

Legal framework review in North Macedonia

(Identification of gaps and areas for improvement to ensure tenant rights and housing standards are adequately addressed in North Macedonia)



Introduction

Housing in the Republic of North Macedonia is an area that may appear to be sufficiently regulated at first glance. However, considering the issues faced by tenants and the passive role of municipalities and central government authorities, it becomes evident that there is significant room for improvement in this sector.

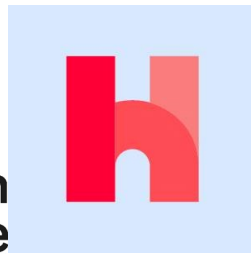
The Housing Law, which serves as the main legislative framework in this area, regulates a number of issues, such as the types of lease agreements, the rights and obligations of landlords and tenants, regarding residential and other real estate, the form and mandatory elements of lease agreements. However, whether intentionally or unintentionally, there is a loophole that allows landlords to disregard these provisions.

Specifically, Article 126 of this Law stipulates that a landlord may be fined only 300 euros in a lengthy misdemeanour process, which can take more than a year, if they violate this Law by not signing a written lease agreement with the tenant. This is not respecting the basic rights of the tenant, failing to cooperate with municipalities and state administrative bodies by not providing the required rental information. Furthermore, there is no regulation on what happens if, after being fined 300 euros, if the landlord continues to disregard the provisions of the Housing Law. This frequent violation of tenants' rights raises alarms and calls for a thorough analysis by the non-governmental sector to highlight to public policy makers where urgent action is needed to improve the environment for tenants and ensure the state has a detailed overview of the processes occurring in this area.

The following document presents an analysis of the most important legal provisions governing this matter to provide a clearer understanding of the rights and obligations of tenants and landlords in the Republic of North Macedonia.



Funded by
**Swedish
Institute**



The housing Law

Article 8 of the Housing Law in North Macedonia defines minimum and adequate housing. This article is of particular importance, because it indicates the parameters according to which the quality of the home can be determined.

- Minimum housing includes satisfying minimum spatial conditions, equipment of the apartment with basic communal infrastructure, such as electricity, water and gutter and traffic connection of the apartment with the settlement, i.e. The city, as well as the legal security of owning or using the apartment.
- Appropriate housing besides the elements of minimum housing includes appropriate privacy and space, physical approach, security, constructive stability and durability, lightning, heating and ventilation, basic infrastructure, such as flume and gutter and garbage collection, quality of the environment and health related factors, as well as approach related to the work and basic services.

There are a few articles extracted which are important for the relations between the owners and tenants, and they are:

Article 11 states, “The owner of a special part, i.e. the tenant, is obliged to regularly maintain the apartment and to take care of the maintenance of the residential building in order not to cause damage or damage influences, as well as to provide unobstructed use of the special parts by other owners.

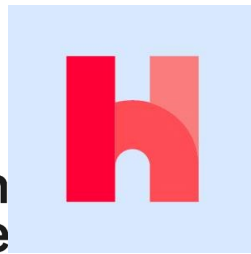
Article 15 states that “Share of costs of management (1) Owners of the special parts are responsible for paying all the costs for management and other costs that come from the residential building in accordance with their own parts, if the mutual relations agreement doesn’t state differently.

Article 60 defines that Management organ in the owners’ community is the Owners’ assembly. Members of the owners’ assembly are all owners, i.e. users of the special parts of the residential building who have written authorization by the owner of the special part to decide on his/her behalf in the management organ of the owners’ assembly, as well as other persons who have authorization to do so. If an owner of apartment is continuously, absent for more than three months from the place where the special part is, he/she is obliged to authorize another person to decide on his/her behalf in the management organ.

Renting an apartment is regulated in Article 66 from the actual Housing Law and it is envisaged that the owner of the apartment rents the apartment by signing an agreement. Furthermore, the article stated that if the leaseholder rents a part of his own apartment in which he/she



Funded by
**Swedish
Institute**



lives; he/she is obliged to sign an agreement on that part. The tenant may rent part of the apartment in sublease by signing an agreement on sublease, exclusively for a limited time and under conditions defined in this Law, with a consent of the leaseholder. The rent agreement and the sublease agreement are signed in written form and are notarized. Only an agreement in this form gives legal basis for respecting the rights of both contracting parties.

To be noted, the obligation to pay the rent tax comes out of the formalized contracts and payment of the rent to transaction account of the leaseholder. Still, because of the low living standard and the need to provide as cheap dwelling as possible, this obligation is very often avoided, so renting apartments is just agreed on verbal agreement cash payment, as a transaction that is not registered anywhere as an taxable income. On one hand, the tax cost that the leaseholder has to pay is avoided and therefore the rent price is automatically lower and more acceptable, but on the other hand the tenant is in less favourable situation that he/she cannot realize his/her own rights regulated in the laws. According to Article 87, “a person that uses an apartment and has not signed an agreement with the leaseholder, or has not extended the fixed time rent agreement; he/she uses the apartment without a legal basis.” Without the mentioned legal basis, the tenant cannot use any other article that regulates his/her rights.

Article 71 states that if the apartment conditions does not provide the tenant the regular usage of the apartment, the tenant may ask the inspection commission in the municipalities, to order execution of certain matters needed to provide the regular usage of the apartments or mutual parts to the leaseholder, according to the norms and standards for housing in residential buildings. If the leaseholder does not proceed upon the order of the inspection commission, the tenant may execute those matters at the cost of the leaseholder. The tenant has the right to pay lower rent up to the expenditures occurred for execution of those matters.

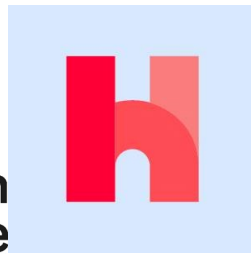
Article 78 outlines the tenant's rights, including:

- 1) The right to use the apartment without any interference;
- 2) The ability to carry out urgent repairs to prevent harm to themselves, the apartment, or its equipment, and to request reimbursement for the repair costs;
- 3) The right to request compensation for damages or a rent reduction if they had to cover certain expenses;
- 4) The right to ask for a refund of overpaid rent; and
- 5) The right to request a proportional rent reduction for any period during which the apartment couldn't be used normally due to the landlord's failure to meet their obligations

Article 96 defines the apartment rent. For using the rented apartment, the tenant pays the leaseholder a rent defined in the rent agreement.



Funded by
**Swedish
Institute**



North Macedonia is categorized as moderate “pro-owner” having in mind that the owner and the tenants have a full freedom to agree and freedom to arrange the rent. In North Macedonia, the lease agreement is determined in accordance with the Law on Obligations, which does not specify the amount of rent that the landlord and the tenant can agree on and the parties can freely agree.

The only regulation that affects the amount of the rent in the Housing Law is: distance from the downtown area, facility location, secured communal and other infrastructure, floor of the building, number of residential units in the building, structure of the apartment building, material from which the building is built, furnishing of the apartment and energy efficiency of the building. The law also prescribes that the methodology of the rent determination should be stated in an act issued by the Government. **However, again, this is not a mandatory regulation and the landlord and tenant can freely agree on the rent amount, payment method, etc.**



Types of lease agreements

1. **Non-profit lease** occurs when the amount of rent paid by the tenant is only suitably to cover the costs required for the regular maintenance of the building – facility.
2. **The market lease** is an agreement settled between the lessor and the lessee, which produces a profit for the lessor, and amount of profit mostly depends by the housing lease market conditions.
3. **Rental for official purposes** is the leasing of a residential property for the temporary accommodation needs of individuals elected or appointed to perform public and other functions as determined by the Constitution and law, as well as individuals employed in state bodies who carry out specific duties essential for the primary function of the body. Their place of residence should be provided at least 30 km away from the location where they perform their duties, and they do not own a property in that location. This lease does not include the right to purchase the property.

4. **Temporary leasing** refers to the provisional accommodation provided in cases such as the construction, reconstruction, or renovation of a residential property, when a residential property is damaged to the extent that it no longer provides conditions for minimal habitation due to fire, flood, or other disasters, in cases of expropriation, and in other situations specified by this or another law.



Validity of the Lease Agreement

The lease agreement can be concluded for a fixed or indefinite period.

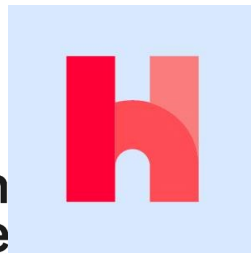
Mandatory Elements of the Lease Agreement

The lease agreement includes:

1. A description of the apartment, its location, size, structure, utilities, and the year of construction;
2. The name and surname, or the designation of the landlord and tenant, along with their unique identification number or tax number;
3. Information about the individuals who, in addition to the tenant, will occupy the apartment;
4. The type of lease;
5. Provisions regarding the mutual obligations of the parties concerning the use and maintenance of the apartment and the common areas of the residential building;
6. The amount of rent, payment methods, and deadlines;
7. The method of payment and the amount of expenses not covered by the rent, related to costs such as electricity, water, heating, and similar (individual expenses), as well as costs for the maintenance of common areas of the residential building (common expenses);
8. Provisions regarding the use of the apartment, the manner and time period in which the owner will inspect the proper use of the apartment;



Funded by
**Swedish
Institute**



9. The duration of the lease agreement;
10. Reasons for termination of the lease agreement; and
11. The procedure for handing over the apartment.

If the number of individuals the tenant is legally required to support increases by one or more persons, the landlord is obliged to sign an annex to the lease agreement upon the tenant's request, including information about these individuals. For other individuals, this is only allowed if the apartment's size is appropriate and meets the needs for minimal housing as stipulated in Article 8 of this law.

Rights of the Landlord

The landlord has the right to receive rent for the leased apartment and to decide on the termination of the lease agreement in accordance with this law and the lease contract.

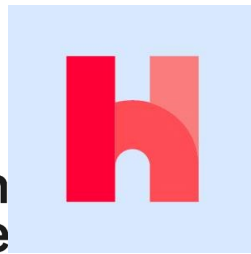
The landlord is obligated to:

- To deliver the apartment subject to the lease in proper condition, ensuring that the tenant can regularly use the apartment according to the norms and standards for housing;
- To maintain the apartment and cover the costs for regular maintenance of the residential building and the reserve fund, in accordance with the norms and standards for housing;
- To be responsible to the tenant for any defects in the leased apartment that hinder its agreed or regular use, as well as for the rights of third parties concerning the leased apartment
- Submit a copy of the lease agreement to the administrative body responsible for public revenue affairs in location where the apartment is placed and likewise to the responsible municipality service, in a period of 30 days from the conclusion of the lease agreement.

This municipality service operates official register for tenants and leased apartments for their specific area.



Funded by
**Swedish
Institute**



Termination of lease agreement

Legal provisions, which protects tenants

- The lessor may terminate the lease agreement concluded for an indefinite period with a notice period that cannot be shorter than 90 days
- The notice period of the lease agreement in the occasion of a dispute among parties is determined in a court procedure
- When the court determines a deadline for eviction, this period it cannot be shorter than 60 days or longer than 90 days
- The procedure is highly urgent
- The lessor cannot terminate the lease agreement concluded for a fixed period of time, before the expiration of that period, if the tenant proves that the reasons for termination were not as a result of his fault.

Responsibilities of the Government of the Republic of North Macedonia in the field of housing

- Creates and implements the housing development policy;
- Adopts a state strategy and an annual program for the construction, sale and maintenance of residential space owned by the Republic of North Macedonia
- Duties aligned with development and research activities in the field of housing;
- Monitors the establishment of lease relationships according to the types of housing at regional and national levels by maintaining a registry
- Provides measures and instruments for stimulation of housing construction;
- Forms professional state institution responsible for housing and protections of tenants' rights „Regulatory Commission for Housing“

Registers of residential buildings and apartments

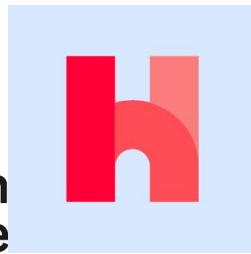
Each municipality, as well as the municipalities within the city of Skopje, establishes and maintains a register of residential buildings and apartments, as well as a register of building managers.

Regulatory Commission for Housing

According to the Housing Law and the Housing strategy of Republic of North Macedonia, the Regulatory Housing Commission is established for provision of long-term, standardized and harmonious housing development, according to the contemporary standards of qualitative life, environment protection and the nature, secure and protection of a competitive market



Funded by
**Swedish
Institute**



of apartments based on objectivity, transparency and non-discrimination principles. In the area of its work and competencies, it is stated that:

- It takes care for a qualitative satisfaction of housing needs of the population, according to the contemporary standards for qualitative life, environment protection and the nature;
- Categorizes the apartments and residential buildings according the prescribed criteria from article 97 from the Housing Law;
- Issues, extends and revokes licenses for manager for conducting management activities of the residential buildings and has a registry on residential buildings managers;
- Mediates in dispute resolution that arise between the tenants, landlords, managers, presidents of the owner's communities, owners of special parts and third persons in the housing area and proposes measures related to them;
- Organizes meetings for introduction of the news in the regulations related to the housing and gives directions related to conducting of the management activities in residential buildings.

Inspection supervision in the area and the protection of tenants

- The inspection supervision in housing area and suitable protection of tenants is performed by authorized housing inspectors in the municipalities only 15 inspectors in 80 municipalities in the country, only 4 in city of Skopje
- Case when municipalities, have not appointed authorized housing inspectors, the inspection supervision is executed by inspectors from State Communal Inspectorate on behalf of municipalities in RNM
- in 2021 no request is made by any municipality towards this state institution

Infringements:

Fine of 300 euros shall be imposed by the court for an offense against the apartment owner in a residential building, if:

- The owner is renting an apartment or part of an apartment without a lease agreement
- lease agreement is not concluded in a written form or is not certified by the public notary
- Owner miss to submit a copy of the lease agreement to the administrative body responsible for public revenue

Methodology for defining the value of the apartment

The value of the apartment is determined mainly based on the following criteria: distance from the central city area, building location, the level of provided communal and other infrastructure, number of floors and residential units in the building, construction material, equipment of the apartment and energy efficiency of the building.



Article 13 of the Methodology provides that:

The price for apartment renting is created as a percentage of the value of the apartment determined in accordance with the Methodology for determining the value of the apartment. The annual rent amount cannot be lower than 2% of the value of the apartment.

Housing Strategy of the Republic of North Macedonia

The Housing Strategy of the Republic of North Macedonia, which guided housing policies from 2007 to 2012, has not been updated since its inception. This strategy aimed to foster a long-term, standardized, and cohesive approach to housing development, aligning with contemporary quality of life standards. The document highlights that: "Addressing housing policy is a multifaceted challenge requiring a comprehensive approach to set priorities and propose effective measures. It necessitates the engagement of all relevant stakeholders in its formulation. The primary goal is to integrate various tools to achieve positive outcomes in the housing sector and ensure the effective execution of the strategy. To accomplish this, there must be clear, coordinated, and strategic planning involving all parties in the process—state institutions, scientific communities, local governments, the private sector, and the public. Such a collaborative approach will ensure accurate identification of needs and facilitate the establishment of a coherent housing policy. "What is particularly noteworthy is that the Strategy anticipated the engagement of various stakeholders in its execution, adhering to the principle of participation and aiming to enhance cooperation between state and local institutions, civil society organizations, private developers, and other market players. The

Strategy emphasized: "The active involvement of citizens, or the public, is crucial in shaping housing policy. Civil society organizations with a stake in this issue should also be given the opportunity to contribute, ensuring that existing interests and needs are promptly addressed and integrated into the housing policy. This approach not only helps articulate and incorporate diverse perspectives but also strengthens democratic processes by making decision-making more transparent. The framework for public participation should be carefully designed to facilitate the effective implementation of this strategy."

With the introduction of the Housing Law in 1998, social housing was eliminated, and housing began to be regarded primarily as an economic category, necessitating a new approach to housing valuation.

The state can act on the supply and demand of housing market through three main policies:

- Real estate policy
- Fiscal policy
- Financial policy
- Real estate policy

As one of the basic elements of the real estate policy is RENTAL HOUSING, which is realized mainly in private apartments. Within this policy, the state should intervene with fiscal tolls to bring price - rent in the level of controlled and predicted rent, regulated by law.

Tax ground and Tax rate for paying tax on income earned from the lease of an apartment.

- The tax ground for calculating the tax is the gross income reduced by the costs in the amount of 10%.
- The basis for calculating the tax on the income from the lease of furnished residential and business premises is the gross income reduced by the normalized costs in the amount of 15%.
- Tax rate for income tax from lease for 2020, 2021 and 2022 is a rate of 10%.

There is a group working on improving the existing housing law in North Macedonia, led by the Regulatory housing commission. During our meeting with them, we will report all the findings from the group and incorporate the information within our document. These gaps will further on help us develop more precise program for future work.