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Table 19 Expected profit tax revenues by reducing the non-tax costs in the food industry (in MKD million)

Food processing industry	2011	2012	2013	2014	2015
Profit tax revenues (mill. MKD)	3,888	3,652	4,421	5,060	12,024
Profit tax expected revenues at 10% reduction of non-tax costs in the food industry (mill. MKD)	3,892	3,656	4,425	5,064	12,028
Profit tax expected revenues at 15% reduction of non-tax costs in the food industry (mill. MKD)	3,894	3,658	4,427	5,066	12,030
Profit tax expected revenues at 20% reduction of non-tax costs in the food industry (mill. MKD)	3,895	3,659	4,428	5,068	12,032

Source: Calculations of authors based on data from company questionnaires and data from the SSO

Construction sector

According to Table 13, based on the data obtained from the sample 55 companies for the period of analysis, the companies in the construction sector, spent an average of 959,755 denars on a yearly basis, for non-tax and parafiscal charges. Taking into account the number of companies (Table 20) in the construction sector, the average annual cost of non-tax and parafiscal charges in the construction sector, is estimate, and concerning the period 2011-2015 amounts to 3,792 million denars at the level of the entire sector.

Table 20 GVA in the construction sector by scenarios (in MKD million)

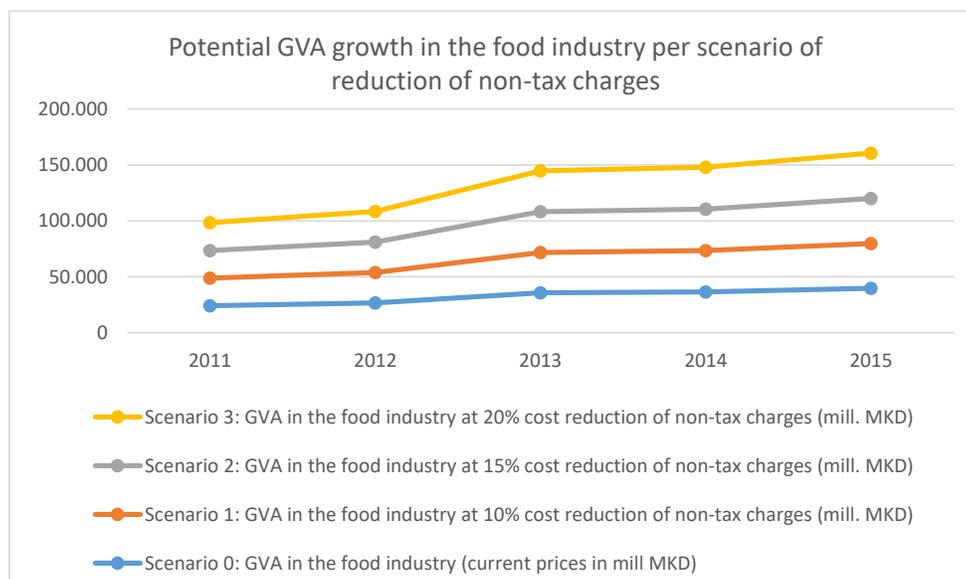
Year	2011	2012	2013	2014	2015	Average value
No. of companies in the construction sector	3,774	3,909	3,982	3,959	4,133	/
Non-tax charges costs at a sector level (mill. MKD)	3,622	3,752	3,822	3,800	3,967	3,792
Scenario 0: GVA in the construction sector (current prices in mill. MKD)	24,215	26,695	35,725	36,555	39,687	32,575
Scenario 1: GVA in the construction sector at 10% cost reduction of non-tax charges (mill. MKD)	24,577	27,070	36,107	36,935	40,084	32,955
Scenario 2: GVA in the construction sector at 15% cost reduction of non-tax charges (mill. MKD)	24,758	27,258	36,298	37,125	40,282	33,144
Scenario 3: GVA in the construction sector at 20% cost reduction of non-tax charges (mill. MKD)	24,939	27,445	36,489	37,315	40,480	33,334

Source: Calculations of authors based on data from company questionnaires and data from the SSO

As shown in the table, the average gross added value in the construction sector for the period 2011-2015 is 32,575 million denars. According to the three scenarios, with a reduction of the non-tax charges costs by 10%, the average annual gross value added for the period would amount to 32,955 million MKD;, while reduction of the non-tax charges by 15%, the average annual gross value added for the period would amount to 33,144 million MKD, while reducing non-tax charges by 20%, the average annual gross value added for

the period would amount to 33,334 million MKD. The potential growth of the gross added value in the food industry while reducing the costs of non-tax charges for all three scenarios is presented in Figure 15 below.

Figure 15 GDV growth in the construction sector by scenarios (in MKD million)



Source: Calculations of authors based on data from company questionnaires and data from the SSO

According to the three scenarios, the total amount that would have been saved in 5 years (2011-2015) by a 10 % reduction of the non-tax costs would have been 1,896 million MKD, with a decrease of 15% would amount to 2,844 million MKD, and a decrease of 20% would amount to 3,792 million MKD.

Table 21 Reduction of non-tax and parafiscal charges in absolute value by scenario considered (mil. MKD)

Reduction of non-tax and parafiscal charges in absolute value in the construction sector (mill. MKD)						Total
Year	2011	2012	2013	2014	2015	
Reduction of non-tax charges costs by 10%	362	375	382	380	397	1,896
Reduction of non-tax charges costs by 15%	543	563	573	570	595	2,844
Reduction of non-tax charges costs by 20%	724	750	764	760	793	3,792

Source: Calculations of authors based on data from company questionnaires and data from the SSO

According to scenario 1 - the reduction of non-tax charges costs by 10% would result in an average annual increase in the gross value added by 1.2%, according to scenario 2 - the reduction of non-tax charges costs by 15% would result in an average growth of gross added value of 1.8%, and according to scenario 3 - the reduction of non-tax charges costs by 20% would result in an average increase of gross added value by 2.4% (Table 21).

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Table 22 GVA change in the construction sector, in % for given scenarios

Change in GVA of construction sector in % in given scenarios compared with GVA in a given year						Average (ln %)
Year	2011	2012	2013	2014	2015	
Reduction of costs for non-tax charges by 10%	1.50	1.41	1.07	1.04	1.00	1.20
Reduction of costs for non-tax charges by 15%	2.24	2.11	1.60	1.56	1.50	1.80
Reduction of costs for non-tax charges by 20%	2.99	2.81	2.14	2.08	2.00	2.40

Source: Calculations of authors based on data from company questionnaires and data from the SSO

The change caused by the reduction of non-tax charges, according to the three scenarios, can also be seen through the change in the real growth rate of the gross domestic product. As shown in Table 22 the gross domestic product real growth rate is increasing with a decrease of non-tax revenues.

Table 23 GDP real growth rate change with non-tax charge cost reduction in the construction sector (%)

Year	2011	2012	2013	2014	2015
GDP real growth rate (%)	2.350	-0.466	2.925	3.629	3.856
GDP real growth rate at non-tax charges decrease by 10% (%)	2.446	-0.368	3.025	3.726	3.953
GDP real growth rate at non-tax charges decrease by 15% (%)	2.495	-0.319	3.075	3.774	4.002
GDP real growth rate at non-tax charges decrease by 20% (%)	2.543	-0.270	3.125	3.822	4.051

Source: Calculations of authors based on data from company questionnaires and data from the SSO

Table 24 Cumulative effect - change in the rate of real GDP growth in the reduction of non-tax duty per scenario in construction sector (expressed in pp)

Construction sector	2011	2012	2013	2014	2015
Cumulative effect - change in the real GDP growth rate at 10% reduction of non-tax charges, in pp	0.097	0.192	0.298	0.397	0.496
Cumulative effect - change in the real GDP growth rate at 15% reduction of non-tax charges, in pp	0.145	0.288	0.448	0.597	0.745
Cumulative effect - change in the real GDP growth rate at 20% reduction of non-tax charges, in pp	0.193	0.384	0.598	0.796	0.994

Source: Calculations of authors based on data from company questionnaires and data from the SSO

The cumulative effect on the GDP growth caused by the reduction of the non-tax charges in the construction sector under scenario 1 (reduction of non-tax costs by 10%) would be increased growth in 2015 by 0.496 p.p., under scenario 2 (reduction of non-tax costs by 15%) would be 0.745 p.p. and according to scenario 3 (reduction of non-tax cost by 20%) would be 0.994 p.p.

Table 25 presents the expected tax income from income tax by reducing non-tax charges in the construction sector. This expectation arises from the assumption that the savings from the reduction of non-tax charges will result in increased profits, and therefore in increased budget tax revenues.

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Table 25 Expected profit tax revenues by reducing the non-tax costs in the construction sector (in MKD million)

Construction sector	2011	2012	2013	2014	2015
Profit tax revenues (mill. MKD)	3,888	3,652	4,421	5,060	12,024
Profit tax expected revenues at 10% reduction of non-tax costs in the construction sector (mill. MKD)	3,924	3,690	4,459	5,098	12,064
Profit tax expected revenues at 15% reduction of non-tax costs in the construction sector (mill. MKD)	3,942	3,708	4,478	5,117	12,084
Profit tax expected revenues at 20% reduction of non-tax costs in the construction sector (mill. MKD)	3,960	3,727	4,497	5,136	12,103

Source: Calculations of authors based on data from company questionnaires and data from the SSO

The savings that the two industries would generate if non tax charges are eliminated or reduced, or if administration efficiency and the speed of administrative procedures are to be increased would also mean additional tax revenues by increasing the taxable profits of firms if not reinvested.

Table 26 Increase of tax revenues from profit tax (mill. MKD)

Additional tax revenues 2011-2015 (mill. MKD)	Food industry		Construction sector	
	Total additional tax 2011-2015 (mill. MKD)	Extra average tax revenues per year (mill. MKD)	Total extra tax revenues for 2011-2015 (mill. MKD)	Extra average tax revenues per year (mill. MKD)
Scenario 1	18.99	3.80	189.62	37.92
Scenario 2	28.48	5.70	284.43	56.89
Scenario 3	37.97	7.59	379.24	75.85

Source: Calculations of authors based on data from company questionnaires and data from the SSO

Under this assumption, the amount of additional public revenues from the profit tax generated from the food industry would be around 3.8 million MKD per year in the first scenario, 5.7 million MKD in the second scenario and 7.5 million MKD in the third scenario, and from the construction sector would be around 37.92 million denars in the first scenario, 56.89 million MKD in the second scenario and 75.85 million MKD in the third scenario.

5. Review of regulation

5.1. Construction sector

In the construction sector review of "non-tax and parafiscal charges" covers Construction Law and the Law on Spatial and Urban Planning which are **obligatory** for the business entities and necessary for the purpose of performing the activity. Additionally, the review covers the "non-tax and parafiscal charges" that are not **mandatory** for the construction sector business entities, nevertheless may appear as an expense to the entities in certain situations. These charges are subject to the regulation of:

- Law on Administrative Fees;
- Law on Real Estate Cadastre; and
- Law on Construction Land.

Construction Law

Legal entities in the construction sector, in accordance with the Construction Law¹², pay fees for obtaining the following licenses:

- a) Design license;
- b) License for revision of a project documentation;
- c) Contractor's license; and
- d) Supervision license

Physical persons in the area of the construction sector pay fees for obtaining the following authorizations:

- a) Design authorization;
- b) Authorization for revision of project documentation;
- c) Authorization for a performance engineer; and
- d) Authorization for supervising engineer.

Design license

Pursuant to Article 16 of the Construction Law, a legal entity in the design process of first category buildings should possess a design license A, and for second category constructions design license B.

License for revision of project documentation

Pursuant to Article 23 of the Law, a legal entity performing a revision of projects for first class buildings should have A license for revision of project documentation and for second category buildings license B for revision of project documentation.

Contracting license

¹² Official gazette of RM 130/2009, 124/10, 18/11, 36/11, 54/11, 13/12, 144/12, 25/13, 79/13, 137/13, 163/13, 27/14, 28/14, 42/14, 115/14, 149/14, 187/14, 44/15, 129/15, 217/15, 226/15 and 31/2016

Pursuant to Article 26 of the Law, for the construction of a first category building, a legal entity should have a license A for a contractor, and for a second category building, the legal entity should have license B for contractors.

Supervision License

Pursuant to Article 34 of the Law, a legal entity conducting a supervision of the construction of first category buildings should have a supervision license A and for a second category construction there should be a supervision license B.

The licenses set by this law are issued for a period of seven years and they cannot be transferred to another person. The licenses are issued by the Ministry of Transport and Communications. To receive the above licenses, legal entities pay a determined fee. The amount of the fee depends on the license type and is determined by the Minister of Transport and Communications with the Rulebook on the amount of the fee for obtaining licenses ("Official Gazette of the Republic of Macedonia" No. 143/09 and 186/11), whereby it cannot be lower than 200 Euros in denars equivalent or higher than 3,000 Euros in denars equivalent.

The funds from the fees are a revenue of the Budget of the Republic of Macedonia. Subsequent to the expiration, the license issued may be renewed if the legal entity meets the requirements determined by this Law. The renewed license fee is not paid as for obtaining the license.

Design authorization

In accordance with Article 17 of the Law, the Chamber of Chartered Architects and Engineers issues authorization A to natural persons for design of first category buildings for preparation of project documentation and for second category buildings issues authorization B for preparation of project documentation.

Authorization for revision of project documentation:

In order to perform a revision of first class buildings, the Chamber of Chartered Architects and Engineers, in accordance with Article 24 of the Law, issues an authorization A to natural persons for revision of project documentation, and for second category buildings issues authorization B for revision of project documentation.

Authorization for a construction engineer

In order to manage the construction of first class buildings, the Chamber of Chartered Architects and Engineers, in accordance with Article 31 of the Law, issues a license A for a construction engineer to the natural persons, and for buildings of the second category, authorization B for a construction engineer.

Authority for supervising engineer

In order to perform supervision of first category buildings, the Chamber of Chartered Architects and Engineers, in accordance with Article 35 of the Law, issues A authorization for supervising engineer to the natural persons, and for second category buildings issues authorization B for supervising engineer.

The authorizations set by this Law are issued for a period of five years and they cannot be transferred to another person. The Chamber of Chartered Architects and Engineers is authorized for issuance, revoking and maintenance of a register of issued and revoked authorizations.

In order to obtain the authorization, a fee is paid in accordance with the public services price list, which, pursuant to Article 109 paragraph 1 item 7 of the Law, is adopted by the Chamber of Chartered Architects and Engineers.

The funds from the fee for obtaining the authorizations are the income of the Chamber of Chartered Architects and Engineers. The authorization after the expiration may be renewed at the request of the physical entity. There is no fee for renewal of the authorization.

In addition to paying fees for the aforementioned licenses and authorizations, the Law also envisages a fee for obtaining a building manager license, and a manager's license for current and investment maintenance of first and second category facilities.

Construction manager

When constructing buildings, as referred to in Article 57 of this Law, the investor, in accordance with Article 14 of the Law, may designate a manager of a building/construction that manages all organizational matters on the investor's behalf, monitors all stages of construction and conducts financial and material monitoring of the funds in the construction process, until obtaining an approval for usage. A construction manager can be a legal entity with a license for construction managers.

Manager for current and investment, maintenance of first and second category construction

The owner of the facility is obliged, through current and investment maintenance, to preserve the basic requirements of the construction in accordance with the project for usage and maintenance. For the stated matters, the owner of the construction, in accordance with Article 98 of the Law, may designate a legal entity - manager for current and investment, maintenance of constructions of first and second category (except for residential buildings above three levels) as in Article 57 of the Law. A maintenance manager may be a legal entity that holds a license for a maintenance manager.

Other fees as per Construction Law:

Opinion on the projected degree of mechanical resistance, stability and seismic protection of the construction

For an opinion on the projected degree of mechanical resistance, stability and seismic protection of constructions, according to the design regulations, the basic project should contain a construction constructive project, in accordance with Article 4-a of the Law, a fee is paid by the investor, determined by The price list¹³ for the fee for the opinions on the projected and performed level of mechanical resistance, stability and seismic protection ("Official Gazette of the Republic of Macedonia" No. 28/14) adopted by the Institute for Earthquake Engineering and engineering seismology - IZIS.

¹³ The price list can be obtained on the website: http://msz.iziis.ukim.edu.mk/Docs/6_Cenovnik_sl_vesnik_28_od_2014.pdf

The review of the "non-tax charges" paid by the legal and/or physical entities in the construction sector are paid on the basis of the Construction Law and the bylaws, i.e., the acts of the Chamber of authorized architects and engineers or other legal entities that perform public authorizations.

Law on Spatial and Urban Planning

According to the Law on Spatial and Urban Planning ("Official Gazette of the Republic of Macedonia" No. 199/14, 44/15, 193/15 and 31/16), legal entities pay fees for the following licenses:

- License for the development of urban plans
- License for revision of urban plans

Physical entities, graduated engineers - architects, in accordance with the Law on Spatial and Urban Planning, pay fees for the following authorizations:

- Authorization for the development of urban plans
- Authorization for revision of urban plans

License for the development of an urban plan

Pursuant to Article 16 of the Law, the development of urban plans, urban planning documents, urban project documents and a regulation plan for a general urban plan can be performed by legal entities that possess a license for the development of urban plans.

Urban planning revision license

Pursuant to Article 16 of the Law, expert review of urban plans, urban planning documents and infrastructure projects can be carried out by legal entities that possess a license for revision of urban plans.

Authorization for the development of urban plans

Pursuant to Article 16 of the Law, the holder of the development of the urban plans or the planner signer of the planning documentation in the legal entity that holds a license for the development of urban plans may be a graduated engineer-architect who has the authorization to develop the urban plans.

Authorization for the development of urban plans is issued by the Chamber of Chartered Engineers and Architects.

Authorization for revision of the urban plan

Pursuant to Article 16 of the Law, the holder of the expert revision, i.e. The auditor-signatory of the expert audit/revision report in the legal entity that holds a license for revision of the urban plans, maybe a graduated architect-engineer who has the authority to audit / revise the urban plans.

Authorization for the revision of urban plans is issued by the Chamber of Chartered Engineers and Architects.

The licenses in accordance with the Law are issued for a period of seven years and the authorizations for a period of five years. The licenses are issued by the Ministry of Transport and Communications, while the authorizations are issued by the Chamber of authorized architects and authorized engineers.

In order to obtain a license and authorization, the legal entities i.e. the natural persons pay fee. The fee for obtaining a license, cannot be above 1,000 euros in denar value, as well as for obtaining an authorization cannot exceed 100 euros in denar value, is determined by the Rulebook on the manner of issuing, renewal and revocation of the licenses and the authorizations, the form and the content of the license and authorization form, the amount of the fee for issuing the licenses and the authorizations, as well as the form, the content and the manner of keeping the registries ("Official Gazette of the Republic of Macedonia" No. 107/16) is prescribed by the Minister of Transport and Communications.

The funds from the licensing fee are revenue of the Budget of the Republic of Macedonia, and the funds from the fee for obtaining the authorizations are the income of the Chamber of Authorized Engineers and Architects.

Other fees prescribed by the Law on Spatial and Urban Planning:

Fees for preparation of expert revision of urban plans, urban planning documents, and urban project documents as well as preparation of a regulation plan on a general urban plan

Legal entities that possess a license for development of urban plans and a license for revision of urban plans, during preparation and expert review of urban plans, urban planning documents, urban project documents as well as in the preparation of a regulation plan on a general urban plan for the completed services, pursuant to Article 16 of the Law, charge a fee according to the Price List¹⁴ for urban planning services provided by the licensed urban planning companies adopted by the Chamber of Authorized and Engineers and Architects, upon prior consent of the Government of the Republic of Macedonia.

The review of the "non-tax charges" paid by the legal and/or physical entities in the construction sector on the basis of the Law on Spatial and Urban Planning and the bylaws, that is, the acts of the Chamber of Authorized and Engineers and Architects or other legal entities that perform public powers are given in Table 2 which is an integral part of this analysis.

Law on administrative fees

Administrative fees are paid for the records and actions in the administrative affairs of the state administration bodies, the bodies of the municipality, the bodies of the municipalities in the City of Skopje and the bodies of the City of Skopje according to the provisions of the Law on Administrative Fees¹⁵.

Pursuant to Article 3 of the Law, the fees are paid at the fee rate, which is an integral part of the Law, which means that the fee cannot be charged if the tariff is not prescribed or charged in a greater or lesser amount than the stipulated, unless with another law and with an international agreement is not specified otherwise.

¹⁴ The price list can be obtained on the website: <http://www.komoraoci.mk/images/komora/informator/Ценовник>

¹⁵ Official Gazette of the Republic of Macedonia No. 17/93, 20/96, 7/98, 13/2001, 24/2003, 19/2004, 61/2004, 95/2005, 70/2006, 92/2007, 88/2008, 130/2008, 6/10, 145/10, 17/11, 84/12, 192/15 и 23/16).

The fee payer, according to Article 4 of the Law, is a person who initiated the request, i.e. actions are performed according to the fee. If there are two or more fee payers for the same fee, their obligation is solidary.

The administrative fees stipulated in item 5 of the Tariff of Administrative Fees, which is an integral part of the Law, "Building fees" are not obligatory for performing a business by the business entities in the field of the construction sector, but are related to this sector.

A review of the administrative fees paid by legal entities and / or natural persons in the construction sector under the Law on Administrative Fees is given in Table 3 which is an integral part of this analysis.

Law on Construction Land

According to Article 96 of the Law on Construction Land ("Official Gazette of the Republic of Macedonia" No. 15/15, 98/15, 193/15, 226/15 and 31/16) for the construction land regulation (construction of buildings of communal infrastructure, for the purpose of providing uninterrupted access to the building plot to a public road, water, sanitary and storm water sewerage and other installation with connections to the construction parcel), a fee is paid, the amount of which, according to Article 96 of the Law, is determined by the municipalities, the municipalities in the City of Skopje and City of Skopje.

This fee is not compulsory for the business entities in the construction sector, nonetheless the payment thereof, in accordance with Article 96 of the Law, is an obligation of the investor. However, this compensation is related to the construction activity, which gives an overview of the fees for organizing the construction land.

Law on Real Estate Cadastre

Although the use and the insight of the GCIS data (Geodetic Cadastre Information System) is not an obligation of the business entities in the area of the construction sector in order to perform the activity, part of these data, which are usually provided by the owners of the construction land and the buildings, i.e. investors, are a prerequisite for carrying out the construction activity.

Pursuant to Article 36 of the Law on Real Estate Cadastre¹⁶, compensation is paid for usage and inspecting the GCIS data, except when the data are issued for the needs of the ministries.

The fee for usage and inspecting the GCIS data depends on the actual costs of their preparation, the type of data (descriptive/spatial), the content of the data (for visualized display per unit of measure: meter for length/height/depth and square/cubic meter, for descriptive data), the form of the data (electronic/written), the amount of data (number of identical published data) and other.

The Managing Board of the Agency for Real Estate Cadastre, on the basis of the authorizations contained in the Law, has adopted the following tariffs¹⁷:

¹⁶ Official Gazette of the Republic of Macedonia No. 55/13, 41/14, 115/14, 116/15, 153/15, 192/15, 61/16 and 172/16),

¹⁷ Tariff lists can be obtained on the website: <http://www.katastar.gov.mk/прописи/тарифници>

- Tariff list for the amount of the fee for usage and inspecting the data from the Geodetic and Cadastre Information System ("Official Gazette of the Republic of Macedonia" No. 116/14, 1/15 and 42/16).
- Tariff list for the amount of the fee for registering infrastructure in the Cadastre of infrastructure ("Official Gazette of the Republic of Macedonia" No. 1/15 and 179/17);
- Tariff on the amount of the fee for registering real estate with unregistered rights and registration of changes in the real estate Cadastre and the Cadastre of infrastructure as part of the real estate Cadastre ("Official Gazette of the Republic of Macedonia" No. 1/15, 98/15 and 179/17);
- Tariff list for the amount of the fee for verification of the geodetic reports for the performed geodetic works ("Official Gazette of the Republic of Macedonia" No. 55/13, 41/14 and 115/14);
- Tariff list on the amount of the fee for the performed geodetic works by the sole proprietors-authorized and trade companies for geodetic works ("Official Gazette of the Republic of Macedonia" No. 55/13, 41/14, 115/14 and 94/15);
- Tariff list for the amount of the fee for issuing authorization for preparation of cartographic products, as well as the amount of the fee for issuing consent for putting into use of the cartographic product ("Official Gazette of the Republic of Macedonia" No. 55/13 and 30/14);
- Tariff list for the amount of compensation for performed geodetic works by sole proprietors, authorized and trade companies for geodetic works ("Official Gazette of the Republic of Macedonia" No. 40/08 and 158/1028);
- Tariff list for the fee for verification of geodetic reports for performed geodetic works for special purposes and verification of copies from the cadastral map ("Official Gazette of the Republic of Macedonia" No. 40/08 and 153/09);
- Tariff list for the amount of the fee for using and insight in the data from the geodetic-cadastre information system ("Official Gazette of the Republic of Macedonia" No. 153/09 and 149/12); and
- Tariff list for the amount of fees for registration in the Real Estate Cadastre ("Official Gazette of the Republic of Macedonia" No.153 / 09)

5.2. Food industry

The food industry is made up of several subsectors, among which:

- Milling-baking industry;
- Confectionery industry;
- Oil processing and production industry;
- Fruit and vegetable processing industry;
- Dairy industry;
- Fish preservation industry;
- Meat production and processing industry
- Alcoholic beverage industry.

In the food industry, the "non-tax and parafiscal charges" reviewed cover fees intended and paid for "food operators (legal entities and physical entities)" according to the Law on Food Safety and the Law on Administrative Fees, as a condition for starting food sector activity(s), as well as during the performance of

the activity. The legal entities and natural entities within the food industry (food operators), in accordance with the Law on Food Safety¹⁸, pay the following charges:

Law on Food Safety

Control Fees

- **Activities and official food controls**

According to Article 104 of the Law, food operators pay a fee for:

- 1) All activities and official controls on food produced and marketed; and
- 2) All activities and official controls of food imported into the Republic of Macedonia.

The amount of the fees and the manner of collection is prescribed by the Government of the Republic of Macedonia on the basis of the real costs necessary for their implementation. The funds from the fees are revenues of the Budget of the Republic of Macedonia.

- **Official control of the import of food of non-animal origin**

The Food and Veterinary Agency, in accordance with Article 88 of the Law, performs regular official controls on non-animal origin food imported into the Republic of Macedonia in accordance with this Law. Based on known or emerging risks, the Agency prepares and updates a list of non-animal foods, which should be subject to increased intensity of official controls at the border inspection post of entry into the territory of the Republic of Macedonia. For the implementation of these controls, food operators pay compensation in the amount of the actual costs incurred for their implementation, prescribed by the Director of the Agency.

- **Additional official controls**

When the Agency determines a certain incompatibility resulting in official controls exceeding the usual control activities of the Agency determined by this Law and the regulations adopted on the basis of this Law, the costs incurred during their implementation shall be submitted by the food operator or the operator that owns or keeps products at the time of official controls. The amount of the fees, i.e. the costs and the method of collection, in accordance with Article 105 of the Law, is set by the Government of the Republic of Macedonia on the basis of the real costs necessary for their implementation and they are paid to the account of the Agency.

Fee for certificates and approvals

- **Product Safety Certificate**

Upon a request from the food operator for food intended for export, produced in accordance with the Law and the regulations adopted on the basis thereof, pursuant to Article 13 of the Law, a certificate of product safety is issued by the Agency. The Director of the Agency prescribes the amount of expenses in the

¹⁸ Official Gazette of the Republic of Macedonia No 157/10, 53/11, 1/12, 164/13, 187/13, 43/14, 72/15, 129/15, 213/15 and 39/16).

procedure for issuing the safety certificate upon prior consent from the Government of the Republic of Macedonia.

- **Approval of facilities and operators with food of animal origin**

According to Article 51 paragraph (2) of the Law on Food Safety, upon request from the food operators, the Agency issues an approval for food establishments and operators, and at the same time maintains a register of approved facilities and operators with food of animal origin.

- **Approval for mandatory food information**

The food operator, in accordance with Article 29-d of the Law, is obliged to indicate the mandatory on food labeling information on the food prescribed by the Law. The Director of the Agency shall prescribe the amount of expenses in the procedure for issuing an approval, upon prior consent of the Government of the Republic of Macedonia.

- **Approval of health claims**

The amount of the costs for approval of health claims, in accordance with Article 30-a of the Law, shall be determined based on the review time required for the documentation and the expertise, borne by the applicant.

- **The marketing authorization for the product from the group of GMO foods**

The Director of the Agency, in agreement with the Minister of Health and the Minister of Environment and Spatial Planning, shall prescribe the special requirements for the safety of GMO food, labeling and traceability requirements for food products containing GMO foods or composed of GMOs, the requirements for food traceability produced from GMO after previously obtained consent from the Government of the Republic of Macedonia. The Director of the Agency, in accordance with Article 56 of the Law, prescribes the amount of costs for the procedure for issuing an approval for placing on the market of the product from the group of GMO foods upon prior consent of the Government of the Republic of Macedonia.

- **Authorization for filling and marketing of natural mineral water, spring water and other bottled water**

The Director of the Agency, in accordance with Article 57 of the Law, prescribes the special requirements for the safety of natural mineral water, spring water and other packaged water in accordance with the general safety requirements, as well as the amount of costs in the procedure for issuing the authorization for charging and supplying natural mineral water, spring water and other bottled water upon prior consent from the Government of the Republic of Macedonia.

- **Approval and / or opinion on the production and import of products and materials that come into contact with food**

The Director of the Agency, in accordance with Article 59 of the Law, prescribes the amount of expenses in the authorization procedure and the amount of costs in the procedure for issuing an opinion and / or approval

upon the request of the party for the production and import of the products and materials that come in contact with food, upon prior consent from the Government of the Republic of Macedonia.

Fees for provided opinions

- **Opinion on the production and import of food for special nutritional use**

The Director of the Agency, in accordance with Article 54 of the Law, in accordance with the Minister of Health, prescribes the special requirements for food safety for special nutritional use, prescribes the composition and the manner of labeling, the additional mandatory information related to the specificities of the food for special nutritional use, the quantity, form and type of added vitamins and minerals and certain other substances in food, upon prior consent of the Government of the Republic of Macedonia. The Director of the Agency prescribes the amount of expenses in the procedure for issuing an opinion upon request of the party for production and import of food for special nutritional use upon prior consent of the Government of the Republic of Macedonia.

- **Opinion on the production and import of food supplements**

The Director of the Agency, in agreement with the Minister of Health, prescribes the special requirements for the safety of food supplements, prescribes the manner of labeling, the additional mandatory information related to the characteristics of the food supplements, the quantity, form and type of vitamins and minerals and certain other substances, upon prior consent of the Government of the Republic of Macedonia. The Director of the Agency, in accordance with Article 54-a of the Law, prescribes the amount of expenses in the procedure for issuing an opinion upon the request of the party for the production and import of food supplements upon prior consent of the Government of the Republic of Macedonia.

- **Opinion on the production and import of fortified foods or foods to which vitamins and minerals have been added**

The Director of the Agency, in agreement with the Minister of Health, prescribes the special safety requirements and the requirements for the composition and the manner of labeling the fortified food, i.e. the food to which vitamins and minerals are added, the additional mandatory information related to the characteristics of the fortified food, prescribes the quantity, form and type of vitamins and minerals that can be added to the food, upon prior consent of the Government of the Republic of Macedonia. The Director of the Agency, pursuant to Article 54-b of the Law, prescribes the amount of expenses in the procedure for issuing an opinion upon the request of the party, for the production and import of fortified food or foods to which vitamins and minerals have been added upon prior consent of the Government of the Republic of Macedonia.

Authorization charges

- **Authorization of a new product belonging to the group of additives, food enzymes and food aromas**

The food operator submits a request for authorization of a new product that belongs to the group of additives, food enzymes and food aromas to the Agency. The Director of the Agency, in accordance with Article 58-a

of the Law, prescribes the amount of the costs for the authorization procedure upon prior consent from the Government of the Republic of Macedonia.

- **Authorization of a new product belonging to the group of extraction means**

The food operator submits a request for authorization of a new product belonging to the group of extraction assets to the Agency. The food operator for the submitted authorization request pays the authorization fee in the amount of the actual expenses necessary for its issuance. The Director of the Agency, in accordance with Article 59 of the Law, prescribes the amount of the costs for the authorization procedure.

Fee for storing information and data

- **Data issuance from the electronic database**

The Agency, pursuant to Article 120-a of the Law on Food Safety, keeps an electronic database and charges a fee for issuing data from it, which should be in the amount of the real costs incurred for their issuance. The Director of the Agency prescribes the amount of fees for issuing data from the electronic database, upon prior consent of the Government of the Republic of Macedonia.

5.3. Basic findings from legal review

Non-tax charges paid by legal entities can be classified into:

1. Charges for market entrance, paid upon registration in the Central Registry;
2. Charges for issuance of individual licenses, certificates, approvals, taking professional exams, etc. as a condition for starting and performing the activity; and
3. Charges paid by the operators conducting of the activity during the operations.
4. Charges for market exit

Market entry charges paid upon registration in the Central Registry

Pursuant to Article 18-a paragraph 1 of the Central Registry Law¹⁹, the Management Board of the Central Registry has adopted the Tariff of the Central Registry of the Republic of Macedonia, where Article 1 explicitly states that for the purpose of registration, entry, processing, unification, classification, selecting, storing, keeping and using of the data, the Central Registry of the Republic of Macedonia charges a fee. For the purposes of this analysis, the costs related to the registration of the establishment of a commercial company in paper form have been taken into consideration, as well as the registration in a paper form in the registration offices of the Central Registry, for:

- Sole proprietor – 1,952.00 MKD
- LLC / LLC single entity - 2,399.00 MKD
- Joint Stock Company - 3,852.00 MKD
- Other entities – 2,452.00 MKD

¹⁹ Official Gazette of the Republic of Macedonia No 50/01, 49/03, 109/05, 88/08, 35/11, 43/14, 199/14, 97/15, 153/15 and 27/16.

Fees for issuing individual licenses, certificates, taking professional exams and the like, as a condition for performing an activity

- **Construction Law**

Table no. 27 below lists the costs for issuing licenses, as well as the special conditions to be met by the legal entities to start one of the activities in the construction sector, i.e. the amount of the fee for obtaining a license, as well as the number of employees, i.e. engineers necessary for obtaining a license as a special condition for starting the activity.

Table 27 Fee for obtaining licenses and number of employees as a condition for obtaining licenses for performing an activity according to the Construction Law

Activity	License type	Minimum employees number as a condition for obtaining a license	Licensing fee	Year of establishment of the fee
Construction management	Construction Manager license	2 persons	10,000 MKD	2009
Design	Design license A	3 engineers	61,542 MKD	2009
	Design license B	2 engineers	30,771 MKD	2009
Revision of project documents	Revision license A	3 engineers	152,392 MKD	2009
	Revision license B	2 engineers	91,430 m MKD	2009
Performing a construction	Construction license A	20 persons out of which 3 engineers	123,147 MKD	2009
	Construction license B	5 persons out of which 2 engineers	61,542 MKD	2009
Construction supervision	Supervision license A	4 engineers	184,771 MKD	2009
	Supervision license A	3 engineers	123,147 MKD	2009

- **Law on Spatial and Urban Planning**

According to the Law on Spatial and Urban Planning, two licenses are required for carrying out urban activities - a license for development of urban plans and a license for revision of urban plans. Table 28 below, lists the fees required for obtaining these licenses, as well as the number of employees, i.e. engineers required for obtaining a license as a special condition for starting the activity, are listed.

Assessment of non-tax and parafiscal costs and compliance with the regulation
Case: food industry and construction sector

Table 28 Fee for obtaining licenses and number of employees as a condition for obtaining licenses for performing an activity according to the Law for spatial and urban planning

Activity	License type	Minimum employees number as a condition for obtaining a license	Licensing fee	Year of establishment of the fee
Urbanism	License for development of urban plans	At least 3 graduated engineers	10,000 MKD	2016
	License for revision of urban plans	At least 5 graduated engineers	3,000 MKD	2016

Source: Law on Spatial and Urban Planning

- **Law on Food Safety**

Pursuant to Article 17 of the Law on Food Safety, the Rulebook on the amount of costs in the procedures for issuing approvals in food production has been adopted, which details the level of fees for obtaining food authorizations that are classified according to the size of the production capacities. These duties are regulated according to the size of the production capacity and are envisaged and detailed in the Rulebook on the amount of costs in the procedures for issuing approvals in food production. These charges are listed in Table no. 29.

Table 29 Fees for issuing an authorization for commencement of food production and approval for the production of food supplements, food for special nutritional use, food produced with innovative technologies and food produced by the use of ionizing radiation

Type of fee	Fee amount	Regulation
Issuance of approval for starting food production	Production capacities up to 50 m ²	2,000.00 MKD
	Production capacities from 51 m ² to 150 m ²	4,000.00 MKD
	Production facilities over 150 m	12,000.00 MKD
	For each change in any condition for food production	2,000.00 MKD
Issuing an approval for the production of food supplements, food for special nutritional use, food produced with innovated technologies and food produced	Production facilities up to 100 m ²	4.000,00 MKD
	Production capacities over 100 m ²	12.000,00 MKD

*Assessment of non-tax and para-fiscal costs and compliance with the regulation
Case: food industry and construction sector*

using ionizing radiation			
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Source: Law on Food Safety

Pursuant to the Law on Food Safety, the business entities from the food industry, for starting their business, need to obtain approval for operators and facilities for food production and other approvals, as well as the registration of an operator and facility, as well as obtaining a certificate for product safety. These charges are listed in Table no. 30.

Table 30: Compulsory charges for food businesses, determined by the Law on Food Safety²⁰

Type of fees	Amount	Regulation
Operator Approval and facilities for food production and storage	20,000.00 MKD	A decision on the amount of the fee for activities and official controls on food and feed imported into the Republic of Macedonia and activities and official controls on food and feed manufactured and marketed including the manner of collection
Registration of operators and food establishment	1,000.00 MKD	A decision on the amount of the fee for activities and official controls on food and feed imported into the Republic of Macedonia and activities and official controls on food and feed manufactured and marketed including the manner of collection
Fee for official control when issuing a certificate for export of food, products and by-products of animal origin, food and animal feed	3,000.00 MKD per unit	A decision on the amount of the fee for activities and official controls on food and feed imported into the Republic of Macedonia and activities and official controls on food and feed manufactured and marketed including the manner of collection
Registration of operators and facilities with by-products	1,000.00 MKD	A decision on the amount of the fee for activities and official controls on food and feed imported into the Republic of Macedonia and activities and official controls on food and feed manufactured and marketed including the manner of collection
Fee for issuing a certificate for product safety	3,000.00 MKD	Rulebook on the manner of issuing the safety certificate, the form and the content of the application form for issuing the certificate and the amount of the costs for issuing a safety certificate
Fee for issuing approval for health claims	400.00 MKD	Rulebook on nutrition and health claims for commercial purposes in labeling, presentation and advertising of food

Fees paid by the operators during the conducting of the activity

- **Construction Law**

The Table no. 31 below lists the charges paid by the construction companies or the investors, and they refer to issuing opinions on the projected degree of mechanical resistance, stability and seismic protection, as well as the manner of their calculation according to the Construction Law. The provider of the opinions is the scientific institute specialized in the field of protection of constructions from seismic influences, i.e. Institute

²⁰ Overall overview of the charges based on the Law on Food Safety listed in annex

for Earthquake Engineering and Engineering Seismology at the University "Kiril and Metodij", Skopje. The fee for the opinion of the projected grade (MPS) is determined according to the Price List for the opinions on the projected and performed degree of mechanical resistance, stability and seismic protection, adopted in 2014.

Table 31 Fees for opinion on the projected and performed degree of mechanical resistance, stability and seismic protection

Equivalent calculated area (in m ²)		Total value in denars	
From	To	From	To
0	50	500 MKD	500 MKD
51	100	527 MKD	1,897 MKD
101	300	1,897 MKD	6,375 MKD
301	1000	6,395 MKD	20,375 MKD
1001	3000	20,390 MKD	50,375 MKD
3001	5000	50,385 MKD	70,375 MKD
5001	10000	70,382 MKD	107,875 MKD
10001	20000	107,881 MKD	167,875 MKD
20001	/	167,880 MKD	/

Source: Construction Law

- **Law on Spatial and Urban Planning (if under this law there are current costs)**

According to Article 16 paragraph (14) of the Law on Spatial and Urban Planning, the legal entities that possess a license for the development of urban plans and a license for revision of urban plans, during the preparation and expert review of urban plans, urban planning documents, urban project documentation as well as the preparation of a master plan for a general urban plan, for the services provided, charge a fee shown in the following table:

*Assessment of non-tax and parafiscal costs and compliance with the regulation
Case: food industry and construction sector*

Table 32 Fees for the services of authorized planners for preparation of urban plans, urban planning documents, urban regulation plan and expert revision

Type of charge		Amount of charge	Income:
Compensation for the services of authorized planners for preparation urban plans, urban planning documents, urban planning documents, as well as a master plan for a general urban plan and expert review	Authorized planner with graduate degree	295 MKD/hour	Licensed business entity for urban planning
	Junior planner with graduate degree	154 MKD/hour	Licensed business entity for urban planning
	Qualified worker	92 MKD/hour	Licensed business entity for urban planning
	Semi-qualified worker	68 MKD/hour	Licensed business entity for urban planning

Source: Law on Spatial and Urban Planning

These fees are in accordance with the Price List of urban planning services provided by the licensed urban planning companies, passed by the Chamber of Chartered Engineers and Architects, upon prior approval of the Government of the Republic of Macedonia. This price list was adopted in 2016

Non-tax duties which are **not mandatory** for the business entities in the construction sector, but in certain situations can be considered as costs for these entities, are subject to the regulation of:

1. Law on Administrative Fees;
2. Law on Real Estate Cadastre; and
3. Law on building land.

- **Law on administrative fees**

According to the Law on Administrative Fees, total of 28 fees have been identified that refer to the construction sector, as defined in Article 37 of the Law. The administrative fees for the construction sector are determined by item 5 of this article with the title "Construction fees", and they are listed according to tariff numbers, starting from Tariff number 80 to Tariff number 94.

The administrative fees for the construction sector range from 200 MKD to 4,000 MKD, depending on the type of service required by the competent authority.

- **Law on Real Estate Cadastre**

Considering the large number of fees for various services and data that are paid in accordance with the tariffs adopted by the Agency for Real Estate Cadastre, while taking into account that the provision of these services and data is not an obligation of the performers of the construction activity, but the investors, i.e. real estate owners, in Table no. 33 given below, lists the fees that are paid by legal entities and the physical entities.

Table 33 Review of fees determined by the Law on Real Estate Cadastre²¹

Type of fee	Amount	Income of
Issuing cadastre map extract	183 MKD per plot	Agency for Real Estate Cadastre
Issuing a certificate of conditional registration of the construction	180 MKD per certificate	Agency for Real Estate Cadastre
Issuance of a property certificate	180 MKD per certificate	Agency for Real Estate Cadastre
Property certificate for infrastructure construction	226 MKD per certificate	Agency for Real Estate Cadastre
Inventory certificate	180 MKD per certificate	Agency for Real Estate Cadastre
Issuance of record certificate – temporary construction	180 MKD per certificate	Agency for Real Estate Cadastre
Issuance of record certificate – infrastructure construction	226 MKD per certificate	Agency for Real Estate Cadastre
Issuing a copy of a cadastral plan	165 MKD per cadastral plot	Agency for Real Estate Cadastre

- **Law on Construction Land**

These fees are not compulsory for the business entities in the construction sector, but the payment of them, in accordance with Article 96 of the Law, is an obligation of the investor. The amount of these benefits is determined by an act of the units of local self-government - the municipalities, the municipalities within the City of Skopje and the City of Skopje, and they are classified according to the type of the object in question.

- **Law on Food Safety**

The fees that business entities (legal and physical entities) pay during the activity are determined by several by-laws, with the following acts and in the following amounts:

- Decision on the amount of compensation for activities and official controls on food and animal feed imported in the Republic of Macedonia and activities and official controls on food and animal feed produced and marketed as well as the manner of their collection ("Official Gazette of the Republic of Macedonia" No. 45/14, 164/14 and 55/18) - basis: Article 104 paragraph 3 of the Law;
- Rulebook on the manner and procedure for issuing an opinion, the form and content of the request, the necessary documentation and the costs for the procedure for issuing an opinion upon the request of the party, for the production and import of food supplements, as well as the form, content and manner of the keeping a register of products meeting the special safety requirements as food supplements (Official Gazette of the Republic of Macedonia No. 182/15) - the basis: Article 54 paragraph 5 of the Law;

The rulebook determines the fee for an opinion on the compliance of the product with the prescribed requirements for the composition and marking in accordance with the special regulations applicable for the product, at a request of the party, which is 2,000 MKD for each product's opinion requested.

²¹ Overall list of nontax charges which is 247 with the Law on Cadastre and real estate are listed in the table for charges paid on the basis of the Law on cadastre and real estate, in the annex of the study.

- Rulebook on the manner and procedure for issuing an opinion, the form and content of the request, the required document and the amount of costs in the procedure for issuing an opinion upon a request of a party, for the production and import of food for special nutritional use, the form, the content and the manner of keeping a register of products that meet the special safety requirements as food for special nutritional use (Official Gazette of the Republic of Macedonia No. 182/15) - the basis: Article 54-a paragraph 5 of the Law;

The rulebook determines the fee for an opinion on the compliance of the product with the prescribed requirements for the composition and marking in accordance with the special regulations applicable for the product, at a request of the party, which is 2,000 MKD for each product's opinion requested

- Rulebook on the manner and procedure for issuing an opinion, the form and the form of the request, the necessary documentation and the costs in the procedure for issuing an opinion upon the request of the party, for the production and import of fortified food, food to which vitamins, minerals and other substances have been added, as well as the form, content and manner of keeping the register of products that meet the specific safety requirements as fortified food or food to which vitamins, minerals and other substances have been added ("Official Gazette of Rep Republic of Macedonia "No. 182/15) - basis: Article 54 - b paragraph 5 of the Law;

The rulebook determines the fee for an opinion on the compliance of the product with the prescribed requirements for the composition and marking in accordance with the special regulations applicable for the product, at a request of the party, which is 2,000 MKD for each product's opinion requested

- Rulebook on the manner of issuing the safety certificate, the form and content of the application form for issuing the certificate, the form of the safety certificate and the costs for the procedure for issuing the safety certificate ("Official Gazette of the Republic of Macedonia" no. 68/11 and 34/18) - basis: Article 13 paragraph 6 of the Law;

With this rulebook, a fee for issuing a safety certificate is set at 3,000 MKD.

- Rulebook on the manner of issuing an authorization, the necessary documentation and costs in the procedure for issuing an approval for bottling and marketing mineral water ("Official Gazette of the Republic of Macedonia" No. 159/11) - the basis: Article 57 paragraph 9 of the Law.

The rulebook determines the fee for issuing an approval for bottling and marketing mineral water, which amounts to MKD 10,000 for each product's approval requested.

- Rulebook on the manner and procedure for issuing an opinion, the necessary documentation and the amount of expenses in the procedure for issuing an opinion upon a request of a party for the production and import of food supplements, food for special nutritional use and fortified food, food with added vitamins and minerals ("Official Gazette of the Republic of Macedonia" No. 184/11 and 20/12) - the basis: Article 54 paragraph 6 of the Law.

The rulebook determines a fee for issuing an opinion upon a request of a party for the production and import of food supplements, food for special nutritional use and fortified food, food with added vitamins and minerals, at 1,000 MKD for each request for opinion issuance.

- Rulebook on the manner and procedure for issuing an approval, its duration, the required documentation and the cost for the issuance procedure for an approval for the marketing of a product with innovative technologies ("Official Gazette of the Republic of Macedonia" No. 159/11) basis: Article 55 paragraph 7 of the Law.

The rulebook determines a fee for issuing a marketing authorization for a product from the group of foods and food ingredients manufactured with innovative technologies, at MKD 10,000 for each product's approval requested.

A detailed overview of the amount of charges prescribed by the bylaws is given in the table of the listed charges based on the Food Safety Law, which is annexed to this analysis.

- **Law on administrative fees**

Within the Law on Administrative Fees, 16 fees/charges were identified that refer to the food industry and which mostly refer to requests for permits, approvals, registration of facilities and food operators, authorizations, opinions as well as requests for issuing decisions. The amount of administrative fees for the food sector range from 50 MKD to 500 MKD.

A detailed review of the fees based on the Law on Administrative Fees is given in the tables, annexed to this analysis.

Fees paid in the case of market exit – removal from the Central Registry

According to the above named Tariff of the Central Registry of the Republic of Macedonia, in order to exit the market a particular business entity needs to be removed from the Central Registry. For the purposes of this analysis, the costs necessary for removal or liquidation are taken into account, which terminates the entity's activity:

- Entry removal – 1,302.00 MKD
- Announcement for liquidation – 605.00 MKD
- Removal after conducting a voluntary liquidation – 500.00 MKD

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11. Law on Administrative Fees (Official Gazette of the Republic of Macedonia No. 17/93, 20/96, 7/98, 13/2001, 24/2003, 19/2004, 61/2004, 95/2005, 70/2006, 92/2007, 88/2008, 130/2008, 6/10, 145/10, 17/11, 84/12, 192/15 and 23/16)
12. The Law on Food Safety (Official Gazette of the Republic of Macedonia No. 157/10, 53/11, 1/12, 164/13, 187/13, 43/14, 72/15, 129/15, 213/15 and 39/16).
13. The Law on Construction Land (Official Gazette of the Republic of Macedonia No. 15/15, 98/15, 193/15, 226/15 and 31/16)
14. Construction Law (Official Gazette of the Republic of Macedonia No. 130/2009, 124/10, 18/11, 36/11, 54/11, 13/12, 144/12, 25/13, 79/13, 137 / 13, 163/13, 27/14, 28/14, 42/14, 115/14, 149/14, 187/14, 44/15, 129/15, 217/15, 226/15 and 31/2016)
15. Law on Real Estate Cadastre (Official Gazette of the Republic of Macedonia No. 55/13, 41/14, 115/14, 116/15, 153/15, 192/15, 61/16 and 172/16)
16. The Law on Spatial and Urban Planning (Official Gazette of the Republic of Macedonia No. 199/14, 44/15, 193/15 and 31/16)
17. Law on the Central Registry (Official Gazette of the Republic of Macedonia No. 50/01, 49 / 03, 109 / 05, 88/08, 35/11, 43/14, 199/14, 97/15, 153/15 and 27 / 16.
18. Execution of the budget of the Republic of Macedonia, 2008-2017, Ministry of Finance of the Republic of Macedonia
19. Decision on the amount of compensation for activities and official controls on food and animal feed imported into the Republic of Macedonia and activities and official controls on food and animal feed produced and marketed as well as the manner of their collection (Official Gazette of the Republic of Macedonia No. 45/14, 164/14 and 55/18)
20. Data collected from private sector questionnaires
21. Rulebook on the manner and procedure for issuing an opinion, the necessary documentation and the expenses in the procedure for issuing an opinion upon a request of a party for the production and import of food supplements, food for special nutritional use and fortified food, food with added vitamins and minerals (Official Gazette of the Republic of Macedonia No. 184/11 and 20/12)
22. Rulebook on the manner and procedure for issuing an opinion, the form and content of the request, the required document and the costs of the procedure for issuing an opinion upon a request of a party, for the production and import of food for special nutritional use, form, content and manner of the keeping the register of products that meet the special safety requirements as food for special nutritional use (Official Gazette of the Republic of Macedonia No. 182/15)
23. Rulebook on the manner and procedure for issuing an opinion, the form and content of the request, the necessary documentation and the expenses of the procedure for issuing an opinion upon a request of the party, for the production and import of food supplements, as well as the form, content and keeping a register of products that meet special safety requirements as food supplements (Official Gazette of the Republic of Macedonia No. 182/15)
24. Rulebook on the manner and procedure for issuing an opinion, the form and the content of the request, the necessary documentation and the costs for the procedure of issuing an opinion upon a request of the party, for the production and

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Case: food industry and construction sector

- import of fortified food, food with added vitamins, minerals and other substances, as well as the form, content and manner of keeping the register of products that meet the special safety requirements as fortified food or food to which vitamins, minerals and other have been added (Official Gazette of the Republic of Macedonia No. 182 / 15)
25. Rulebook on the manner and procedure for issuing an approval, its duration, the required documentation and the costs of the procedure for issuing an approval for marketing the product with innovative technologies (Official Gazette of the Republic of Macedonia No.159 / 11)
 26. Rulebook on the manner of issuing an approval, the necessary documentation and the costs of the procedure for issuing an approval for bottling and marketing of mineral water (Official Gazette of the Republic of Macedonia No. 159/11)
 27. Rulebook on the manner of issuing the safety certificate, the form and content of the application form for issuing the certificate, the form of the safety certificate and the costs of the procedure for issuing the safety certificate (Official Gazette of the Republic of Macedonia no. 68/11 and 34/18)
 28. Structural Business Statistics, 2016-2010, State Statistical Office of the Republic of Macedonia
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 30. Tariff list for the fee for verification of geodetic reports for performed geodetic works for special purposes and verification of copies of the cadastral map (Official Gazette of the Republic of Macedonia No. 40/08 and 153/09);
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 32. Tariff list for the fee for registering infrastructure construction in the cadastre of real estate (Official Gazette of the Republic of Macedonia No. 1/15 and 179/17);
 33. Tariff List on the fee for registration of real estate that remained with unregistered rights and registration of changes in the real estate cadastre and the cadastre of infrastructure as part of the real estate cadastre (Official Gazette of the Republic of Macedonia No. 1/15, 98/15 and 179/17);
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 36. Tariff list for the fee for issuing an authorization for the production of cartographic products, as well as the fee for issuing consent for putting into use of the cartographic product (Official Gazette of the Republic of Macedonia No. 55/13 and 30/14);
 37. Tariff list for the fee for using and insight in the data from the geodetic-cadastre information system (Official Gazette of the Republic of Macedonia No. 153/09 and 149/12)
 38. Tariff List for the fees for registration in the Real Estate Cadastre (Official Gazette of the Republic of Macedonia No. 153/09)
 39. Constitution in the Republic of Macedonia, Assembly in the Republic of Macedonia

*Annex 1: List of laws and bylaws governing non-tax and parafiscal charges
in the construction sector and the food industry*

The list of laws and bylaws regulating non-tax and parafiscal duties in the construction sector and food industry is available on the following link

<https://cea.org.mk/wp-content/uploads/2018/09/KOMPLET-LISTA-na-zakoni.xlsx>