

Chapter 22

The Implementation of the Global Minimum Corporate Tax in North Macedonia

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22.1. Implementation of the IIR and the UTPR

Over the past 5 years, the Republic of North Macedonia has demonstrated a proactive approach to international taxation. In August 2018, the country became a participant in the OECD/G20 Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS), which initiated a series of reformative initiatives. With respect to harmful tax practices as outlined in BEPS Action 5, a peer review was commenced in July 2020 to evaluate North Macedonia's taxation system. In January 2020, North Macedonia ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI), focusing especially on tax treaty abuse as per BEPS Action 6. In October 2021, the Republic of North Macedonia also signed the consensus on Pillar One and Pillar Two, significant components of the OECD/G20 IF, thereby addressing the taxation challenges presented by the digitalization of the economy.

Although North Macedonia has formally indicated an intention to implement Pillar Two/GloBE rules,¹ the process has not yet begun, and the country has not officially decided whether to implement the income inclusion rule (IIR), only the qualified domestic minimum top-up tax (QDMTT), while the undertaxed profits rule (UTPR) rule is not being considered for introduction at all.

Nonetheless, on multiple occasions, the Macedonian Minister of Finance has articulated the significance of a globally consensus-driven solution for reforming the international corporate tax framework as an effective mechanism for addressing tax evasion, tax avoidance and other detrimental tax practices. At the end of 2023, the minister of finance clearly noted that the government was not planning to introduce any new corporate taxes or

1. The announcement is available at: <https://finance.gov.mk/2021/10/12/%d0%bc0f-north-macedonia-part-of-the-landmark-agreement-on-corporate-tax-reform-more-revenues-expected/?lang=en> (last visited on 7.9.2024).