

LAW ON FREE ECONOMIC ZONES

I. GENERAL PROVISIONS

Article 1

Content

This Law shall regulate the conditions and the manner of founding, operating and termination of Free Economic Zones.

Article 2

Notion on Free Economic Zone

Free economic zone shall represent a part of the territory of the Republic of Macedonia, i.e. a separate fenced in and marked area, representing a unity within which economic activities shall be performed under the conditions set forth by this or another Law and within which, customs and tax benefits in accordance with this Law, shall apply (herein after: Free Zone).

Free Zone shall be founded as a commercial company conducting economic, technical and administrative - professional and other activities related to the operating of the Free Zone.

The Free Zone shall acquire the right of a legal entity, based on its entry into the Trade Registry.

II. FREE ZONE FOUNDING CONDITIONS

Article 3

Founding Conditions

Free Zone shall be founded should:

- (1) spatial, energetic, technical and other conditions prescribed for conducting of Free Zone activities, be provided;
- (2) goods and services, not less than the percentage set forth by this Law be exported from the Free Zone, except in case of Vice Major;
- (3) the national employment rate be increased by the Free Zone activities;
- (4) technological processes, storage of goods, i.e. services endangering the environment not be performed; and
- (5) the Founder of the Free Zone provide the required initial capital.

The Founder of the Free Zone should provide the required capital for founding and operating of the Free Zone; as well as corresponding spatial, environmental, energetic, technical and other conditions for conducting the Free Zone activities and shall adopt an Act on Incorporation.

The Founder and the users of the Free Zone shall employ citizens of the Republic of Macedonia, shall purchase goods and services from Macedonian suppliers, when economically justified.

Article 4

Spatial Conditions for Founding of Free Zone

The Free Zone shall be founded on a territory designated by the Spatial Plan or the Urban Plan on locations of public interest. The Free Zone may be established in or outside an urban area.

The construction of the facilities within the Free Zone shall be of public interest.

The Free Zone may consists of more separate parts of the territory of the Republic of Macedonia, each of which shall be fenced in and separated from the other area.

III. HEAD OFFICE FOR FREE ECONOMIC ZONES

Article 5

For the purpose of carrying out the activities related to the development, founding and surveillance of the operating of the Free Zones, a Head Office for Free Economic Zones (hereinafter: Head Office), shall be founded.

The competences of the Head Office will be the following:

- (1) Planning and development of Free Zones and providing of conditions for utilisation of the area;
- (2) Issuing of approval on founding of Free Zone;
- (3) Provision of control and managing of the Free Zones, through its organisational units;
- (4) Coordination of the activities of the state organs and public enterprises within the area of the Free Zone;
- (5) Promotion and advertising of the Free Zones, and public relations;
- (6) Attracting of Free Zone Founders and Users;
- (7) Defines the amount of the initial capital;
- (8) Keeping evidence of the activities within the Free Zone;
- (9) Assigning of Board for solving of employment disputes between the employer and the employees;

- (10) Preparation of annual report on the operating of the Free Zone, to be submitted to the Government of the Republic of Macedonia;
- (11) Coordination related to provision of:
 - approvals, i.e. licenses set forth in separate laws, required for founding and operating of the Free Zone;
 - supervision of the functioning of the Free Zone infrastructure;
 - products quality control and issuing of certificate on the products origin;
 - import-export licenses;
 - carrying out economic activities of public interest within the Free Zone, required by the Founders;
 - public security of the entities and the property within the Free Zone;
 - illicit trafficking prevention; and
 - other activities related to the operating of the Free Zone, by applying “one stop-shop” system.
- (12) Issuing of approval in accordance with Article 16 of this Law;
- (13) Approval on the Act refer to in Article 24 of this Law;
- (14) Survaillance of the operating of the Free Zone, and proposing of measures to the Government of the Republic of Macedonia, if required; and
- (15) Other activities related to the operating of the Free Zone.

Article 6

The Government of the Republic of Macedonia shall adopt Annual Programme on the implementation of the Head Office’s activities.

Fot the operating within the previous year, the Head Office shall be obliged to prepare a Report, by the end of May in the current year.

Article 7

The Head Office shall be headed by a Director, appointed and discharged by the Government of the Republic of Macedonia.

Article 8

The Head Office shall be managed by the Managing Board , consisting of 7 members, representing: The Ministry of Development, Ministry of Finance, Ministry of Economy, Ministry of Urban Planning and Construction, Ministry of Trade, Ministry of Labour and Social Welfare and Ministry of Environment.

The members of the Managing Board shall be appointed by the Government of the Republic of Macedonia.

The Managing Board shall be headed by a President, elected from its members, who shall be appointed by the Government of the Republic of Macedonia.

The mandate of the President and the members of the Managing Board shall be four years.

Article 9

The Head Office shall adopt a Statute, based on which the organisation and operating of the Head Office shall be regulated.

The Statute shall be adopted by the Managing Board, within 30 days, as from the date of its constitution.

The Statute of the Head Office should be approved by the Government of the Republic of Macedonia.

Article 10

The Head Office operating assets shall be provided from the budget of the Republic of Macedonia.

The Head Office shall submit to the Government of the Republic of Macedonia, at least one annual report on its operating

Article 11

For utilisation of the Free Zone, the Founder shall be obliged to pay reimbursement in amount of 0.3% of the value of the invoices issued to the user of the Free Zone, within 30 days following the expiry of the quarter period.

The reimbursement referred to in Para 1 of this Article shall be considered as revenue of the Budget of the Republic of Macedonia.

IV. ARRANGING AND FOUNDING OF THE FREE ZONE

Article 12

Separation and Arranging of the Free Zone

The Founder of the Free Zone shall be obliged to fence in, arrange and mark the area of the Free Zone.

The Free Zone, i.e. its parts should be arranged in a manner to provide movement of goods within the Zone, i.e. from the Zone, only through specially determined entrances, i.e. exits.

The fence, the entrances and exists of the Free Zone should be properly arranged, secured and lighted up.

The more precise criteria on the manner of arranging of the Free Zone referred to in Para 1,2 and 3 of this Article shall be prescribed by the Minister of Finance in coordination with the Minister of Urban Planning and Construction.

Article 13 **Founder of a Free Zone**

Free Zone may be founded by one or more domestic or foreign trading companies or other legal entities (hereinafter: Founder of a Free Zone).

When the Free Zone is established by more Founders, they should conclude Contract on Founding of the Free Zone.

The Founder of the Free Zone should provide:

- (1) written evidence on the financial status, justifying that the required assets have been deposited in Bank and no mortgage right has been pledged over them, as well as a report from authorised auditing house; and
- (2) evidence on previous trading or Free Zone operating experience.

Article 14 **Act/Contract on Founding of Free Zone**

The Act/Contract on Founding of Free Zone shall include:

- (1) the name of the Founder, i.e. Founders of the Free Zone
- (2) name of the Free Zone
- (3) area of the Free Zone
- (4) activities carried out within the Free Zone
- (5) period for which the Free Zone shall be founded.

Article 15 **Application on Founding of Free Zone**

For establishing of a Free Zone, the Founder should submit a written application to the Head Office.

The application should include the following data:

- (1) name, residence, i.e. address of the Applicant;
- (2) the activities to be carried out in the Free Zone;

- (3) the period for which the Free Zone shall be founded;
- (4) the Free Zone construction conditions including an excerpt of the Spatial and Urban Plan;
- (5) the size of the Free Zone;
- (6) management and operating of the Free Zone;
- (7) technical-technological and other operating conditions of the Free Zone; and
- (8) the manner for provision of operating conditions for the Customs Office within the Free Zone.

The Founder of the Free Zone, besides the evidence referred to in Article 13 of this Law, shall be obliged to enclose to the application the following:

- (1) Act/Contract on founding of the Free Zone;
- (2) evidence on fulfillment of the conditions set forth in Article 3 of this Law;
- (3) Feasibility Study or Business Plan;
- (4) Marketing Plan; and
- (5) Technical-Technological Environmental Study.

Article 16

Approval on Founding of Free Zone

The Head Office shall issue Approval on founding of the Free Zone based on the data of the submitted Application and the evidence referred to in Article 13, Para 3 of this Law (hereinafter: Approval).

The Head Office, in its Approval referred to in Para 1 of this Article, shall determine whether the conditions on founding of a Free Zone as prescribed by this or another Law, have been fulfilled and the submitted Application was in compliance with the documents on the development of the Republic of Macedonia.

The Head Office shall submit the Approval to the Government of the Republic of Macedonia along with the submitted Application and the evidence referred to in Article 15, Para 3 of this Law.

Based on the Approval issued by their Head Office, the Government of the Republic of Macedonia shall give consent on founding of Free Zone, should:

- the conditions set forth by this or another Law be fulfilled; and
- the economic interest for founding of a Free Zone be evident.

Should one or more of the following conditions not be fulfilled, the consent issued to the Founder may be withdrawn:

- (1) bankruptcy procedure has been commenced against the Founder;
- (2) the Founder has submitted inaccurate data or documents; and

- (3) the Founder has failed to commence the operating of the Free Zone in compliance with the provisions of this Law, or failed to submit the Report referred to in Article 22 of this Law.

Article 17

Changes of the Free Zone

Each change of the Free Zone shall be carried out in accordance with the manner and the procedure on founding of the Free Zone.

The change of Para 1 of this Article may refer to:

- (1) spatial extension of the already approved Free Zone;
- (2) change of the Free Zone location;
- (3) introducing of new activities to be carried out in the Free Zone;
- (4) any change by the Founder (joining of a new Founder), change in the ownership capital structure, undertaking of the Free Zone by other Founder, statutory change and buy-out; and
- (5) change of the period, for which the Free Zone has been founded.

Article 18

Fulfillment of Customs Supervision Requirements

In order to determine the fulfillment of the Customs supervision requirements within the Free Zone area, the Customs Office shall carry out inspection of the Free Zone facilities in presence of the Founder, within 30 days following the receipt of the request.

The Customs Office shall be obliged to prepare Minutes on the fulfillment of the Customs supervision requirements within 8 days, as of the day the inspection of Para 1 of this Article, has been carried out.

Should any irregularity be noticed during the inspection, their elimination shall be defined in the Minutes of the Customs Office.

The Customs Administration shall issue a Decision on fulfillment of the Customs supervision requirements of the Free Zone, or a Decision on refusal of the submitted request.

A Complaint against the Decision referred to in Para 3 of this Article may be lodged to the Minister of Finance, based on which, a Decision shall be issued, within 30 days.

Article 19
Content of Decision

The Decision of the Customs Administration shall include the following data:

- (1) the name Founder of the Free Zone;
- (2) the consent issued by the Government of the Republic of Macedonia;
- (3) the activities to be carried out within the Free Zone;
- (4) the obligations of the Founder regarding the Customs supervision within the Free Zone; and
- (5) the conditions to be provided by the Founder for the operating of the Customs Office within the Free Zone.

Article 20
Amendments of the Decision

The Decision of the Customs Administration shall be amended should the Founder of the Free Zone:

- (1) extend the area of the already approved Free Zone;
- (2) change the location of the Free Zone; and
- (3) introduce new activities to be carried out in the already approved Free Zone.

The Decision of the Customs Administration shall also be amended when the Customs Administration shall, ex officio or upon the submitted Founder's request, state that the conditions for carrying out of the Customs supervision have been altered.

In the case referred to in Para 2 of this Article, the Customs Administration shall adopt a Decision by which the obligations related to the Customs supervision within the Free Zone shall be amended, or the conditions to be provided for the operating of the Customs Office within the Free Zone, and the period within which the Founder shall be obliged to submit the evidence on fulfillment of the amended obligations.

The amendment of the Decision of the Customs Administration shall be carried out in compliance with the procedure set forth in Articles 18 and 19 of this Law.

Along with the request for amending of the Decision, the Founder of the Free Zone shall be obliged to enclose evidence on the previous operating of the Free Zone.

Should a new partner join the Founder, or the Free Zone be undertaken by another Founder, the Founder of the Free Zone shall be obliged to inform the Customs Administration within 15 days as of the day the Contract on joining of the new partner, i.e. the undertaking of the Free Zone by another Founder, has been concluded. The information should include data about the new partner, i.e. the new Founder. The Customs Administration shall adopt a Decision on the carried out amendment.

Article 21
Starting Period

The Free Zone shall start its operating within 12 months as of the day the Decision on operating of the Free Zone, issued by the Head Office, has been adopted, the latest (hereinafter: starting period).

Notwithstanding Para 1 of this Article, based on justified reasons, the starting period may be extended.

Should the Free Zone fail to start operating within the period set forth in Para 1 of this Article, the Decision shall be considered void.

The Decision on commencing the operating of the Free Zone shall be adopted based on previously provided consents, approvals, i.e. licenses prescribed by this or other Law.

Article 22
Free Zone Operating Report

The Free Zone shall be obliged to submit to the Head Office a Report on its operating during the previous year, until 15th of April during the current year (hereinafter: Annual Report).

The Annual Report shall include the following:

- the scope of production, i.e. the quantity and the value of the services provided by the Zone;
- the quantity and value of the carried out foreign trade exchange per: country, product, country-product, activity, economic purpose, degree of processing per sector and unit, based on standard international trade classification; and
- the number of the employees and employment structure, during the reporting period.

The data of the Annual Report shall be presented in total and per each User of the Free Zone, separately.

Article 23
Free Zone User

Besides the Founder, User of a Free Zone may be other domestic or foreign legal or physical entity registered to carry out activities within a Free Zone.

The User of the Free Zone may carry out activities based on a Contract concluded with the Founder of the Free Zone.

The User of the Free Zone may start its operating after the Customs Administration, based on a Decision, shall determine that the requirements for carrying out records, in accordance with Article 40 of this Law, have been fulfilled.

The User of the Free Zone shall be obliged to enable supervision by the Customs or other competent body.

Article 24

Free Zone Utilisation Conditions

The Founder of the Free Zone shall adopt regulations (hereinafter: Regulations of the Founder) regarding the conditions, in accordance with, the area of the Free Zone shall be used for carrying out the activities, as well as the house order and measures for environmental protection.

The Regulations of the Founder must be in compliance with the Laws and the other regulations of the Republic of Macedonia, as well as the international agreements ratified by the Republic of Macedonia.

The Founder of the Free Zone shall be obliged to provide to each User equal conditions for performing of their activities within the Free Zone.

After the approval by the Head Office, the Founder's Regulations shall be announced in "The Official Gazette of the Republic of Macedonia".

Article 25

Conditions and Procedure on Tax Benefits

The User of the Free Zone shall exercise the right to tax benefits in the following cases:

- (1) Export of at least:
 - 51% of the value of the produced goods and provided services, i.e. carried out in the Free Zone during the first year of operating;
 - 62% of the value of the produced goods and provided services, i.e. carried out in the Free Zone during the second year of operating; and
 - 70% of the value of the produced goods and provided services, i.e. carried out in the Free Zone during the next years of operating.
- (2) Carrying out of new activity, which has not been transferred from other region of the Republic of Macedonia into the Free Zone.
- (3) Tax or custom obligations have not been levied upon the Free Zone User.
- (4) Procedure on violation or criminal act for carrying out of economic activity has not been commenced against the User.

The value of the goods and services produced in the Free Zone shall be determined based on the invoices issued by the Free Zone User.

The value of the carried out export of goods and services shall be determined based on the foreign currency in-flow or by the payment provision instruments.

In order to acquire the right to tax benefits, the User of the Free Zone shall submit tax application to the Head Office.

The tax application should be accompanied by the following evidence:

- (1) Contract with the Founder of the Free Zone;
- (2) Customs Administration Decision;
- (3) Income Statement for the previous year;
- (4) Act, i.e. Contract on founding of the Free Zone and excerpt from the Trade Registry;
- (5) Certificate from the competent body to prove that tax and customs obligation have not been levied upon the User.
- (6) Certificate issued by the competent body to prove that a procedure on violation or criminal act for carrying out of economic activity, has not been commenced against the User.
- (7) Certificate issued by the competent body to prove that a bankruptcy procedure has not been initiated against the User of the Free Zone.

The evidence of items (1), (2), (4) and (6) referred to in Para 5 of this Article shall be submitted within 15 days, as of the day the User started operating the Free Zone.

The evidence of items (1), (2), (3), (5), (6) and (7) referred to in Para 5 of this Article shall be submitted for each operating year of the Free Zone, by 31 March of the current year, the latest.

Should all conditions referred to in this Article be fulfilled, the Tax Office shall issue a Decision to the User within 30 days, as of the day the tax application has been submitted.

Depending of the type of tax and the year it refers to, the Tax Office, in its Decision, shall designate whether the tax benefits shall be temporary or permanent.

The Minister of Finance shall precisely define the procedure on adoption of the Decision referred to in Para 8 of this Article, if required.

Article 26

Tax Benefits

Should the User of the Free Zone fulfill the conditions of Article 25 of this Law, he/she shall be released from payment of:

- (1) Income tax related to trade of goods within the Free Zone, except for the trade intended for the end users;

- (2) Income tax for products imported in the Free Zone for production intended for export, as well as for carrying out of other activities allowed within the Free Zone;
- (3) Income tax for services carried out in the Free Zone, directly connected with the export of goods and services;
- (4) Income tax related to profit for a period of ten years as of the day the activity has started within the Free Zone;
- (5) Income tax related to property for a period of ten years as of the day the activity has started within the Free Zone;
- (6) All taxes related to transfer of property and rights between the Founders and the Users of the Free Zone.

The calculated basis for tax payment by the Free Zone User shall be reduced for the corresponding amount from the realised profit, after ten years and one day as of the day the operating has started, should it be invested into principal assets within the area of the Free Zone.

Should the User take out the principal asset from the free Zone prior the expiry of 5 years and one day as of the year the tax benefit of Para 2 of this Article was used, the amount of the tax benefit shall become due for payment in the year the principal asset was taken out of the Free zone area.

Article 27

Other Benefits

The Free Zone User shall be released from payment of reimbursements, taxes and other fees related to the utilisation of construction land, connection with sewage system, water, heat, gas and electric supplies.

In compliance with this Law, the land of the Free Zone may be leased to a foreign investor, for a period of 50 years, with a possibility for extension of another 25 years.

The Founder of the Free Zone shall have the right to lease the Free Zone or its real estate and to transfer the right to the Free Zone Users.

Evidence on the leasing contract concluded between the Founders and the Users shall be kept by the Head Office, based on the application submitted by the Founder and the User of the free Zone.

Article 28

Free Zone Movements

The conditions for entry and exit of physical entities and transport devices in the area of the Free Zone shall be prescribed by the Minister of Finance.

V. FREE ZONE ACTIVITIES AND SPECIAL CONDITIONS

Article 29

Free Zone Activities

In the Free Zone activities related to production of goods and provision of services intended for export, foreign trade, banking and other financial activities, insurance and re-insurance of property and physical entities, as well as other economic activities, except the activities related to textile industry, may be carried out.

- (a) The User of the Free Zone carrying out production or processing of goods, based on a Contract, may transfer these activities to legal or physical entities (manufacturers) residing in or outside the Free Zone. For the contracted goods or services, the Free Zone User shall pay income tax on products and services.

The activities referred to in Para 1 of this Article, may be performed under the following conditions:

1. The business venture shall be based on new investment and contemporary technologies;
2. The origin and the quality of the raw materials, the semi products and the ready made products could be determined and controlled;
3. The operating shall not endanger the public security, the environment and the health of the people within the Free Zone; and
4. The Free Zone User shall be obliged to insure the principal assets and the employees against operating risks.

The activities which could not be carried out in the Free Zone include:

- (1) Trade with disintegrated, perishable goods, infected or of expired period, waste materials endangering the environment, which can not be used for human or animal consumption;
- (2) Radioactive materials, except those required for industry, medical and scientific research, approved by the competent bodies of the Republic of Macedonia;
- (3) Drugs, chemical and biological materials, chemical and bio-chemical derivatives, except those used by the industry, intended for processing, medical and pharmaceutical purposes, based on certificates issued by the Ministry of Health;
- (4) Armament, munitions and explosives, except industrial explosive;
- (5) Products and services originating from countries and companies under embargo or economic blockades, imposed by national or international bodies or governments;
- (6) Products and services against the public interest, security and defense;
- (7) Products and services which are not in compliance with the Laws of the Republic of Macedonia and the international agreements regarding

intellectual and industrial property protection, ratified by the Republic of Macedonia; and

- (8) Violation of approvals, decisions, court verdicts, licenses, rights and concessions issued by a competent body.

Article 30

In the Free Zone, the User may store goods for its own requirements.

Within the Free Zone, the User may carry out wholesale of goods.

The User may carry out retail sale of goods within the Free Zone, only for other Users, for their requirements in the Zone, as well as provision of services to the transport devices in the international traffic and their crews in the Free Zone.

Article 31

Consent on Storage

Should the capacities of the User's warehouses in the Free Zone be not entirely utilised, domestic goods not intended for exports may be stored in the Free Zone, separately from the goods of the Free Zone Users, based on a consent issued by the Customs Administration.

Should the supervision over the operating in the free Zone be prevented by storage of goods referred to in Para 1 of this Article, the Customs Administration shall prevent such storage.

The domestic goods on the territory of the Free Zone, shall be registered in accordance with the regulation referred to in Article 40, Para 4 of this Law, based on the consent referred to in Para 1 of this Article.

The tax benefits referred to in Article 26 of this Law shall not apply to the goods referred to in Para 1 of this Article.

Article 32

Import and Export of Goods From the Free Zone

The trade and exchange of goods and services between the Free Zones shall be excluded from customs and income tax on products and services.

The User of the Free Zone shall have the right, freely, with no limitations and without customs and other fees, to import foreign goods as well as goods from other parts of the Republic of Macedonia, to export goods from the Free Zone, to provide services within the Free Zone as well as to provide services for the transport devices in international traffic and their crews within the Free Zone.

The Goods entered into the Free Zone may be kept for a period not exceeding 5 years.

The User of the Free Zone may take out the goods from the Free Zone to other parts of the Republic of Macedonia, in accordance with the regulations on import/export of goods.

Article 33

Temporary Exit of Goods from the Free Zone

The goods may be temporarily taken out of the Free Zone to other part of the Republic of Macedonia, i.e. to be entered on the territory of the Free Zone, in order to be processed, finalised or repaired, and for marketing presentation, in compliance with the customs regulations on temporary export/import of goods.

Article 34

Standards, Technical and Quality Norms and Prices

The standards, technical and quality norms, except those defined by the Regulation on Environmental Protection shall not apply to the goods which have been entered into the Free Zone for storage or processing, finalisation or repairing, and have not been set in trade within the Zone, as well as to the goods intended for processing, finalisation or repairing, which have been temporarily taken out from the Free Zone to other part of the Republic of Macedonia, based on the Customs Regulations.

When producing goods for export in the Free Zone, the User instead of the Macedonian, may apply standards and quality norms applied in the country for which the goods are intended to.

The Laws and other regulations regulating the prices in the Republic of Macedonia shall not apply to the prices of goods and services traded within the Free Zone.

Article 35

Applying of Regulations, Agreements and Employment Relations

All governing Laws of the Republic of Macedonia shall apply to the operating of the Free Zones, unless otherwise set forth by this Law.

The disputes between the Founder and the Users of the Free Zone shall be solved at the competent Court of the Republic of Macedonia.

The disputes between the Founder and the Head Office or between the Users of the Free Zone and the Head Office shall be solved at the competent Court of the Republic of Macedonia.

The Employer of the Free Zone and the employees shall sign a Collective Agreement.

The Collective Agreement shall regulate employment disputes between the Employer and the employees by means of arbitration or mediation.

The Head Office shall establish a Board on Employment Relations which shall provide arbitration and mediation to the Employer and the Employees of the Free Zone.

VI. TREATMENT OF GOODS, CUSTOMS SUPERVISION AND CONTROL IN THE FREE ZONE

Article 36

Customs Supervision and Control

The Founder of the Free Zone shall be obliged to provide facilities required for operating of the Customs Office within the Free Zone.

The access, entry and exit from the Free Zone shall be controlled by the Customs Office.

Customs inspection shall be carried out to physical entities and transport devices, when entering or leaving the Free Zone.

Should it be required by the Customs supervision the Customs Administration may temporarily forbid or limit carrying out of certain activity referred to in Article 29 and the trade referred to in Article 30 of this Law, should at the same time a procedure for violation against the User or the Founder of the Free Zone be commenced, or based on a justified reason denounce him/her for criminal act related to the operating within the Free Zone, in compliance with this Law.

The Customs Administration may forbid the operating of the User of the Free Zone who, within the term set forth in the Executive Decision, failed to set in accordance the operating with the provisions of this Law.

Should the Customs Administration undertake the measures of Para 4 or 5 of this Article, or a procedure on criminal act be commenced against the User or the Founder of the Free Zone, the access to the Free Zone may be limited or forbidden to an entity.

Article 37

Declaring of Goods and Customs Duties

The goods entering the Free Zone shall be declared at the Customs Office.

The goods entering the Free Zone shall not be subject to customs inspection, nor a customs declaration shall be submitted, except in the case of Article 33 of this Law.

Notwithstanding Para 2 of this Article, the goods shall be made available for customs inspection and corresponding customs procedure, in the following cases:

- (1) Entering of domestic goods intended for export;
- (2) Any other customs procedure related to the goods shall be completed by the time the goods have entered the Free Zone, except when based on the customs regulations related to that procedure, custom inspection of the goods, as in accordance with the custom regulations, has not been foreseen.
- (3) By entering the Free Zone, the goods shall fulfill the requirements for return of payment, i.e. release of payment for import/export customs duties and fees.

The goods which shall be taken out of the Free Zone to another part of the Republic of Macedonia must be declared and made available for customs inspection. In accordance with the customs regulations, approval by customs on of the goods, shall be requested.

Notwithstanding Para 3 and 4 of this Article, the goods refer to in Article 31 of this Law, as well as the domestic goods entering the Free Zone for the Users requirements, shall be entered or taken out by the User based on customs inspection, in accordance with the Inventory of Goods, certified by the customs officer.

Should custom duty is being imposed when taking out the goods from the Free Zone to other part of the Republic of Macedonia, the customs value for the goods shall be calculated in accordance with Incoterms CIF, i.e. the expenditures for the goods based on the invoices and bills, shall be included.

Should the goods refer to in Para 5 of this Article be subject to regular procedures in the Free Zone, undertaken to preserve, prepare for sale or maintain its quality, its nature and quantity, as well as its estimated customs value that should have been calculated by the time the custom duty was imposed, if the goods were not subject to regular procedures, shall be considered. This procedure may apply only upon their proposal by the customs declaring entity, and if such procedure was previously permitted by the custom authority.

Should the goods processed in the Free Zone be taken out to other part of the Republic of Macedonia, for which, based on the customs regulations the customs duty was imposed, it should be calculated based on the data applying to the goods used in the processing, by the time the custom declaration for taking out of good from the Free Zone was submitted.

The quantity of the customs goods used for processing shall be calculated based on consumption norms, in accordance with the evidence set forth in Article 40 of this Law.

Should the User of the Free Zone take out the goods referred to in Para 8 of this Article to other part of the Republic of Macedonia, he/she shall be obliged, when

requested by the Customs Office, to make available the evidence related to the consumption norms, while the Customs Office shall have the right to inspect the data from the evidence.

Should the User of the Free Zone provide export in accordance with the percentage set forth in Article 25, Para 1, Item 1 of this Law, the provisions referred to in Para 5,6 and 7 of this Article, shall only apply.

Based on the data from the evidence referred to in Article 40 of this Law, the Customs Office shall determine whether the conditions referred to in Para 10 of this Article, have been fulfilled.

Article 38

Inspection of Goods

The Customs Office shall have the right to inspect the goods entered, or taken out or retained in the Free Zone.

In order to enable the inspection referred to in Para 1 of this Article, the User of the Free Zone shall be obliged to present to the Customs Office a copy of the transportation document ,accompanying the goods at each entry or exit from the free Zone.

Should the Customs Office perform the inspection in accordance with Para 1 of this Article, the User of the Free Zone shall be obliged to enable access to the goods and the documentation, subject to inspection.

Article 39

Customs Goods Used as Equipment in the Free Zone

The User of the Free Zone shall be obliged to declare the equipment representing customs goods intended for carrying out of certain activity within the Free Zone, as goods for trade or temporary import, but the calculated customs duty shall not be paid until the equipment remains in the Free Zone (hereinafter: equipment).

In terms of this Law, only the equipment required for provision of the permitted production or services within the Free Zone, for which evidence in the business books is being kept by the User, shall be considered.

Should the equipment be taken out from the Free Zone to other part of the Republic of Macedonia, the User of the Free Zone shall be obliged to declare it to the Customs Office in order to pay the customs duty.

Should the equipment be continuously used within the Free Zone for a period of at least 5 years and one day and be taken out from the Free Zone to other part of the Republic of Macedonia, customs duty and income tax on products and services shall be excluded.

Should the motor vehicles, treated as temporary import in the Free Zone, be continuously used within the Free Zone for a period of at least 5 years and one day, if taken out from the Free Zone to other part of the Republic of Macedonia, customs duty and income tax on products and services shall be excluded.

Should the equipment be out of the Free Zone for a period not exceeding 6 months, in case of trade, exchange or transfer of the equipment between the Free Zones on the territory of the Republic of Macedonia, as well as when transferring the equipment out of the Free Zones for the purpose of maintenance and servicing, the continuity of 5 years shall not be considered interrupted

The equipment taken out to other part of the Republic of Macedonia, prior the expiration of 5 years and one day, shall be subject to customs duty. The customs duty which has to be paid when taking out of the equipment from the Free Zone to other part of the Republic of Macedonia, shall be paid in accordance with the data on the value of the equipment valid at the time it has been taken out from the Free Zone.

As of the day the equipment entered the Free Zone by, the time it shall be taken out to other part of the Republic of Macedonia, rate of interest on customs duty shall not be calculated.

For the spare parts for the equipment referred to in Para 1 of this Article, as well as for the tools and accessories required for, the provisions of this Article, shall correspondingly apply.

Article 40

Keeping of Evidence

For the purpose of the customs supervision, the User of the Free Zone shall be obliged to keep evidence on:

- (1) the goods entering the Free Zone;
- (2) the goods taken out of the Free Zone;
- (3) the goods used in the Free Zone;
- (4) the goods stored in the Free Zone; and
- (5) changes related to the goods in the Free Zone.

The User of the Free Zone shall keep evidence of the goods referred to in Para 1 of this Article, based on the data from the accompanying documentation, when entering or coming out of the Free Zone, as well as based on the norms on production of goods.

The User of the Free Zone shall be obliged to keep the evidence on the goods referred to in Para 2 of this Article for a period of 5 years.

The content and manner on keeping the evidence referred to in Para 1 of this Article shall closely be prescribed by the Minister of Finance.

VII. TERMINATION OF THE OPERATING OF THE FREE ZONE AND OF THE USER

Article 41

Termination Of the Operating Of the Free Zone

The Free Zone shall terminate its operating when it shall be canceled by the Founder, i.e. following the expiry of the period referred to in Article 18, Para 2 of this Law, after which the Customs Administration shall state that the conditions for carrying out of customs supervision, are not fulfilled any more.

The free Zone shall terminate its operating following the expiry of the validity of the Founder's Contract on Leasing or the expiry of the period for which the Free Zone has been founded, based on the approval issued by the Head Office, depending which of the two conditions shall first appear.

As of the day the operating of the Free Zone shall terminate, calculation of taxes customs duties and other fees for the goods stored by each User shall be carried out, in compliance with the tax and customs regulations.

Article 42

Termination Of Operating Of the Free Zone User

Should the Contract between the User of the Free Zone and the Founder be terminated by the Founder or the competent Court, the User of the Free Zone shall be obliged to inform the customs or tax organ and to submit to them the evidence, as well as the calculations for the operating within the Free Zone, to enable them to determine whether customs or tax liability have occurred during his/her operating, to be calculated in accordance with the tax, i.e. customs regulations.

VIII. PENALTY PROVISIONS

Article 43

A fee from 50.000 to 300.000 Denars shall be levied upon the legal entity - the Founder of the Free Zone who shall:

- carry out or permit carrying out of economic activities within the Free Zone which are not included in the Act, i.e. the Contract on Founding of the Free Zone referred to in Article 14 and the Decision by the Customs Administration referred to in Article 18, or are not in compliance with the activities approved to be carried out within the Free Zone referred to in Articles 29 and 30 of this Law, i.e. in case the consent by the Customs Administration of Article 31, Para 1, has not been provided;

- start operating within the Free Zone, prior the Government of the Republic of Macedonia has issued the consent referred to in Article 16 or prior the Decision on operating of the Free Zone set forth in Article 21 of this Law, has been provided;
- fail to submit the request for the changes in the Free Zone, in the cases set forth in items (1), (2), (3), (4) and (5) of Article 17 of this Law;
- fail to request amendment of the Decision of the Customs Administration referred to in Article 19 of this Law;
- fail to submit the evidence on fulfillment of the amended obligations in compliance with Article 20, Para 3 of this Law, or fail to submit them within the determined period;
- fail to inform the Customs Administration within the determined period about the Contract based on which a new partner will join the Founder or the Free Zone shall be undertaken by other Founder, in compliance with Article 20, Para 6 of this Law; and
- permit or carry out economic activities within the Free Zone contrary to the general conditions, so that the Users shall be placed in unequal position, set forth in Article 24, Para 3 of this Law.

A fee from 10.000 to 50.000 Denars shall be levied upon the responsible person of the legal entity for violation of the provisions referred to in Para 1 of this Article.

Article 44

A fee from 50.000 to 300.000 shall be levied for violation upon the legal entity - the User of the Free Zone, who shall:

- carry out economic activities within the Free Zone which are not included in the Act, i.e. the Contract on Founding of the Free Zone referred to in Article 14;
- start operating within the Free Zone, prior the Decision by the Customs Administration on fulfillment of the conditions for keeping evidence in compliance with the provisions referred to in Article 23, Para 3 of this Law;
- fail to enable supervision by the customs or other organ over the operating within the Free Zone, as set forth in Article 23, Para 4 of this Law;
- carry out economic activities within the Free Zone which shall not be in compliance with Article 29 and 30, i.e. for which the consent by the Customs Administration for their performing in compliance with Articles 29 and 30 for which the consent by the Customs Administration as set forth in Article 31, Para 1 of this Law, has not been provided;
- keep the goods which have been entered in the Free Zone for a period exceeding the period set forth in Article 32, Para 3 of this law;
- transfer the goods from the Free Zone to other part of the Republic of Macedonia contrary to the provisions set forth in Article 32, Para 4;
- not act in accordance with the ban put by the Customs organ set forth in Article 36, Para 4 and 6 of this Law;

- fail to make available the evidence for the goods, upon the request by the Customs organ, in accordance with Article 37, Para 9 of this Law;
- prevent the activities of the customs organ of Article 38, Para 2 and 3 of this Law;
- fail to declare the equipment and the spare parts to the customs organ, when taken out from the Free Zone to other part of the Republic of Macedonia, in accordance with Article 39, Para 3, or fail to meet the requirements of Article 39, Para 4, 5, 6 and 7 of this Law; and
- fail to keep the evidence and the documentation in accordance with Article 40 of this Law.

A fee from 10.000 to 50.000 Denars shall be levied upon the responsible person of the legal entity for the violation referred to in Para 1 of this Article.

A fee from 10.000 to 50.000 Denars shall be levied upon the physical entity - User of the Free Zone for the violation referred to in Para 1 of this Article.

IX. FINAL AND TRANSITIONAL PROVISIONS

Article 45

The Free Zone which has been founded based on the Law on Free and Customs Zones (Official Gazette of SFRY No. 3/90 and Official Gazette of the Republic of Macedonia No. 4/93) shall continue its operating as Free Economic Zones in compliance with the provisions of this Law.

The Founder of the Free Zone referred to in Para 1 of this Article shall be obliged to set in accordance the operating of the Free Zone with the provisions of this Law, within a period of one year, as of the day this Law shall come into force and shall submit the approvals to the Head Office.

The Free Zone failing to set in compliance its operating with the provisions of this Law, shall terminate its operating as a Free Zone, based on the Decision issued by the Head Office.

Article 46

The by-laws foreseen by this Law shall be adopted within a period not exceeding three months, as of the day this Law shall come into force.

Article 47

By the day the Head Office shall start operating, the Ministry of Development shall perform the activities of the Head Office.

Article 48

As of the day this Law shall come into force, the provisions of the Articles 135 - 149, the provisions set forth in Article 204, Para 1, items 21,22 and 23, as well as Article 205, Para 1, items 19 and 29 of the Customs Law, the part related to the operating of the Free Zones (Official Gazette of the Republic of Macedonia, No. 21/98 and 63/98) and the provisions related to the Free Zones, set forth in the Law on Free and Customs Zones (Official Gazette of SFRY No. 3/90 and Official Gazette of the Republic of Macedonia, No. 4/93), shall cease to be valid.

Article 49

This Law shall come into force on the eighth day, as of the day it shall be published in the Official Gazette of the Republic of Macedonia.