

<b>The step under review</b>	<b>On the basis of the previous mapping of 377 charges and the recommendations of the related EU-funded technical assistance project, 28 such charges are optimized</b>
<b>Baseline</b>	The baseline (2024) is 0.
<b>Deadline of the step</b>	June, 2025
<b>Actual results</b>	<p><b>Finalization and adoption of the proposed list for optimization of para-fiscal charges and other compulsory non-tax payments</b></p> <p>The proposed list for optimization of para-fiscal charges and other compulsory non-tax payments was developed under the EU IPA funded project “Streamlining the para-fiscal charges”. The project envisaged proposing model for streamlining para-fiscal charges from the 377 charges already mapped by the CSO Finance Think, contracted for this task by Ministry of Economy and Labour in 2019. Total budget of the action was 299,978 € and total duration of the action was initially planned for 12 months (21 March 2022 – 21 March 2023), but it was extended due to complexity of the topic until January 2024.</p> <p>Experts worked initially to determine which of these 377 are para-fiscal charges. No uniformity in classifying and defining the so-called para-fiscal charges in EU was found.</p> <p>Neither clear guideline is established, apart from those recommended by the Organization for Economic Cooperation Development (OECD) and other baselines from other international organizations that apply to principles of legislation in general but not to para-fiscal charges in particular.</p> <p>Nevertheless, it seems that broad uniformity has been reached to end the word "para-fiscal" that was formerly applied to those compulsory payments that do not fall under the category of taxes.</p> <p>Insisting in all what has already been said in all the Project Technical Reports as well as in the meetings held, the EU (and most of its member states, like Spain and Croatia) defines PFCs as those compulsory payments that are</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Not regulated by tax legislation</li> <li><input type="checkbox"/> Not included in the Annual State Budget</li> </ul> <p>The conclusion was that PFCs are those compulsory payments not regulated by the tax legislation and not included in the State Budget.</p> <p>Based on the analysis completed, experts concluded that from the list of 377 charges, only 33 have the character of para-fiscal, while the majority of charges -255 are administrative fees and are regulated in the Tariff book part of the Law on Administrative Fees. 117 of the charges are non-fiscal charges with no character of para-fiscal charges.</p>

Since the project called for streamlining of para-fiscal charges, project team initially developed Action plan to include 33 para-fiscal charges (Agency for Medicaments and Medical Devices, Agency for Civil Aviation and Institute of Accountants and Authorized Accountants of the North Macedonia). However, since the project objective was to target charges which are most relevant and most frequently used by SMEs, experts proposed amended Action plan to include not only para-fiscal charges, but also non-tax compulsory payments. The new amended Action plan included charges from the following institutions: 19 charges from the Agency for Medicaments and Medical Devices, 6 from Central Registry and 3 from Ministry of Economy and Labour. (see Annex 1-Proposed list for streamlining of 28 para-fiscal charges)

**28 para-fiscal charges and other non-tax payments are streamlined using proposed methodology**

Regarding the methodology - the Standard Cost Model (SCM) was proposed as used in most EU countries, including Croatia.

SCM measurement includes the following activities:

- determination of regulatory areas, i.e. legal and by-laws for measurement and or para-fiscal charges already prescribed with a legal document
- tabular listing of all prescribed administrative obligations of business entities, together with the necessary data and documents, actions and annual frequency connected with the specific charges
- conducting focus groups with business associations and/or individual interviews in order to get from business subjects collected data on the cost of time and fees ( it can be data collected via business associations also)
- collection of statistical data on salary costs and the number of entities subject to obligations
- carrying out measurements in the sequence of collected results and defining the estimated value initiation/intrinsic value, adoption and implementation of measures for administrative relief.

The following standardized formula measures the administrative burden on the economy:

**The administrative burden of the economy - SCM formula**

<p><b>(Time cost for administrative obligation x gross cost of hourly rate + fixed material cost (30%) + fees ) x frequency in the year = administrative cost of the entity x number of entities to which the obligation applies =</b></p> <p><b>= administrative cost of the area</b></p>
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Mandatory data and administrative obligations:

**Administrative duties**

The basis of SCM measurement is the cost of administrative duties.

**Necessary data**

Each administrative obligation consists of one or more required data. Required data is any element of information that must be provided to the relevant competent authority in order to fulfill an administrative obligation.

**Administrative actions**

In order to provide the competent authority with the requested information, i.e. every necessary data, it is necessary to undertake a large number of certain administrative actions. SCM estimates

the costs of performing each administrative action.

Actions can be performed in-house, in the public administration office, by engaging an external collaborator (outsourcing) and in other ways. When performing certain actions, a direct procurement cost sometimes arises. This cost, if it arises solely as a consequence of the obligation to comply with the regulation, is included in the SCM cost estimate.

Cost parameters

Cost parameters must be collected for each administrative action.

Price: The price consists of gross salary costs together with internal material (indirect) costs of administrative actions or hourly costs of external service providers.

Time: the time required to perform an administrative action.

Quantity: Quantity consists of the size of the businesses of economic entities that are covered by the obligation and the frequency of the action (usually observed on an annual basis).

The administrative cost of business is calculated according to the unique SCM formula:

Administrative burden of the economy - SCM formula

$(\text{Time cost for administrative obligation} \times \text{gross cost of hourly rate} + \text{fixed material cost (30\%)} + \text{fees}) \times \text{frequency in the year} = \text{administrative cost of the entity} \times \text{number of entities to which the obligation applies} =$

$= \text{administrative cost of the area}$

For each prescribed administrative obligation, it is determined how much time (number of hours) is needed to perform the obligation, i.e. a certain prescribed action, and the time spent is multiplied by the statistical average of the gross number, which can be either standardized as an hourly wage of the person who fulfils it or approximate based on an interview held to up to 5 MSMEs ( this number is standardized by the UK government). With this, experts calculated what the cost of a person is just for performing the mentioned action.

In order to obtain the total cost required for the specified operation, a multiple of the fixed material cost (30%) is added to the cost of the gross number of hourly rate. Due to the uniformity of the methodology and the speed of calculation, the actual material costs do not need to be calculated, but a certain standard of 30% of the costs, since on average 30% of the administrative costs fall on the material costs of office operations, electricity and other costs necessary for conducting business.

The obtained product plus fees is additionally multiplied by the annual frequency of repetition of the prescribed administrative obligation, and thus we obtained the cost of the administrative obligation per business entity.

In order to obtain the administrative cost of an individual obligation at the level of the entire economy, it is necessary to multiply the obtained total cost of an individual administrative obligation by the number of economic entities/businesses/employees to whom the obligation applies. By multiplying the total cost for each individual administrative action by the total number of entities that must perform the specified action and then by adding up all the actions that need to be performed in order to fulfill the obligations prescribed by a particular regulation, we get the cost that the economy incurs due to the implementation of the regulation.

Example: it takes 2 hours (time) to perform a certain administrative action, and the hourly cost of an employee of an obligated business entity is MK den 10.00 (hourly cost). The price is  $2 \times 10.00 \text{den} = 20.00 \text{den}$ . Plus 30% indirect costs = 6 den plus administration fee of 10 den total equals to 36 den. If the stated obligation must be fulfilled by 100,000 economic entities (businesses), and everyone is obliged to fulfil the obligation twice a year (frequency), the quantity

would be 200,000. The total cost of the actions would be MK den. 200,000 x MK den. 36.00 = MK den 7,200,000.00.

Data on the businesses can be obtained from various sources that are statistically reliable, such as the State Statistical Office (SSO), registers and records of business associations, and other reliable sources. The annual frequency of the administrative obligation is defined by the regulation itself. The gross II cost of the hourly wage of workers is obtained by dividing the average monthly gross salary by the average monthly number of working hours, which is published for each year. The standardized coefficient of indirect (material) cost is 1.3 (30%).

**Reporting by the institutions with a jurisdiction over the selected para-fiscal charges, based on the calculations from the proposed methodology to include administrative relief in nominal value**

For each of the charge from the proposed list for optimization, calculations of the current annual burden for the economy were made, as well as the assessment relief by implementation of the streamlining (in this case by digitalization of services).

Digitalization of certain charges included amendments to the legal framework establishing the charge to enable digital application for certain service, amendments to rulebooks regulating the procedure and fees for certain service, implementation of digitalization of the service (software, integration of the service in e-services portal etc). Please note that actual streamlining (to include amendments of laws, rulebooks or actual digitalisation) was out of scope of the EU IPA project for streamlining the parafiscal charges. This is why, digitalization as proposed and accepted model for streamlining was performed by competent institution’s own resources. Or to be more precise- EU IPA project provided with the Proposal list for streamlining para-fiscal charges, methodology –Standard Cost Model, training for 11 representatives from public institutions on implementation of the model with support in calculations of actual savings.

Another reasoning behind the decision for implementing digitalization as a tool for optimization stems from the conclusions from the experts and WG members that the charges/fees were relatively low and have not been subject to adjustments to the higher costs of administration due to higher wages, as well as high inflation rate. For most of the administrative fees minimum value of 50 denars is applied, which is relatively low and does not correspond to the actual costs of administration and overall price fluctuation. However, digitalization as a tool, shows that substantial savings are done, by implementing digitalization for the overall economy (both administrative costs and costs for businesses calculated).

Current status: from 28 para fiscal charges, 15 have been optimized- digitalized. See Annex 1 - Proposed list for streamlining of 28 parafiscal charges.

**Reporting by the Ministry of Economy on the implementation of the measure to include administrative relief in nominal value and total percentage of administrative relief as a percentage of GDP**

No	Results of SCM measurements	The current administrative cost of the area (in	Amount of administrative relief	Administrative relief
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	and targeted relief by areas	MK denars and %)*	(savings in MK denars and %)	in %
1	Total loading and unloading	1.067.561.418,00	432.480.098,00	40,5%
2	Share in GDP value	0,12%	0,05%	

\*when measure is fully achieved

Information has been submitted to the Government to accelerate the procedure regarding the status of the measure for optimizing 28 parafiscal charges, from the Reform Agenda of North Macedonia 2024-2027, with an attachment and a List of 28 parafiscal charges, whereby the Government adopted the List of 28 parafiscal charges proposed within the IPA project for optimizing parafiscal charges. According to the same Information, and in order to involve all relevant stakeholders, a working group has been formed with members from the Ministry of Economy and Labor, the Agency for medicines and medical devices– MALMED, the Central Registry, the Ministry of Finance, the Ministry of Digital Transformation, and the Ministry of European Affairs, as well as an expert has been appointed to assist the working group in developing a methodology and assisting in the process of optimizing the parafiscal charges.

So far, in addition to what has been stated above, the Law on Trade has been amended to optimize the procedure for granting an Alcohol License by reducing the frequency of issuing as one of the options for optimizing parafiscal charges and the Law on Medicines and Medical Devices has been amended to open the possibility for digitalization as one of the options for optimizing parafiscal charges.

<b>Evidence provided</b>	<p><i>Please see Annex 1 Proposed list for streamlining of 28 parafiscal charges</i></p> <p><i>Amendments to the Law on Medicines and Medical Devices</i></p> <p><a href="https://malmed.gov.mk/wp-content/uploads/22-%D0%97%D0%90%D0%9A%D0%9E%D0%9D-%D0%97%D0%90-%D0%94%D0%9E%D0%9F%D0%9E%D0%9B%D0%9D%D0%A3%D0%92%D0%90%D0%8A%D0%95-%D0%9D%D0%90-%D0%97%D0%90%D0%9A%D0%9E%D0%9D%D0%9E%D0%A2-%D0%97%D0%90-%D0%9B%D0%95%D0%9A%D0%9E%D0%92%D0%98%D0%A2%D0%95-%D0%98-%D0%9C%D0%95%D0%94%D0%98%D0%A6%D0%98%D0%9D%D0%A1%D0%9A%D0%98%D0%A2%D0%95-">https://malmed.gov.mk/wp-content/uploads/22-%D0%97%D0%90%D0%9A%D0%9E%D0%9D-%D0%97%D0%90-%D0%94%D0%9E%D0%9F%D0%9E%D0%9B%D0%9D%D0%A3%D0%92%D0%90%D0%8A%D0%95-%D0%9D%D0%90-%D0%97%D0%90%D0%9A%D0%9E%D0%9D%D0%9E%D0%A2-%D0%97%D0%90-%D0%9B%D0%95%D0%9A%D0%9E%D0%92%D0%98%D0%A2%D0%95-%D0%98-%D0%9C%D0%95%D0%94%D0%98%D0%A6%D0%98%D0%9D%D0%A1%D0%9A%D0%98%D0%A2%D0%95-</a></p>
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<b>Checks performed in the verification of the step and related findings</b>	<i>Please see Annex 1 Proposed list for streamlining of 28 parafiscal charges</i>
<b>Compliance with general principles and DNSH principle</b>	<p>The implementation of the steps does not contravene the general principles outlined in Article 4 and 11(4) of Regulation (EU) 2024/1449 and Article 3 of the Facility Agreement.</p> <p>The implementation of the steps does not contravene the ‘Do No Significant Harm’ principle (DNSH).</p>

<b>Double funding</b>	Contributions from third parties were not reported in support of the achievement of this step.
<b>Clear conclusion on the achievement of the step</b>	Not achieved