Challenges of the municipal local tax system
in North Macedonia:
Focus on property tax

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CENTER FOR ECONOMIC ANALYSES (CEA)

Content

Introduction and approach

The purpose of this document, as the title states, is to identify the challenges the municipalities in the Republic of North Macedonia are facing with the local tax system, focusing on the property tax. The challenges that are identified are considered through the elements of the property tax, more specifically the challenges in determining the tax base and assessment of the value of the property, as well as the management of the system (technical-administrative).

At the same time, this analysis provides a brief overview of the dynamics of public finances at the local level in the Republic of North Macedonia in the past decade seen through the tax revenues.

This document emerged as a necessity during the implementation of the Tax Responsibility Project, implemented by CEA. During the implementation of the project, shortcomings and obstacles faced by the local administration were identified, regarding more efficient management of the local taxes, and we believe that they need to be noted to initiate activities to address them.

As part of the Tax Responsibility Project[1], pilot testing is being conducted through a behavioral approach to increase the collection of local taxes, i.e. property tax in several municipalities in RNM. The behavioral approach as an alternative way of communication between the municipality and the taxpayers tests the communication that is different from the "usual" communication which is practiced in RNM, though issuing a property Tax Decision/Bill, (possibly) issuing a reprimand for forced collection of debt, by quoting Article of the Law on Property Taxes and (possibly) forced collection of the unpaid debt by the local self-government.

Traditional views of voluntary tax compliance have prevailed in the last century when the work of the tax administration was seen only as detecting tax evaders to punish such behavior. This approach to the effectiveness of the work of tax administrations is considered "outdated".

The outdated approach for communication combined with the low level of citizen's participation in the decisions making in spending funds from collecting taxes and duties, as well as the low level of accountability of the local self-governments in RNM, leads to a low level of tax morale among taxpayers - a reflection of institutional factors.

On the other hand, the challenges faced by the local self-government units (LSGUs) for financing and the process of tax collection, including property tax, are also significant findings arising from the process, which are worth noting, reviewing, and analyzing, so potential recommendations for improving the property tax system at the local level may be developed.

We expect these challenges to be even more pronounced in the period ahead due to the reduced economic activity, the financial and fiscal effects of the global health crisis caused by the Covid-19 pandemic. The local government is the first to face the need to respond to local needs quickly and effectively because it is obliged / competent to offer public services efficiently and effectively the challenges of responding to externalities.

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[1] See more about the project here: https://cea.org.mk/proekt-za-danochna-odgovornost-kon-graganska-odgovornost-i-odgovorni-danotsi/

Property taxes are a group of tax revenues that are part of the municipal own sources of funding and those revenues can grow not only by increasing the tax effort but also by changing tax rates.

The municipalities in RNM relatively easily administer the property tax, and the data show that the LSGUs are increasing the tax effort and the collection of property tax revenues in the past period. However, assessing the value of real estate remains a challenge that in turn requires efficient local administration.

The property tax rate in RNM ranges from 0.1% to 0.2% of the property market value and most of the LSGUs decide to set the lowest tax rate. Rarely a LSGU decides to set the rate on a higher level, primarily due to the political sensitivity of higher property taxation, and not so much because of the inability of the citizens to pay more tax but because of the low level of transparency and accountability and trust in institutions.

To increase the scope and to detect the challenges for a larger number of municipalities, especially with property taxes, in addition to the direct communication with the municipalities, a questionnaire was developed and conducted during July / August 2020 which was answered by more than half of the municipalities in RNM (48 LSGUs, 60%, with coverage of 53% of the inhabitants of RNM). The perceptions and opinions of the representatives of a significant part of the municipalities are presented through the analysis, which confirms to a large extent the detected challenges from the fieldwork within the project.

The fiscal data for the local government of RN Macedonia are collected from the Treasury of the Ministry of Finance and additionally through direct answers from the representatives of the LSGU.

At the same time, we are noting that this analysis points to the need of opening other related issues for the local finances as well as the need for reviewing the adequacy of the fiscal decentralization in the context of changes that have occurred in the last two decades, such as wider decentralization of LSGU and the needs and capacities of the different LSGUs, taking into account their heterogeneity.

1. Political economy of property tax

Globally, property taxes have been a frequently discussed topic in recent decades, with a special emphasis on the need for reforms. The economists often argue that property taxes are "good" taxes because they are an adequate source of local finance and a major source of the municipal finance (McMillan Dahlby, 2014). Citizens, on the other hand, do not like them, and politicians are often skeptical for reform policies and raise of the property taxes, especially for residential real estate.

The share of property taxes in the economies of different countries varies considerably. As a ratio to GDP, the volume of property taxes varies from country to country. For example, in OECD countries and EU countries, it ranges from 0.2% of GDP in Estonia, 1% in Germany, 3% in Greece up to 4% in France, while in RN Macedonia this ratio is 0.5%.

Graph 1: Property taxes as% of GDP in 2018 for different countries and North Macedonia
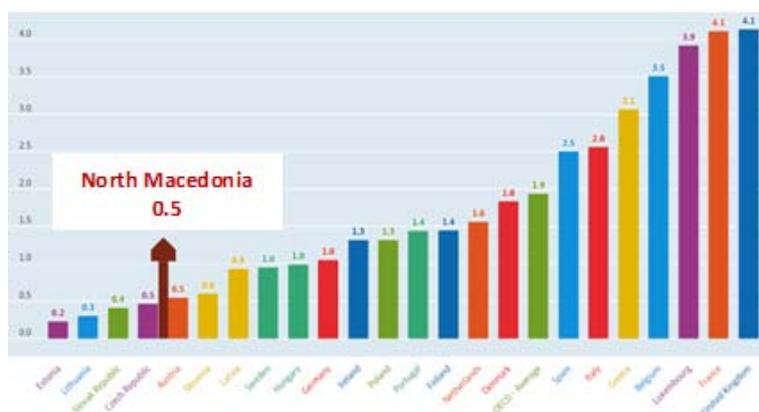
Source: OECD Database, https://data.oecd.org/tax/tax-on-property.htm, data on all property taxes as well as those repeated each year and those related to property, and depending on the country are total taxes at different levels of government (central, regional, local), for RNM based on data from the Treasury of the Ministry of Finance of RNM

The reform processes of property tax systems in different countries, both rich and poor, has proven to be a difficult (Slack Bird, 2014). According to Garnier et al. (2014) as well as Norregaard (Norregaard 2013), although the EU in 2014 recommended raising property tax rates for eleven countries and nine of them increased the rates or expanded the tax base, the revenues have not increased. Although international institutions, such as the IMF, often make recommendations for better use of property taxes, their reform is difficult (Norregaard 2013).

The IMF report on North Macedonia from 2019[2], as well as the previous reports, recommends expanding the fiscal space by "upgrading" the income base, including the expanding the scope of property taxes, and it is estimated that such a reform of public policies would have a (positive) impact of a 0.3-0.5 percent increase in GDP[3,4]. According to the simulation (Nikolov,

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[2] https://www.imf.org/~/media/Files/Publications/CR/2020/English/1MKDEA2020001.ashx
[3] Ibif, page 10
[4] In the report for 2018 available at https://www.imf.org/en/Publications/CR/Issues/2019/01/28/Former-Yugoslav-Republic-of-Macedonia-2018-Article-IV-Consultation-Press-Release-Staff-46559 Reiterates the same recommendations for property tax expansion: "Gradually increasing the minimum recurring property tax rate, together with limiting generous exemptions and exemptions, would significantly limit the potential liabilities of the central government (the additional budget for 2018 increased the transfers of the local self-government for partial closure of the previously accumulated overdue debts) .... "page 19

2014) by applying the tax rate of 0.2% on the property tax, the municipalities can increase the property tax revenue by almost 30%, and can reduce the dependence on the central government by 1-10pp depending on the structural assumptions behind the socio-economy that drive local government revenues.

The property tax is considered as "good" tax because the benefits to the property owners are usually capitalized on the value of the property (Fischel 2001). The property tax is mostly paid by local residents who are at the same time the ones who use the services of the local government the most (such as education, local roads, utilities, etc.). On the other hand, the property tax is in fact a capital tax that can discourage the investment, especially when there are different effective tax rates in different locations, causing distortions in the real estate market when investors decide where to locate their business (Zodrow, 2001). In RNM there is almost no variation of tax rates, the zoning has little effect, and the property tax collected by the legal entities has a significantly lower share than property tax collected by individuals. For example, of the total property tax collected in 2019 in all LSGUs, 71% of the collected value is from individuals, while 29% is from legal entities.

In most countries, although local governments have discretion in property tax decisions, they are not fully under local "control". Namely, despite the discretion in setting rates and tax exemptions, there are restrictions and oversight by the central government (or other higher levels of government) regarding the design and functioning system of local taxes. For example, the central government can determine how property valuations are made, and can fully organize and implement this function. According to some estimates, this function of assessing the value of the property, the tax base on which the tax rate is applied by the central government, can be a more economical approach as a result of achieving economies of scale and allowing greater uniformity in the assessment of the value of the real estate (Straus, Sullivan 1998). As we will see below, this is one of the challenges in the RNM at the LSGU, namely, although they have discretion in determining the rate (in the given legally determined range), the methodology for determining the value of the property is brought on a central level, while zoning and determining the value as well as the implementation is at the local level, and the control and audit of the determination of the market value is performed by the Ministry of Finance[5]

1.1. Challenges in introducing property tax reforms - experiences

The experiences from other countries mainly indicate several categories of challenges related to the introduction of property tax reforms due to the characteristics that are inherent to property tax.

A) Property tax is visible/noticeable

One of the reasons why there is resistance to this type of tax reform is because its visibility among taxpayers makes people aware of it. As compared to other types of taxes, such as personal income tax withheld by the payer (source of income), property tax is generally levied

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[5] Article 5, Law on Property Taxes, Official Gazette of the Republic of Macedonia "no. 61/04, 92/07, 102/08, 35/11, 53/11, 84/12, 188/13, 154/15, 192/15 и 23/16

directly by the property taxpayer through periodic lump-sum payments. Hence, property taxes are more noticeable than other taxes.

Graph 2: Self-perception of taxpayers about their level of tax information in RNM
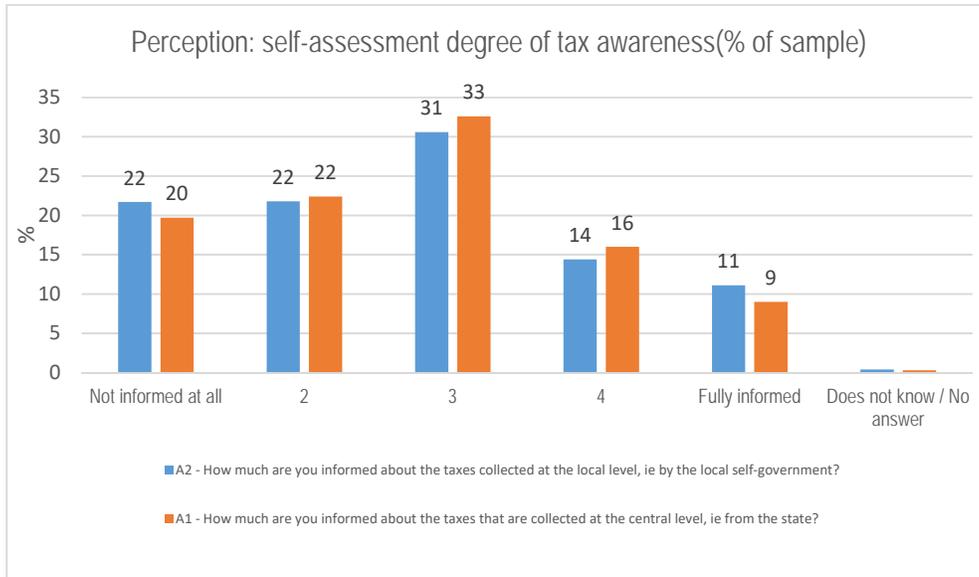
Source: conducted face-to-face survey for the needs of the Tax Responsibility Project, on a representative sample of citizens throughout the territory of RNM

In addition, property taxes are financing the services that people are usually familiar with because they use them daily, such as roads, waste collection, maintenance of in public areas, etc. Studies show that citizens are willing to pay more for local services when they highly value the work of their local government and the services they receive (Simmonsen & Robbins, 2003). If they do not consider the services to be quality or are lacking, likely, they will also complain about property taxes because they receive almost nothing like public services for the taxes they pay.

As we have seen in the CEA studies about the determinants of tax morale in RNM and the profile of taxpayers, the citizens of RNM have low level of trust in local authorities and low satisfaction with the quality of their work, hence the impact on tax morality is negative and the expected negative attitude towards the eventual acceptance of the property tax increase is understandable.

Graph 3 Opinion of the citizens of RNM on the adequacy of the tax rates

Source: conducted face-to-face survey for the needs of the Tax Responsibility Project, on a representative sample of citizens throughout the territory of RNM

How much trust do you have in the tax spending by the local self-government (municipality)?

Source: conducted face-to-face survey for the needs of the Tax Responsibility Project, on a representative sample of citizens throughout the territory of RNM

Graph 5 Attitudes of the citizens about the adequacy in spending the collected taxes

The funds collected through taxes by the local self-government are well spent through the public services that I receive at the local level.
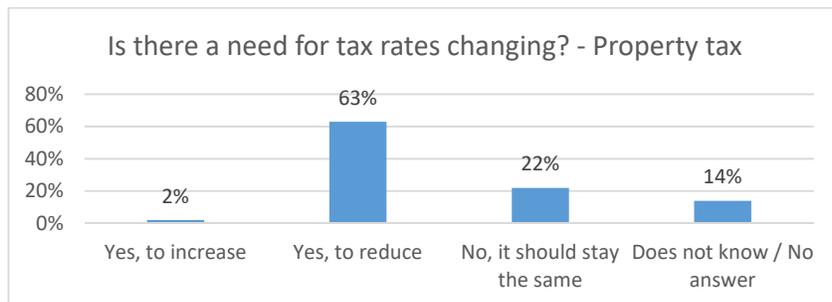
Source: conducted face-to-face survey for the needs of the Tax Responsibility Project, on a representative sample of citizens throughout the territory of RNM

On the other hand, the municipalities strongly agree that one of the factors with the strongest impact on the tax morale of the citizens is the satisfaction with the quality of the service received by the municipality.

Graph 6 Attitudes of the LSGU on the factors influencing tax morale
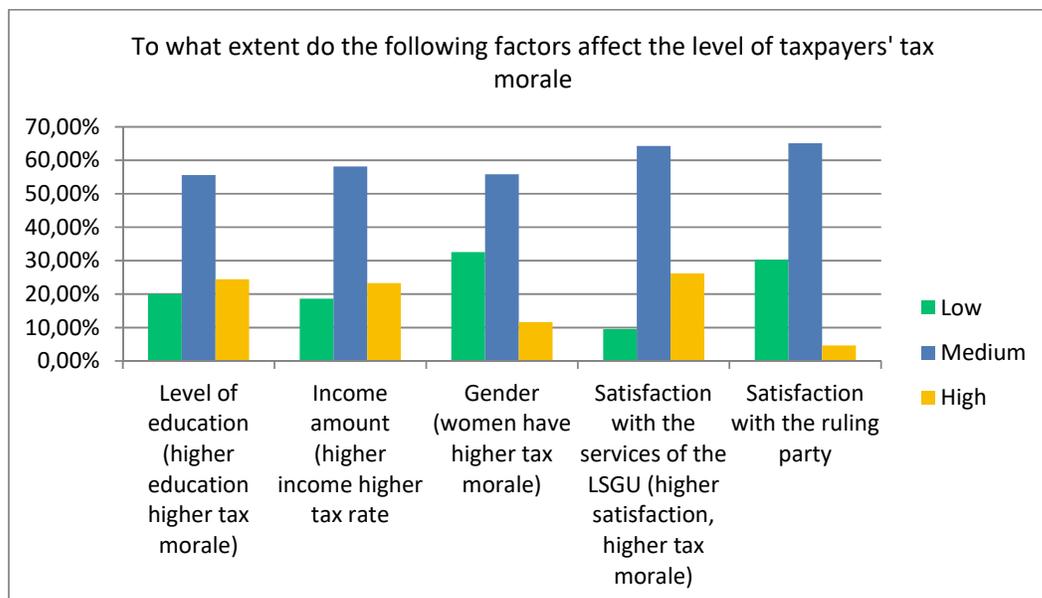
To what extent do the following factors affect the level of taxpayers' tax morale

Source: conducted online questionnaire on the opinion on the property tax system in the municipalities in RNM

The public awareness of taxes also increases the need for accountability, which is good from both an economic and a political (democratic) perspective, but visibility makes raising property taxes more politically difficult to "sell" as a reform policy, as opposed to other taxes.

Graph 7 Attitude of the citizens of RNM on the connection between tax responsibility and the availability of information
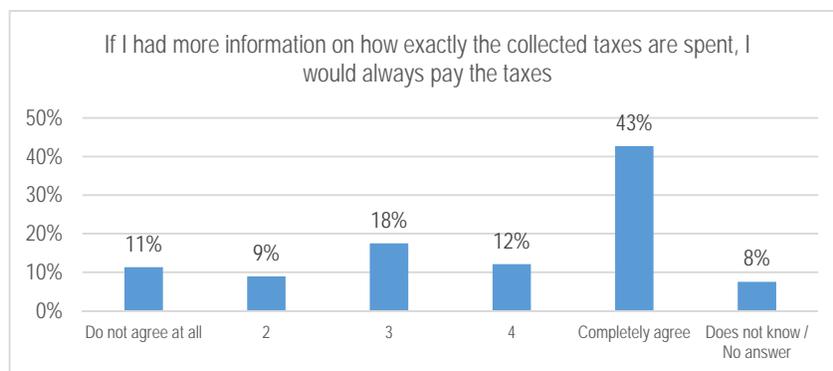
If I had more information on how exactly the collected taxes are spent, I would always pay the taxes

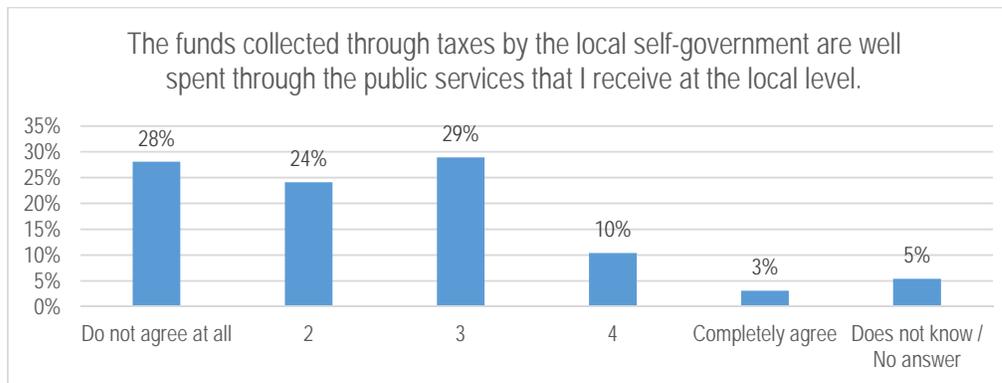Source: conducted face-to-face survey for the needs of the Tax Responsibility Project, on a representative sample of citizens throughout the territory of RNM

B) Property tax and liquidity

The level of property tax does not reflect the liquidity of the property owner and does not necessarily reflect the current financial position of the owner (Johannesson-Linden and Geyer 2012[6]). The imperfect link between property owners' income and property tax liabilities can create problems for taxpayers.

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[6] Johannesson-Linden, A., & Gayer, G. (2012). *Possible Reforms of Real Estate Taxation: Criteria for Successful Policies* (European Commission, Directorate-General for Economic and Financial Affairs, Occasional Papers 119). Brussels: European Commission.

If they have problems or have a limited income, the emergence of **rich-in-property** and **poor-with-money** socio-demographic groups of taxpayers also occurs. This is the case with older people such as pensioners, unemployed or low-income people, and other vulnerable categories of citizens. This phenomenon is applicable to Macedonian society due to the high level of property ownership (inheritance from the former system), the high poverty rate, and the limited liquidity of real estate (reflecting the inefficient real estate market).

According to national statistics, Macedonian citizens have a large number of apartments and a high poverty rate. Without going into the analysis of the efficiency and functionality of the real estate market and the analysis of the distribution of wealth and capital, however, the data (unfortunately from the 2002 census) show that there are almost 700 thousand apartments, 563 thousand individual households, and poor rate persons by 22% of the population.

It is therefore not surprising that the strongest opponents of property taxes and tax reform are often older people, many of whom may be wealthy but poor in liquidity/cash. Often the (in the (il)liquidity of the capital/property market is a result of both the democratic development and the shortcomings of the political economy of the system (De Soto H. 2000)[7].

C) Is property tax regressive or progressive?

Another obstacle to property tax reform stems from the fact that the tax is regressive. Those who consider the property tax to be a "housing service" tax tend to think that it is inherently regressive. Those who see property tax as a capital tax tend to think that it is progressive because capital income has a larger share of the income of wealthier households.

D) Property tax is inelastic

Public property tax revenues are relatively inelastic unless the base or rate changes, hence revenues do not change and automatically increase with economic growth. Even with a property tax based on a fixed market value, the value of the tax responds more slowly to changes in economic activity than other taxes, especially because updating property values for taxation is not done regularly and promptly. To maintain property tax revenues (expressed in real terms) at the same level, local governments can usually raise tax rates. One of the approaches is to increase the accountability and responsibility of local governments, especially for increasing taxes more than planned, and especially if it is necessary for the local government to convince taxpayers to increase tax rates.

In the case of RN Macedonia, given that we have relatively low rates of property tax collection (43% of LSGUs collected less than 80% of the planned property tax in 2018), improving the transparency, accountability and improving the communication with the taxpayers for enhanced tax liability is one way to increase collection and hence revenue. The pilot projects we are implementing in the next period should show whether communication with taxpayers through innovative approaches would have an effect and to what extent

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[7] Soto, H. (2000). The mystery of capital: Why capitalism triumphs in the West and fails everywhere else. New York: Basic Books

E) Property tax is unstable

Volatility can be a problem for taxpayers when property values grow rapidly, as this is unlikely to happen uniformly (Howman and Sexton 2008[8]). Even if total local tax revenues remain constant, there may be major changes in the distribution of the property tax burden. Changes in property taxes whose values change faster than average are a particular problem when the impact is not uniform (Dornfest 2005[9]). "Property tax riots" mainly occur when the market value of property grows rapidly and leads to a dramatic increase in property taxes. These developments were evident in the collapse of the Canadian (2012[10]) and American (2008[11]) real estate markets.

F) Property tax is based on assumptions

Another reason why taxpayers do not like property tax is that they cannot agree or understand the assessment of the tax base, especially in countries with complex property tax systems (e.g. Belgium). Most taxes are based on income or sales, while property taxes are usually based on the value of the property owned by the taxpayer. Therefore, the assessment in determining the value that the taxpayer has to pay for property tax is considered to be an unfair and arbitrary method of calculation. Taxpayers' perception of the fairness of a particular tax affects the extent to which the authorities can reform the tax.

If taxpayers do not have trust in the government, they probably would have less confidence in the fairness of the tax and the possibility of tax reform. For example, when the property tax rate increases or a new property tax is proposed, such as in Greece (in 2011[12]) or Ireland (in 2013[13]), people will be reluctant to pay the tax. Again, as previously illustrated, the trust in governance, accountability, communication with citizens, and the ability to actively participate in decision-making is a prerequisite for any reform to be supported by citizens. The answers of the Macedonian citizens illustrated below, indicate that there are much more dissatisfied than those who are satisfied with the democratic system in the country, and much more believe that the tax system in the country is not fair as opposed to those who think it is fair.

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[8] Haveman, M., & Sexton, T. A. (2008). *Property Tax Assessment Limits: Lessons from Thirty Years of Experience.* Cambridge, MA: Lincoln Institute of Land Policy.

[9] Dornfest, A. S. (2005). Effects of taxable value increase limits – fables and fallacies. *Journal of Property Tax Assessment and Administration, 2*(4), 5–15.

[10] Bird, R. M., Slack, E., & Tassonyi, A. (2012). A Tale of Two Taxes: Property Tax Reform in Ontario. Cambridge, MA: Lincoln Institute of Land Policy.

[11] https://www.forbes.com/sites/jessecolombo/2020/03/31/why-us-housing-bubble-20-is-about-to-burst/#3515d2186b76

[12] https://www.nytimes.com/2016/11/02/opinion/in-greece-property-is-debt.html

[13] https://www.ft.com/content/f7983a4e-3ece-11e2-87bc-00144feabdc0

Graph 8 Attitude of the citizens of RNM for the democratic system in the country
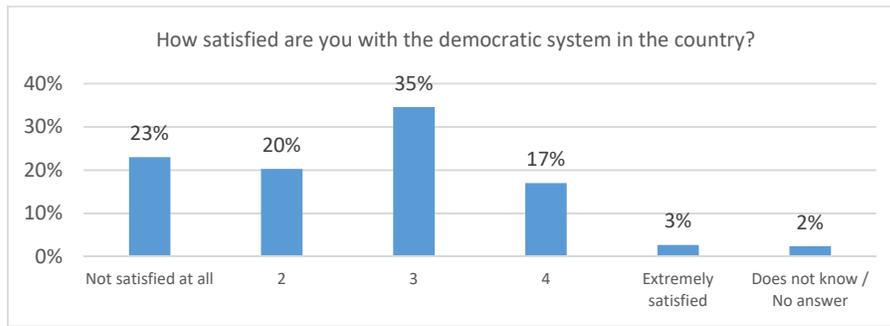
How satisfied are you with the democratic system in the country?

Not satisfied at all	2	3	4	Extremely satisfied	Does not know / No answer
23%	20%	35%	17%	3%	2%

Source: conducted face-to-face survey for the needs of the Tax Responsibility Project, on a representative sample of citizens throughout the territory of RNM

Graph 9 Attitude of the citizens of RNM on the fairness of the tax system in the country
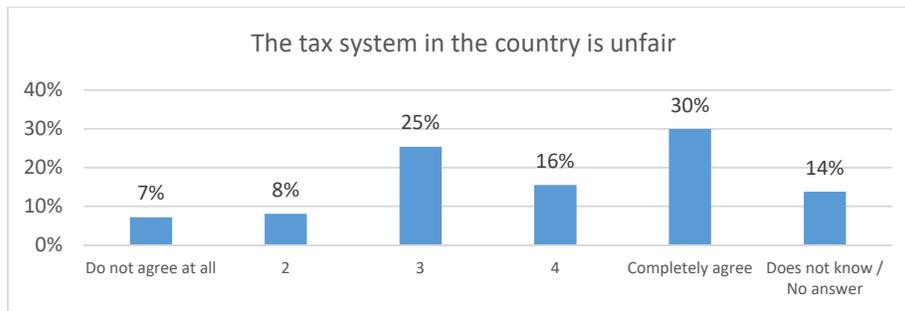
The tax system in the country is unfair

Do not agree at all	2	3	4	Completely agree	Does not know / No answer
7%	8%	25%	16%	30%	14%

Source: conducted face-to-face survey for the needs of the Tax Responsibility Project, on a representative sample of citizens throughout the territory of RNM

2. Structure of municipal public revenues

The public services at the local level are provided directly through the local administration of the municipalities. The basic principle of the local self-government is the subsidiarity as a functional division between central and local government. According to the principle of subsidiarity, the government functions should be performed at a lower local level unless the local government fails to deal with them more efficiently than the central government and if the performance of functions at a higher level would be more efficient.

The financing of the LSGU in RNM is implemented through the collected revenues of the LSGU that are generated from its own sources, through the basic budget of the LSGU, through transfers from the central government, through crediting and through donations.

The total revenues of the municipalities in RNM, expressed as a relative indicator in relation to GDP, participate with an average of 6% over the past decade, from the highest 6.7% in 2012 and minimum 5.5% in 2017, to be returned to ~ 6% in 2019. This percentage increases from 4.5% in 2008 when the second phase of the fiscal decentralization process begins.

Graph 10 RNM Budget revenues and municipal revenues as a percentage of GDP
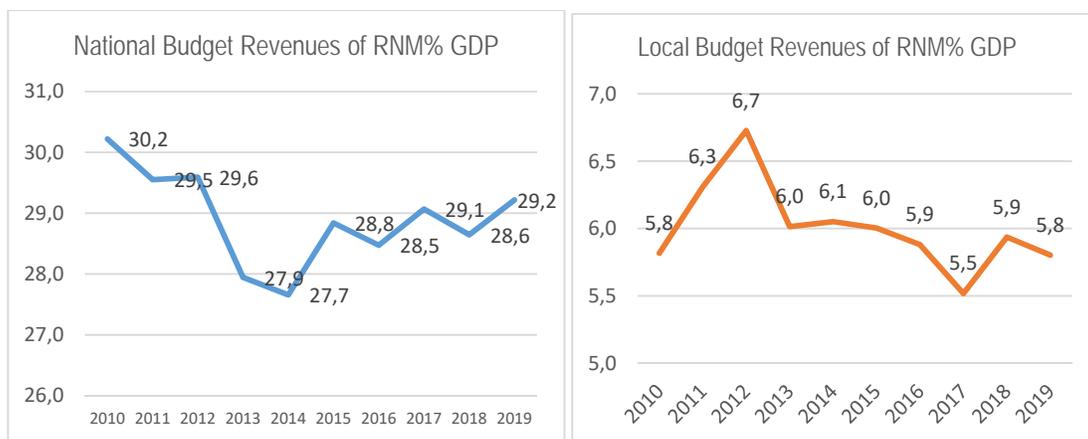
Source: author's calculations based on data from the treasury of the Ministry of Finance of the RNM.

At the same time, the trend of LSGU revenues in total absolute amount, as well as the reduced revenues for block grants that LSGUs receive from the central government, shows a decrease in the period 2013-2017.

Graph 11 LSGU Revenues
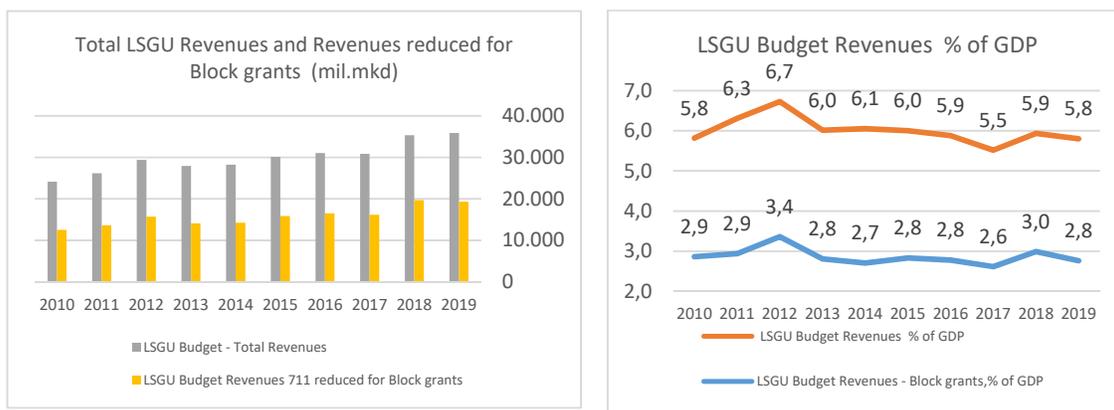
Source: author's calculations based on data from the treasury of the Ministry of Finance of the RNM

The revenue structure of LSGUs in the last decade is almost unchanged. Half of the revenues are grants - transfers from central government to local government, the basic budget participates with 43%, self-financing activities participate with 3% in the total revenues of LSGUs and other revenues from donations and loans with an average annual participation of 1.4%.

Table 1 Structure of LSGU revenues by source

Mil. MKD	Basic Budget	Donations	Loans	Self-financed	Grants-transfers	Total	Change
2008	8,823	102	25	905	9,568	19,740	
2009	8,140	78	0	874	11,905	20,928	6.0
2010	10,368	184	36	917	12,651	24,132	15.3
2011	11,508	170	467	884	13,148	26,160	8.4
2012	13,327	272	526	932	14,207	29,418	12.5
2013	11,592	322	673	867	14,344	27,921	-5.1
2014	12,057	408	599	893	14,288	28,244	1.2
2015	13,530	522	509	917	14,654	30,132	6.7
2016	14,205	503	598	905	14,812	31,024	3.0
2017	13,569	847	546	906	14,972	30,841	-0.6
2018	13,541	830	274	931	16,562	35,316	14.5
2019	18,108	704	522	945	17,876	35,865	1.6
Average structure	43.0	1.4	1.4	3.3	49.7	100.0	

Graph 12 Structure of the LSGU revenues by source
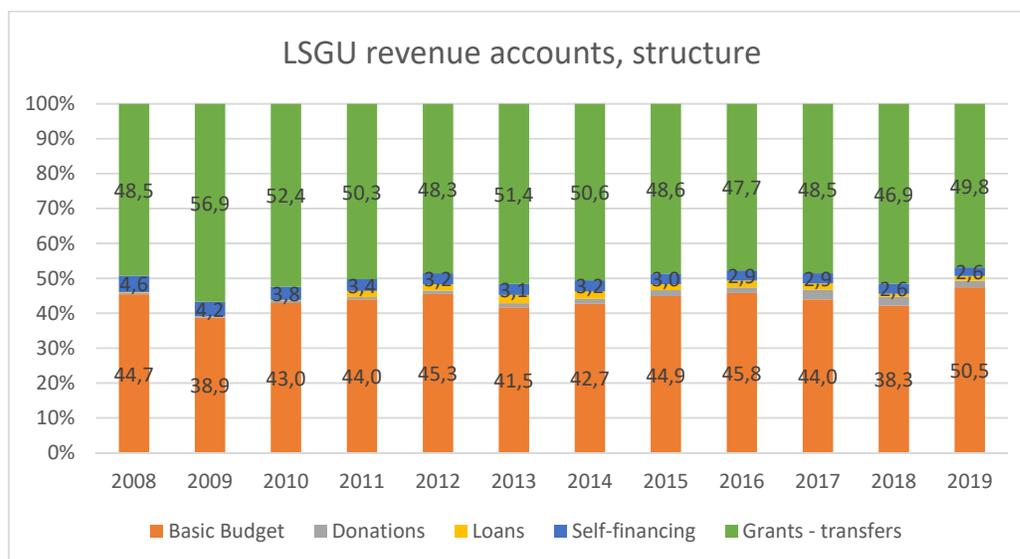
LSGU revenue accounts, structure

Year	Basic Budget	Self-financing	Grants - transfers
2008	44,7	4,6	48,5
2009	38,9	4,2	56,9
2010	43,0	3,8	52,4
2011	44,0	3,4	50,3
2012	45,3	3,2	48,3
2013	41,5	3,1	51,4
2014	42,7	3,2	50,6
2015	44,9	3,0	48,6
2016	45,8	2,9	47,7
2017	44,0	2,9	48,5
2018	38,3	2,6	46,9
2019	50,5	2,6	49,8

Legend: Basic Budget, Donations, Loans, Self-financing, Grants - transfers

Source: author's calculations based on data from the treasury of the Ministry of Finance of the RNM

2.1. Revenues from taxes and property taxes

In the last ten years in absolute amount, the total revenues of the local government have increased by almost 12 billion denars or 50%, in 2010 compared to 2019. Most of the revenues of the LSGU are from the transfers from the central government on various bases with a share of 61%.

LSGUs' tax revenues contribute in average with a quarter of the total local government revenues, and their share fluctuates by several percentage points per year, with a share of 23% to 26%.

Table 2 Value of tax revenues at LSGUs

			711	713	717	718	741	Other
Mil. MKD	**LSGU Budget - Total Revenues**	Tax revenues (711+713+717+718)	Income tax	Property tax	Taxes on specific s.	Fees for p.activities	CG transfers	Others
2010	24,132	6,181	259	2,037	3,842	44	14,819	3,131
2011	26,160	6,884	216	2,172	4,447	49	15,846	3,430
2012	29,418	6,939	216	2,311	4,356	56	17,337	5,142
2013	27,921	6,673	228	2,357	4,028	60	16,810	4,438
2014	28,244	6,897	250	2,632	3,944	71	17,400	3,947
2015	30,132	7,521	279	2,788	4,388	67	17,897	4,714
2016	31,024	8,128	293	2,824	4,934	76	18,571	4,326
2017	30,841	7,939	314	2,801	4,759	65	19,059	3,842
2018	35,316	8,384	341	3,151	4,805	86	22,661	4,270
2019	35,865	8,935	376	3,265	5,177	118	21,604	5,326
Average	29,905	7,448	277	2,634	4,468	69	18,201	4,256
Structure%	*100*	*24.9*	*3.7*	*35.4*	*60.0*	*0.9*	*60.9*	*14.2*

Source: author's calculations based on data from the treasury of the Ministry of Finance of the RNM

The largest share in the structure of local taxes have taxes on specific services, i.e. utility fees and land management, which depend on economic activity at the local level and whose absolute value increased from 3.8 billion to 5.2 billion denars from 2010 to 2019 (35%). However, in the same period there is a decrease in specific services in total tax revenues from 62% to 58% (decrease from 4.2 percentage points in 2010 compared to 2019).

Graph 13: Share of tax revenues in the total revenues of the LSGU
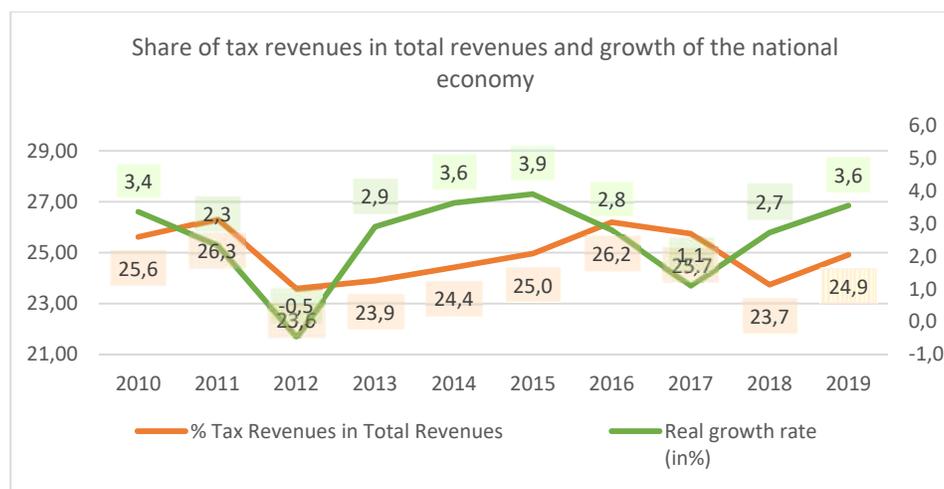
Share of tax revenues in total revenues and growth of the national economy

Source: author's calculations based on data from the treasury of the Ministry of Finance of the RNM

In contrast, the collected property taxes, in absolute value in 2019 is 3,265 million denars, and this value has increased since 2010 when they are 2,037 million denars, which is an increase of 60%. The share of property taxes in the total tax revenues is increased from 33% in 2010 to 36.5% in 2019, or an increase of 3.5pp.

Table 3 Structure of tax revenues at LSGUs

	% Tax revenue in total revenue	% Share of taxes in tax revenues			
		Income tax, profit and capital gains	Property tax	Taxes on specific services - utility fees	Utility fees or licenses to perform an activity
2010	25.61	4.2	33.0	62.2	0.7
2011	26.32	3.1	31.5	64.6	0.7
2012	23.59	3.1	33.3	62.8	0.8
2013	23.90	3.4	35.3	60.4	0.9
2014	24.42	3.6	38.2	57.2	1.0
2015	24.96	3.7	37.1	58.3	0.9
2016	26.20	3.6	34.8	60.7	0.9
2017	25.74	4.0	35.3	59.9	0.8
2018	23.74	4.1	37.6	57.3	1.0
2019	24.91	4.2	36.5	57.9	1.3
Average	*24.91*	*3.7*	*35.4*	*60.0*	*0.9*

Source: author's calculations based on data from the treasury of the Ministry of Finance of the RNM

The increase in property tax revenues may be a reflection of the increased effort to collect property taxes and / or the increased efficiency of the property tax collection administration, but also as a result of expanding the scope of the tax base or the tax rate (which may vary according to the decision of the LSGU of 0.1-0.2%). However, the LSGUs believe that there

is room for increasing the efficiency of the system, since half of them rated the efficiency as average.

Graph 14 Attitudes of the local self-government on the efficiency of the tax collection system
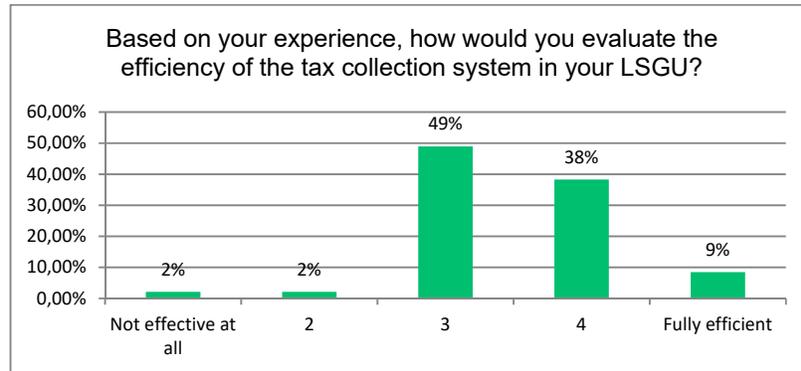
Source: conducted online questionnaire on the opinion on the property tax system in the municipalities in RNM

The rate of execution of property tax revenues in relation to the planned revenues varies from 79% to 90%. In 2019, the total realization rate is 104%, but this bounce is mainly due to the significantly lower absolute value of the planned budget revenues from property taxes for 2019 compared to 2018, by 15% lower, and the realized revenues have increased by 4% in 2019 compared to the previous year. This bounce can be the result of a number of variables such as cash-keeping records, increased effort to collect current and due claims, and improved/ more realistic planning of budget revenues for property taxes. At the same time as a "brake" is introduced a fiscal rule (in 2018) where municipalities cannot project an increase in revenues by more than 10% of the average of the last three years, which in 2019 was increased to 30%[14].

In reviewing the dynamics of the realization / execution rate, there are two time periods, from 2010 to 2015 with an upward trend of the realization rate, which decreases after that period. The average change for the period 2010-2018 (excluding 2019) is characterized by an annual average growth of the planned property tax revenues of 4.6% while the growth of the collected property taxes increases by an average of 5.7% per year.

Table 4 Planned and realized revenues from property taxes in LSGU

MKD	713 Property taxes		Plan to Execution
	Plan	Execution	%
2010	2,586,579,993	2,039,392,013	78.8
2011	2,725,009,286	2,175,471,944	79.8
2012	2,942,246,709	2,311,631,540	78.6
2013	2,819,247,321	2,357,057,642	83.6
2014	2,931,728,211	2,637,528,391	90.0
2015	3,083,661,619	2,787,790,779	90.4
2016	3,338,108,029	2,824,492,308	84.6
2017	3,548,192,931	2,800,695,655	78.9
2018	3,694,285,273	3,151,331,141	85.3
2019	3,121,633,474	3,264,843,048	104.6

Source: author's calculations based on data from the treasury of the Ministry of Finance of the RNM

[14] Law on Financing of Local Self-Government Units

Graph 15 Outturn rate of the planned property tax revenues
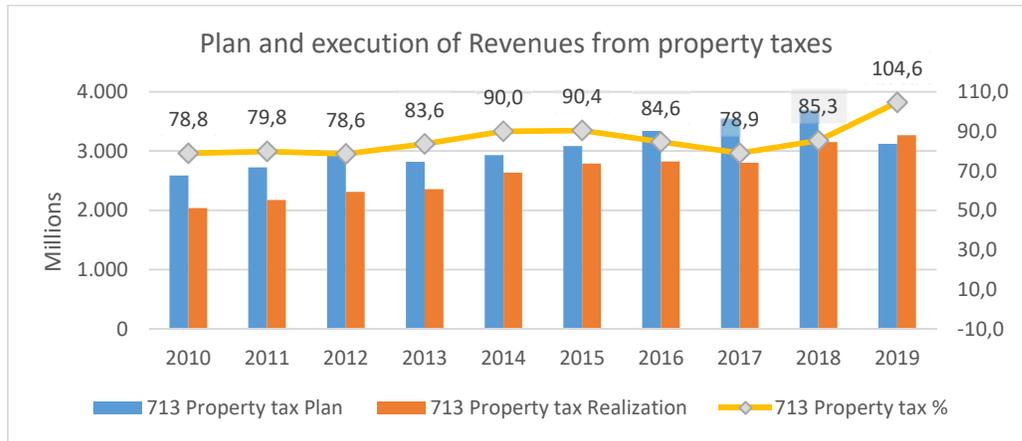
Plan and execution of Revenues from property taxes

Source: author's calculations based on data from the treasury of the Ministry of Finance of the RNM

3. Challenges faced by the Macedonian municipalities in managing property tax revenues

The local government through the municipal administration is facing the challenge of providing quality and affordable services to all citizens. In the same context, the effectiveness and efficiency in providing local services in RNM remain a series of challenges.

The financing of the municipal competencies and responsibilities together with the level of quality of the provided local services remains a challenge. According to the 2018 World Bank Diagnostics Review for RNM, "municipalities can only have minimal revenue autonomy, but they also fail to maximize the autonomy they have"... "local government financial management requires improved public efficiency consumption and increase of tax collection which will provide better public services and provide a buffer when needed to stimulate economic activity"[15]

The Ministry of Finance of RNM in early 2018 (confirmed by the SAO) estimated the total overdue municipal liabilities in the amount of almost 100 million euros, twice as much as in 2005 when decentralization have begun. The value of due and unpaid liabilities expressed as a ratio in the total revenues of LSGUs in 2018 is 16.6% and almost 44% of the cumulative basic budgets of LSGUs in 2018[16]

While in the statistics of the public debt of RNM are recorded 11.5 million EUR as part of the public debt of RNM which belongs to the municipalities for 2019 (out of the total public debt of RNM of 5,541 million EUR), the overdue unpaid liabilities (arrears) of the municipalities are five times higher in the absolute value of 54.7 mil. EUR at the end of March 2020 (cross-section for Q1 2020), and reduced by 81.2 mil. EUR from the end of September 2018 (for Q3 2018 the earliest data).

The lack of incentive to reduce the debts incurred through the accumulation of overdue liabilities, which are not recorded in the public debt was shown by the intervention of the central government through the adoption of a Law to cover 51% of overdue debts of LSGUs[17] from the end of 2018 by making available 49 million EUR to the municipalities (3,032 million MKD) from the central budget in the form of grants. The Center for Economic Analysis[18] with an announcement pointed out the negative implications of such a decision on the rule of law and syndication of costs in irresponsible operations.

At the same time as a "brake" is introduced a fiscal rule (in 2018) where municipalities cannot project an increase in revenues by more than 10% of the average of the last three years, which in 2019 was increased to 30%. Apart from the amendments to this Law, the Law on Reporting and Recording of Liabilities from 2018 is also adopted, with which the LSGUs record in one place the liabilities of the LSGUs, including the due liabilities and their due date.

There is still a need for fiscal consolidation and significant improvement in public financial management at the local level. This is especially characteristic for the smaller municipalities

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[15] http://pubdocs.worldbank.org/en/606381543434479145/MKD-SCD-2018-ENG-Web.pdf
[16] The total revenues of the LSGU for 2018 amount to 35.86 billion denars, cumulatively the basic budgets of the LSGU amount to 18.35 billion denars, and the overdue liabilities of the LSGU and their units up to that time amounted to 5.95 billion denars.
[17] Law on financial support of local self-government units and beneficiary units established by local self-government units, Official Gazette of RM 209/2018, for financing overdue and unpaid liabilities, provides coverage of 51% of the total reported amount of due and unpaid liabilities , to the municipalities and the beneficiary units, as of September 2018.
[18] See more: https://cea.org.mk/wp-content/uploads/2018/02/CEA-Soopstenie-za-javnost-po-povod-ELS-zadolzhuvanje-2018-1.pdf

which are even more vulnerable because the services that are provided are the same but should be provided with smaller budgets.

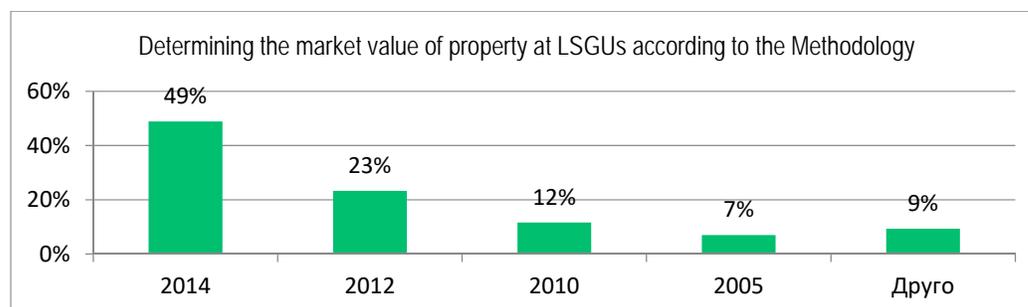## 3.1. Systemic, administrative and organizational challenges facing the municipalities

The challenges faced by the municipalities to a greater or lesser extent are: 1) property taxes do not participate with a large share in the budget 2) property tax is usually collected annually and is a one-time burden for the individual, 3) for setting up a successful system of tax management requires quality data on the property together with a system of effective control, 4) the valuation of the property according to market values is a big challenge, the property as a heterogeneous category and its value includes a number of factors so regular revaluation is necessary to determine the real value

1) *Challenges in determining the tax base and the real market value of the property*

At the LSGU in RNM, the proportional property tax rate for the property tax (determined at the municipal level in the range of 0.1-0.2%) is applied on the tax base which is based on the estimated market value of the property. The market value of the property in RNM is determined by the value of the property according to the Methodology for determining the market value of real estate and the zoning of the municipality by a decision of the municipality. Some of the LSGUs do not practice up-to-date zoning or updating of the market value of the property by applying the last adopted methodology with the changes from 2014, so they either use an older methodology or adopt it significantly later.

Most of the municipalities consider that the approach and methodology used are not a realistic reflection of the market value of the property, which in turn is the tax base for the property tax. Also, even more of them confirm and believe that revaluation or reassessment of the value is needed and that it is rarely done.

Graph 16 Responses of the LSGU for the used methodology for valuation of the market value of the real estate and the need for revaluation of the value
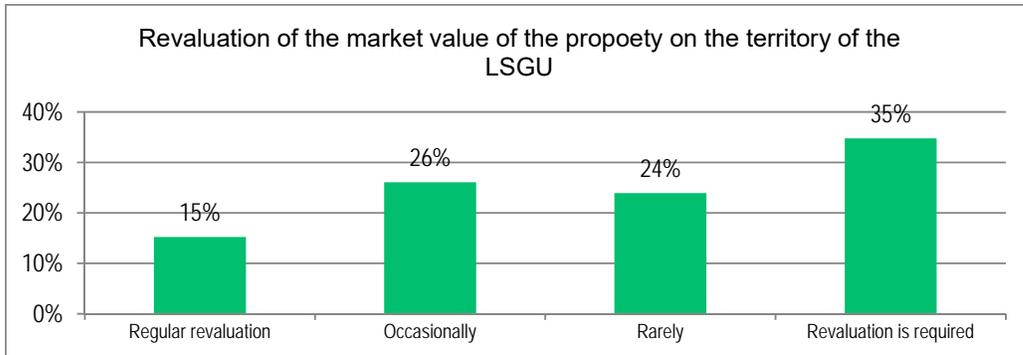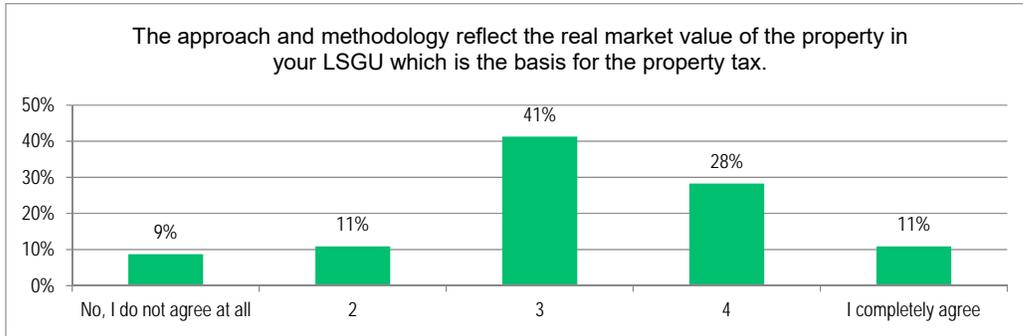
Determining the market value of property at LSGUs according to the Methodology

2014: 49%
2012: 23%
2010: 12%
2005: 7%
Друго: 9%

The approach and methodology reflect the real market value of the property in your LSGU which is the basis for the property tax.

No, I do not agree at all	9%
2	11%
3	41%
4	28%
I completely agree	11%

Revaluation of the market value of the propoety on the territory of the LSGU

Regular revaluation	15%
Occasionally	26%
Rarely	24%
Revaluation is required	35%

Source: conducted online questionnaire on the opinion on the property tax system in the municipalities in RNM

For most of the LSGUs that in the past years did not have the capacity to revalue the property, they work with outdated data, which in turn reduces or does not give the real value of the property, hence the real estate tax base to which the adequate tax rate is applied it is not realistic and finally unrealistic is the planning of revenues and their efficient management.

For 13% of the LSGUs, who answered the question, the revaluation is not a challenge and at the same time the same municipalities answered that they regularly revalue the value of the property as well as the data of the taxpayers. On the other hand, for the others, the lack of human and financial resources, and most often both, is a challenge for determining the tax base.

Graph 17 LSGU Responses to Challenges with Real Estate Value Establishment Facilities

Challenge in capacities for the revaluation of the real estate on the territory of the LSGU:

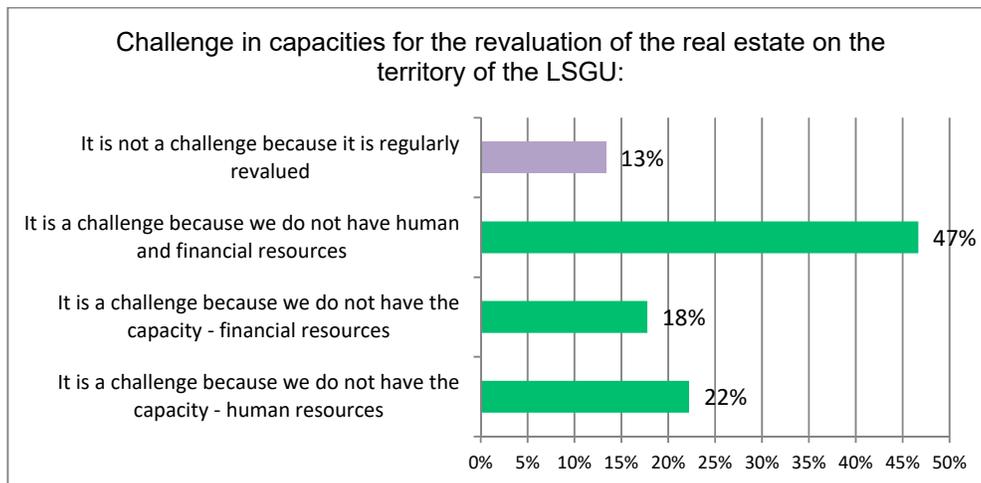|	
It is not a challenge because it is regularly revalued	13%
It is a challenge because we do not have human and financial resources	47%
It is a challenge because we do not have the capacity - financial resources	18%
It is a challenge because we do not have the capacity - human resources	22%

Source: conducted online questionnaire on the opinion on the property tax system in the municipalities in RNM

There are also LSGUs that still use the taxpayer base obtained by the PRO in 2005 by gaining jurisdiction, and have not revalued the real estate. There are also municipalities whose property value decisions are based on older methodologies. However, there are other examples of municipalities that, based on an organized process of working groups, have made a complete reassessment of the value of the property. Regarding the databases for taxpayers, most of the LSGUs believe that they are regularly updated.

The biggest challenge according to the LSGU is the availability of accurate contact data of the taxpayer. The lack of such data also arises as a result of non-synchronization with other databases. Outdated computer programs used in LSGUs are an additional problem. Additionally, the processes of legalization of properties in the past period have increased, as well as the volume and value of the property, for which it is necessary to update the data that would contribute to the updating of the tax base. The challenges that are systemic and that have an effect on the accurate data for a certain taxpayer are the long or unfinished procedures for the transfer of property. There are data on taxpayer debts that no longer exist or are double-tracked and that last for years, so updating and cleaning the databases is necessary. The updating of the data largely depends on the taxpayer and is not done through mutual communication of the system of services and institutions.

For only one-fifth of the LSGUs, maintaining an updated database for property taxpayers is not a challenge at all.

Graph 18 LSGU responses to challenges with taxpayer data
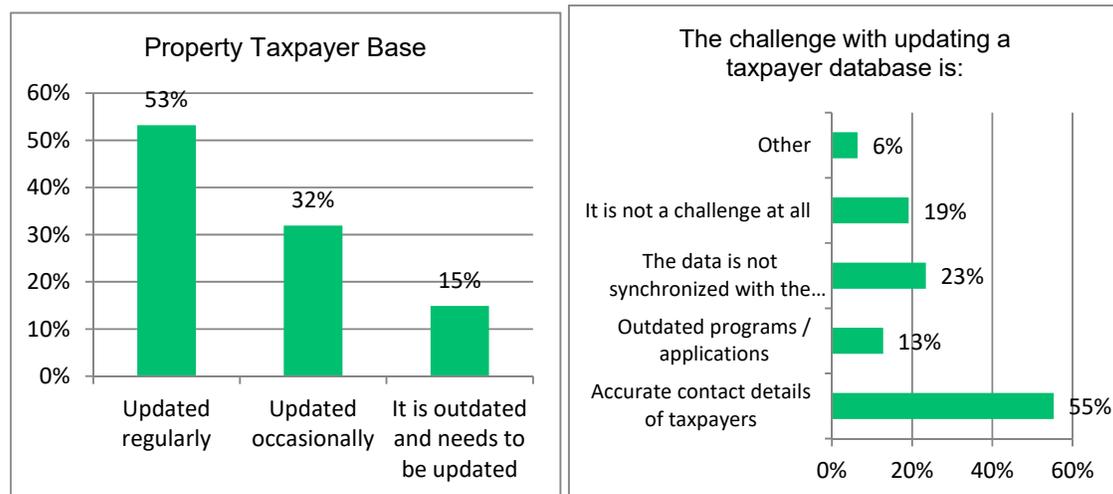
Source: conducted online questionnaire on the opinion on the property tax system in the municipalities in RNM

3) Challenges in system administration

(1) Financial records

A significant number (with exceptions) of LSGUs in the financial records of property tax collection do not have a systemic mechanism to keep records of collection for a given period due to exclusively cash records (accounting records on a cash basis). This is because the inflow in a given period is recorded in the collection period regardless of the period when the obligation matured (payment is not differentiated by years but only until the payment date), hence there are collections in a given year that exceed 100% and in other years it is relatively low[19].

Although from the given answers according to the questionnaire two thirds of the LSGU stated that the system enables differentiation of payments by years versus one-third of the LSGUs that answered that they do not have the opportunity for such an examination, still some of them are not able to give information about the percentage of the payment for the given year with the explanation that it is on a cumulative basis.

It can be concluded that for at least one-third of the municipalities in RN Macedonia this is a barrier in making adequate analyses and an opportunity to improve the efficiency of the system and collection.

Graph 19 LSGU responses about challenges with debt determination
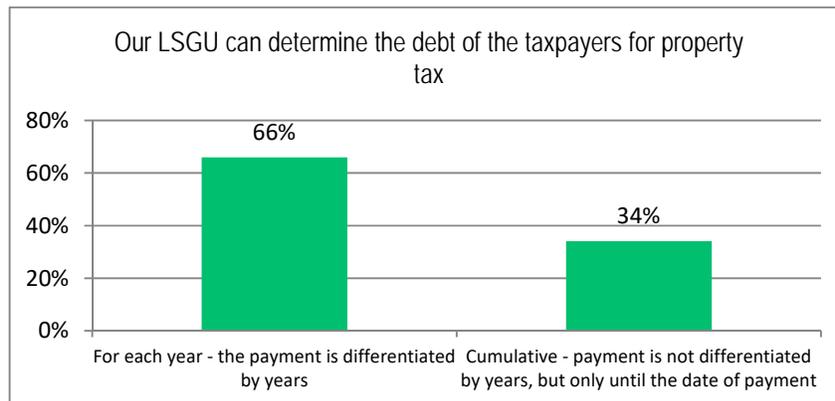
Source: conducted online questionnaire on the opinion on the property tax system in the municipalities in RNM

This inefficient and incomplete recording together with the outdated database of taxpayers is contaminated with data on old debts which according to some municipalities have been going on for more than a decade.

Property tax claims that are due and uncollected in the records of some municipalities include claims from fifteen years ago.

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[19] The SAO in the audit from 2017 still records LSGUs that do not have a register of real estate that is subject to taxation and did not issue decisions for borrowing taxpayers with property tax

(2) Central versus local management of the assessment of the tax base

The systemic separation of two parallel processes at two levels of government also reflects the need to improve system efficiency. While the adopted methodologies are still not applied at the local level and face local capacity shortages, at the central level through the Ministry of Transport and Communications, a few years ago it was announced the preparation of a new methodology for determining the market value of the property. At the same time, the Cadastre Agency announces a process for mass assessment of the value of the property with the intention to develop and transfer the system to the municipalities to determine the value of the property. This process is still in the making or stagnant. LSGUs are to some extent familiar with the process however, no one is familiar with the progress at the moment.

Graph 20 LSGU responses to a possible centrally organized property assessment process
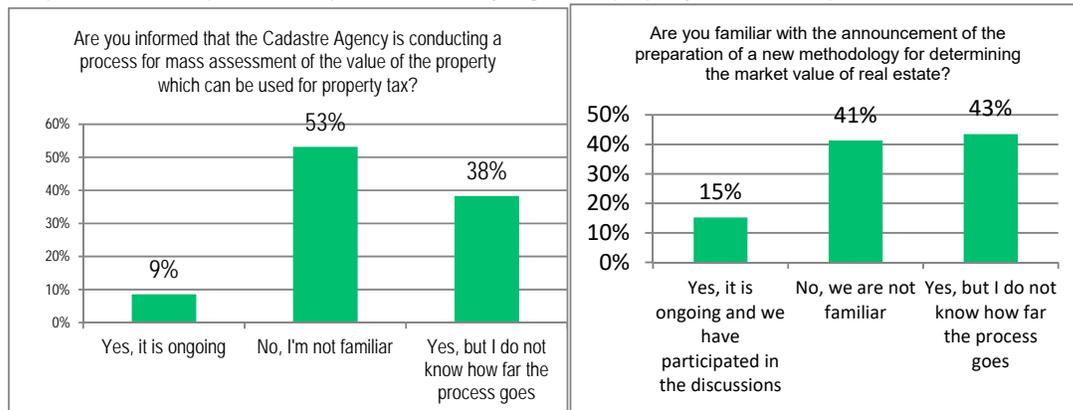
Source: conducted online questionnaire on the opinion on the property tax system in the municipalities in RNM

Such an organized and mass assessment would be more efficiently completed at the central level through organized central activities and process. From the aspect of better management of public finances, it will provide a better database and an updated database for adequate collection of property taxes at the local level through data synchronization. This is especially because the main reason why certain LSGUs have not undertaken such activities is due to the extensive process for which they do not have financial and human resources because it is a relatively long and massive coordinated process. This process is an extensive and long-term process. Slovenia's experience, for example, in the process of modernizing the market-based property tax system through the establishment of a centralized real estate registry and the development of a mass valuation system, was introduced in 2012, but its preparation took a number of years starting in the 2000s. and the cost was about 11m euros[20].
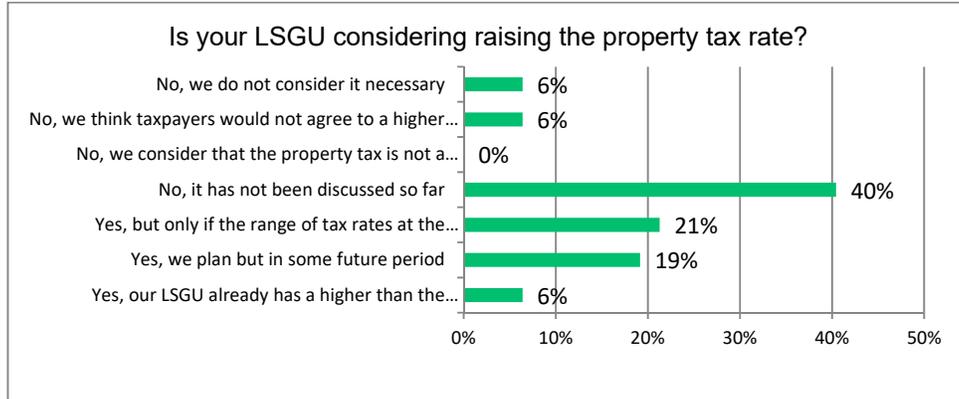
(3) Setting of tax rates

LSGUs in RNM generally do not consider a possible change of the tax rate in conditions of the unchanged framework of allowed rates as well as the current tax base.

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[20] See more: Development and enforcement of a market based mass valuation system for real properties in Slovenia Dušan Mitrović, and Neva Žibrik

Most LSGUs rename the minimum property tax rate of 0.1% (reduced by 50% for residential property), while there are a few exceptions that have increased the rate to 0.12% or 0.15% and those that returned the rate of 0.1%. According to the sample that answered the questionnaire, 5 municipalities have a tax rate higher than the minimum.

Graph 21 LSGU responses about the adequacy of the proportional property tax rates

Is your LSGU considering raising the property tax rate?

No, we do not consider it necessary	6%
No, we think taxpayers would not agree to a higher…	6%
No, we consider that the property tax is not a…	0%
No, it has not been discussed so far	40%
Yes, but only if the range of tax rates at the…	21%
Yes, we plan but in some future period	19%
Yes, our LSGU already has a higher than the…	6%

Source: conducted online questionnaire on the opinion on the property tax system in the municipalities in RNM

Also half of the municipalities think that the property tax rate should not be changed, one fifth think that it is necessary to increase the range of rates and almost as many more rates should be introduced and 13% think that it is necessary to apply higher rates. property tax rates.

Graph 22 Opinion of the LSGU about the change of tax rates for property tax
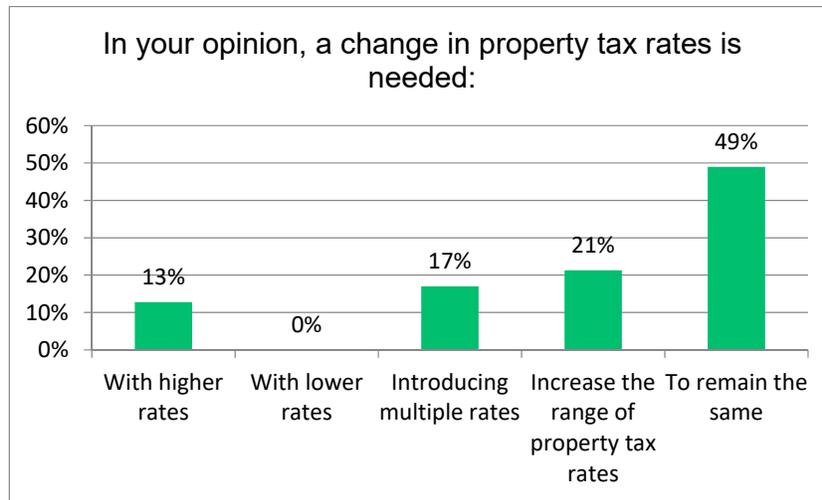
In your opinion, a change in property tax rates is needed:

With higher rates	13%
With lower rates	0%
Introducing multiple rates	17%
Increase the range of property tax rates	21%
To remain the same	49%

Source: conducted online questionnaire on the opinion on the property tax system in the municipalities in RNM

(4) Issuing a tax bills, collecting taxes and managing uncollected claims

The collection of local taxes is a challenge for many municipalities, especially for property taxes. The relatively low collection rate varies from municipality to municipality, mainly determined by the political economy, but primarily due to the lack of capacities of the LSGUs, as well as due to the socio-economic and demographic characteristics of the taxpayers.

There is considerable room for improvement in the efficiency of property taxes collected without resorting to increasing property tax rates. Almost half of the LSGUs in RNM in 2018 collected / realized less than 80% of the planned property tax revenues.

% Execution / Plan of property tax revenues for 2018	# LSGU	% LSGU
30-40	4	5%
40-50	1	1%
50-60	9	11%
60-70	7	9%
70-80	14	17%
80-90	15	19%
90-100	19	23%
>100	12	15%
	81	100

Source: author's calculations based on data from the treasury of the Ministry of Finance of the RNM

The communication with the taxpayers is on a basic one-way level and it consists in preparing an annual decision for property tax which is delivered to the address, and eventually, a warning for overdue debt is submitted if it is not paid. Initiating a debt enforcement procedure through a forced collection is not an option that municipalities use regularly, according to them, due to the extensive administrative process.

By 2020, mid-August, less than half of the LSGUs have issued and submitted property tax decisions to taxpayers, more than half have not yet done so, although according to the law on property taxes they should prepare them by the end of March for the current year. The main reason why this is the case is the specific situation with 2020 due to the covid-19 pandemic which delayed this process for the LSGUs.

Graph 23 Responses of the LSGU about the timeliness for issuing and submitting property tax decisions
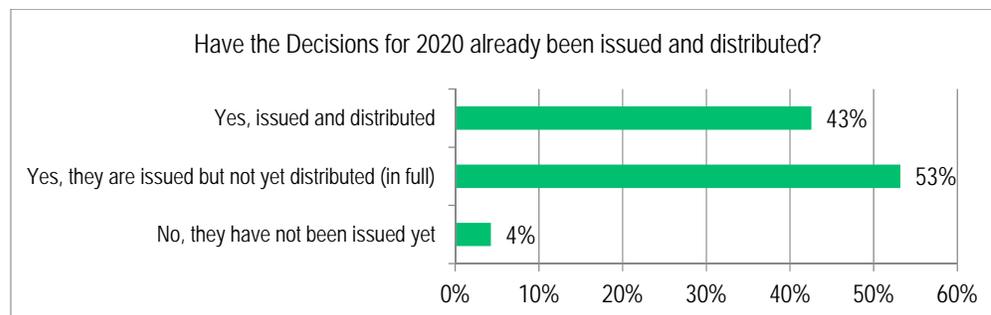
Source: conducted online questionnaire on the opinion on the property tax system in the municipalities in RNM

Communication with taxpayers

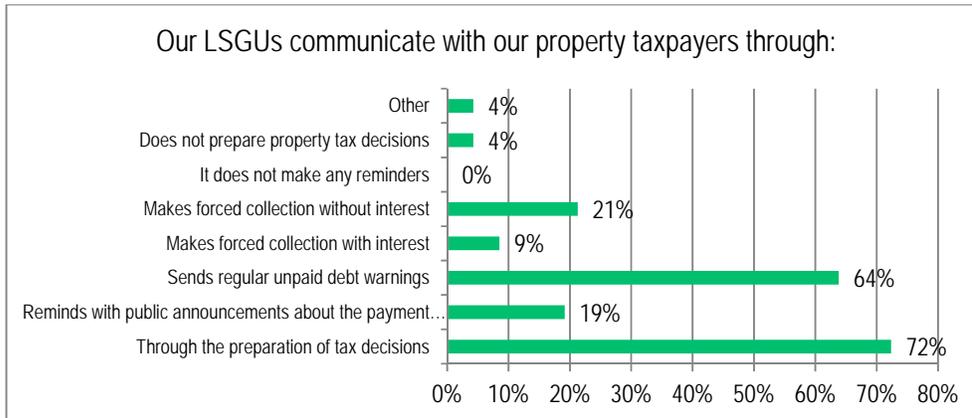According to the LSGU, the most common form of communication remains with the preparation of a decision/tax bill and sending a warning for unpaid overdue debt, which are legally provided instruments. To a lesser extent, however, there is information or reminders through local media such as radio or television, often before the end of the calendar year.

Graph 24 LSGU responses on the ways of communication with taxpayers

Our LSGUs communicate with our property taxpayers through:

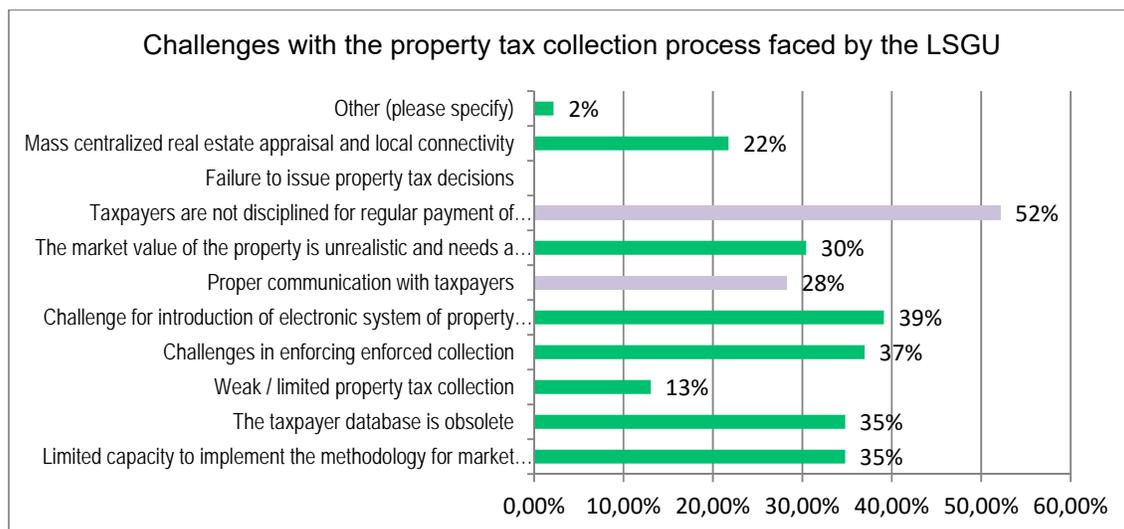| Category	Value
Other	4%
Does not prepare property tax decisions	4%
It does not make any reminders	0%
Makes forced collection without interest	21%
Makes forced collection with interest	9%
Sends regular unpaid debt warnings	64%
Reminds with public announcements about the payment...	19%
Through the preparation of tax decisions	72%

Source: author's calculations based on data from the treasury of the Ministry of Finance of the RNM

In 2018, 8 out of 81 LSGUs did not collect any revenues from property taxes from legal entities, in 2019, 4 out of 81 LSGUs did not collect any revenues from property taxes from legal entities. Interests from untimely payment of property tax were not collected at all by 11 LSGUs in 2019. Collection of property tax by individuals in 2019 by forced collection procedures was registered among only 3 LSGUs.

According to the LSGU, most of the answers to the challenges they face are a result of the insufficient discipline of the taxpayers, the need for an electronic system, the forced collection, the taxpayer base, and the limited capacities for determining the market value of the property.

Graph 25 LSGU responses to the challenges in collecting property taxes

Challenges with the property tax collection process faced by the LSGU

Category	Value
Other (please specify)	2%
Mass centralized real estate appraisal and local connectivity	22%
Failure to issue property tax decisions	
Taxpayers are not disciplined for regular payment of...	52%
The market value of the property is unrealistic and needs a...	30%
Proper communication with taxpayers	28%
Challenge for introduction of electronic system of property...	39%
Challenges in enforcing enforced collection	37%
Weak / limited property tax collection	13%
The taxpayer database is obsolete	35%
Limited capacity to implement the methodology for market...	35%

Source: author's calculations based on data from the treasury of the Ministry of Finance of the RNM

The mentioned challenges are also a problem of the revenue planning of the LSGU. As we calculated above, the execution (outturn) rate varies in different LSGUs, but also on a cumulative level from year to year. Assuming that the planning was carried out on a realistic basis, as opposed to the collected revenues, on average every year in the last ten years more than half a billion denars are lost from the uncollected property tax revenues, or 1.8 percent of the total LSGU revenues, i.e. 4.1 percent of revenues in the basic budget, and one-fifth of the property tax revenues in the LSGU budgets.

Table 5 Unpaid income value and participation

Mil. MKD	Less collected revenues from PT (plan - real)	Unpaid income as% of Total Revenue	Unpaid revenues as% of Basic Budget	Unpaid income as% of Property revenues
2010	547.2	2.3	5.3	26.9
2011	549.5	2.1	4.8	25.3
2012	630.6	2.1	4.7	27.3
2013	462.2	1.7	4.0	19.6
2014	294.2	1.0	2.4	11.2
2015	295.9	1.0	2.2	10.6
2016	513.6	1.7	3.6	18.2
2017	747.5	2.4	5.5	26.7
2018	543.0	1.5	4.1	17.2
Average	509.3	1.8	4.1	20.3

Source: author's calculations based on data from the treasury of the Ministry of Finance of the RNM

In order to test the effects and to pilot various innovative and open communication with taxpayers that does not come down to the traditional role of the tax administration only in issuing a decision/tax bill and reprimand for unpaid debt, and to encourage tax liability with taxpayers through informing about the benefits of the community from the collected, the Center for Economic Analysis through the Tax responsibility project works with four municipalities in RNM. We believe that these activities will provide information and guidance on whether, as well as to what extent timely payment of taxes and the promotion of tax morality can be encouraged through adequate communication with taxpayers.

Findings from audit reports

If the audit reports on compliance of the LSGUs are selectively reviewed, regardless of the years when the audit was performed, the risks after the collection of property taxes are a regular remark by the SAO reports. Such risks are confirmed by the above challenges ranging from inadequate bases, lack of controls, outdated tax bases, double and non-compliant bases, to non-issuance of decisions, non-application of forced collection, and interest on late payment. All of them have an effect on the reliability of the tax base on which the tax rate is applied and on the collected revenues of the LSGU.

Suggestions were given by the LSGU for improving the system

LSGUs are aware of the need for improvement of the property tax system and individually everyone is aware of some of the problems that need to be solved and every proposal given

by the LSGU has already been mentioned on the previous pages. The given opportunity to give suggestions for improvement, there is a need for:

➢ Political decision and support from the local government to apply activities for higher tax collection according to the established legislation (regular preparation of tax bills, updating of databases, write-off of obsolete receivables, forced collection of overdue receivables)

➢ Educating and informing taxpayers about the benefits of timely settlement of tax liabilities for the benefit of the local community, which is exactly the goal of the tax project

➢ Simplification of the methodology for (re) valuation of property and integration with internal systems (legalization, new properties, transfer of property, inheritance procedures, etc.) as well as with other institutions that contain data on the taxpayer and the property through active exchange of data

➢ Introduction of electronic communication with taxpayers, e-issuance of tax bills and payment.

➢ Improving the administrative-technical capacities, including information software solutions and human capacities.

4. Findings and conclusions

Need for improved communication between the tax authorities and the taxpayers:

- The property tax rate in RNM is in the range of 0.1% to 0.2%. Most LSGUs opt for the lowest tax rate. At the same time, most of the representatives of the LSGU believe that the tax rates should remain the same or all in order to expand the scope of the framework in which the proportional rate can move.

- Property tax reforms are "politically" unpopular. The trust of the Macedonian citizens in the local (as well as the central) government is at a low level, hence probably the "popular" application of the minimum property tax rate.

- By definition, and confirmed by international experience, property tax reform requires strong support from taxpayers. The support depends on the perception of the citizens that the tax is fair and that the citizens have a high level of trust in the local government and the quality of services.

- The communication of the LSGU in collecting the property tax mainly consists in sending tax bills and warning letters for overdue and unpaid debt. The effort of the administration to collect taxes can be increased by establishing active two-way communication with citizens - taxpayers.

- The transparency and accountability of the LSGU, although is improving, still leaves room for improvement. One-way communication with citizens should be promoted through greater access to understandable and accessible information on public spending at LSGUs. But even more to practice a strongly participatory approach to decision making. Hence, it is expected that confidence in tax expenditures will increase for taxpayers to be more taxable. 65% of Macedonian citizens stated that if they had more information they would surely be more tax liable. Active participation of citizens in decision-making along with improved communication on taxes will undoubtedly contribute to the trust and tax responsibility of citizens.

- Macedonian taxpayers have a low level of self-perception of familiarity with taxes, and at the same time have a clear position that they do not receive enough information from the LSGU on tax revenues. While LSGUs believe that the primary reason for the low collection is the lack of discipline of taxpayers.

Improved fiscal autonomy of local self-government

- The financing of the LSGU in RNM is still strongly dependent on the transfers from the central government and they have relatively low autonomy in collecting revenues. In relative indicators, the revenues of the budget of RNM participate with 30% in the GDP, while the revenues from the budgets of the local self-government up to 6% (without block grants up to 3% of the GDP).

- Tax revenues in the structure of the total revenues of the LSGU participate with a quarter and property taxes with 35% in the tax revenues.

- The trend of the constant increase in the absolute value of the collected property taxes in the last decade is noticeable, as well as the increased tax effort of the local administration. On the other hand, there is room for even better results for improved implementation, but also for more realistic planning of revenues in the budget, especially because the property tax is a relatively inelastic category of tax.

- Review of the property tax system in order to improve the unified application of all LSGUs as well as to improve the fairness of the system taking into account the different characteristics of socio-demographic groups of citizens.
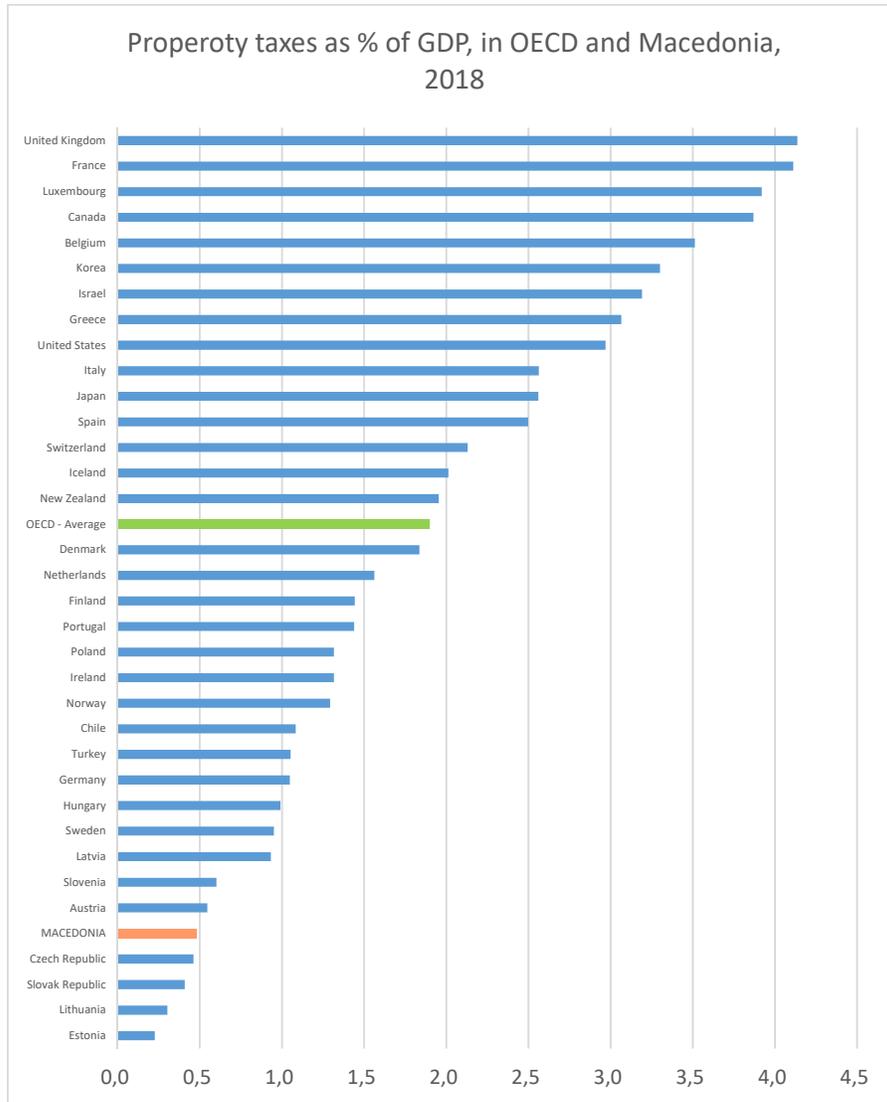
Solving technical-administrative challenges of the municipalities for more efficient management of property taxes

- LSGUs face technical-administrative challenges arising from the difficult regular assessment of the market value of the tax base or property. In addition, outdated and outdated taxpayer databases are a challenge to expanding the scope of the tax base.

- The system of issuing decisions is predominantly still manual as well as their delivery. For a small number of LSGUs, the system is electronic, although the paper delivery of a decision is an obligation. The challenge of delivering the solutions is overcome by different LSGUs differently from the use of the employees in the administration, through the use of the resources of the public enterprises, up to the hiring of delivery persons. Such solutions also have risks of untimely, inefficiency, and even not reaching the taxpayer at all, which puts it at risk and makes the administrative process more expensive.

- The IT solution that exists in practice is outdated, and for most of the LSGU does not allow easy manipulation, processing, and analysis of the LSGU system, first starting from the inability to determine a certain payment for which year it refers to what makes the monitoring and the possibility of taking measures and alternative communications with taxpayers difficult.

- Improvement of databases and information systems at LSGUs for local taxes and functionality of e-tax systems as well as reduction of administrative barriers.

- Integrating the systems at the national level, their synchronization, updating the data would be important as well as organizing a mass process of reassessment of the value of the property, which would ensure greater unification, fairness, and in the long run to generate time savings. and administrative costs for municipalities.

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5. Annex

Properoty taxes as % of GDP, in OECD and Macedonia, 2018

Country	Value
United Kingdom	4.1
France	4.1
Luxembourg	3.9
Canada	3.8
Belgium	3.5
Korea	3.3
Israel	3.2
Greece	3.0
United States	2.9
Italy	2.5
Japan	2.5
Spain	2.5
Switzerland	2.1
Iceland	2.0
New Zealand	1.9
OECD - Average	1.9
Denmark	1.8
Netherlands	1.5
Finland	1.4
Portugal	1.4
Poland	1.3
Ireland	1.3
Norway	1.3
Chile	1.1
Turkey	1.0
Germany	1.0
Hungary	1.0
Sweden	0.9
Latvia	0.9
Slovenia	0.6
Austria	0.5
MACEDONIA	0.5
Czech Republic	0.4
Slovak Republic	0.4
Lithuania	0.3
Estonia	0.2

Source: OECD Stat, for RN Macedonia the Treasury of Ministry of Finance