



### ***Important economic events and amendments to the legal regulations in July 2003***

- ❖ Starting from July 1, the households' **electricity price** has been calculated on the basis of prices, which are by 7% higher. According to the amendments to the Law on VAT (of April 1, 2003), the electricity is taxed with the general, instead of the privileged VAT rate applied until that date. For social reasons, in the April-June 2003 period, the Macedonian Electricity Supply Company (Elektrostopanstvo na Makedonija) assumed the responsibility of covering the difference between the privileged and the general VAT rate. From July, the consumed households' electricity will be fully calculated on the basis of the new general VAT rate (18%).
- ❖ On July 3, 2003, the NBRM issued a founding and operating license to **Pro Business Bank AD Skopje**, in conformity with the Law on Banks for Microfinancing ("Official Gazette of the Republic of Macedonia" no. 61/2002). Larger portion of the equity capital of the bank (69%) is owned by international financial organizations (the EBRD and the IFC), while the remaining portion of the capital belongs to the German joint-stock company (International Micro Investitionen – Frankfurt).
- ❖ On July 15, **higher retail price of the crude oil** was set by a Government Decision, in accordance with the higher prices of this derivative on the international market ("Official Gazette of the Republic of Macedonia" no. 47/003). Also, on July 29, **the prices of other oil derivatives went up** ("Official Gazette of the Republic of Macedonia" no. 50/2003).
- ❖ At the end of July, the following amendments to the more relevant legal regulations ("Official Gazette of the Republic of Macedonia" no. 51 of July 31, 2003) were adopted:
  - Law on Amendments to the **Law on Trade Companies**;
  - Law on Amendments to the **Law on Foreign Exchange Operations**. According to the amendments, the banks will be able to extend foreign exchange credits in the country, intended for payment of imports, for financing investment operations abroad or for settling other current external liabilities. Besides the banks, the amendments also allow the Deposit Insurance Fund, the insurance companies, the pension and investment funds to purchase securities abroad;
  - Law on Amendments to the **Law on the NBRM**;
  - Law on Amendments to the **Banking Law**. More important new element: for each purchase of more than 5% of the shares of a bank, an approval of the NBRM is required (so far, an approval was required for a purchase of over 10% of the shares);
  - Law on Amendments to the **Law on Profit Tax**. In line with the amendments, all investments in movables and real estate up to Euro 100,000 in the current year are exempted from payment of profit tax, whereas for investments of over Euro 100,000 the tax base reduces by 30%. In order to exercise these rights, the taxpayer is required not to alienate the property within a period of 3 years from the day of investing. The amendments shall be retroactively applied from January 1, 2003.
- ❖ In July, several **programs and decisions** were adopted ("Official Gazette of the Republic of Macedonia" no. 46/2003 of July 8, 2003):
  - 2003 Agriculture Development Stimulation Program (the program specifies the purposes, the criteria and the conditions under which the funds for stimulation of the agriculture development in 2003 secured from the Budget of the Republic of Macedonia, will be used);
  - Program for supporting the entrepreneurship and attracting foreign direct investments;
  - Decision on issuing, printing and putting banknotes in denominations of Denar 500 and 1000 with changed features in circulation (valid since July 15, 2003);
  - Decision on amending the amount of small-value interbank payment (instead of the previous Denar 3 million, now, an amount of Denar 1 million is considered a small-value payment – valid since July 15, 2003)
- ❖ Over the period from July 23 to August 18, 2003, the IMF Mission visited the Republic of Macedonia, when the first official consideration of the implementation of the Stand-by arrangement was made, and positive results were identified.