

## LAW ON LEASING

("OFFICIAL GAZETTE OF THE REPUBLIC OF MACEDONIA" NO.04/02, 49/03, 13/06, 88/08, 35/11, 51/11, 148/13, 145/15, 23/16 И 37/16)

### GENERAL PROVISIONS

#### **Article 1**

This Law shall regulate the manner and conditions for leasing on movable and immovable objects, as well as the rights and obligations of the parties to the lease contract.

#### **Article 1-a**

The provisions of the Law on Obligations shall respectively apply to the lease contracts, unless otherwise determined by this Law.

#### **Article 1-b**

The provisions of this Law referring to obtaining a license for financial lease, deadline for commencing the execution of the financial lease contracts, accounting and reports, supervision, measures and revocation of a license for financial lease, shall not apply to the banks established in the Republic of Macedonia.

#### **Article 1-c**

The provisions of the Law on Bankruptcy shall apply to the financial lease providers, unless otherwise determined by this Law.

#### **Article 1-d**

The provisions of the Law on Trade Companies shall apply to lessors, unless otherwise determined by this Law.

### **Definitions**

#### **Article 2**

Leasing shall be an activity that refers to a movable and immovable object, where the lessee determines the lease object that is purchased or produced by the lessor and given for use to the lessee for an agreed period of time, in exchange for a payment of compensation for using the lease object, in accordance with the conditions established in the lease contract concluded between the lessor and the lessee.

Financial lease shall be the lease on the basis of which all risks and benefits arising from the ownership of an object, whether movable or immovable, are transferred whereby the ownership may, but does not necessarily have to be transferred after the expiry of certain time period.

Operating lease shall be any lease other than the financial lease.

Lessor shall be a legal entity that provides one or more objects to be used by the lessee, for a certain period of time, under the terms and conditions established in the lease contract (hereinafter: lessor).

Lessee shall be a legal entity or natural person that accepts the lease object for use, in accordance with the lease contract (hereinafter: lessee).

Seller shall be a legal entity or natural person who sells or otherwise provides the lease the object to the lessor, in accordance with the lease contract.

Lease object shall be any movable and immovable object given for use to the lessee, except any object for which there are legal restrictions to be a lease object (hereinafter: object).

Lease contract shall be a contract in a written or electronic form, concluded between the lessor and the lessee whereby the lessor gives the object for use to the lessee, under the terms and conditions stated in the contract for definite period of time.

Sale and purchase contract shall be a contract in a written or electronic form concluded between the seller of the lease object and the lessor.

### **Lease providers**

#### **Article 3**

- (1) Operational lease providers shall be trade companies and foreign trade companies that have established a branch office in the Republic of Macedonia, engaged in operational leasing, according to the manner and conditions established by this Law.
- (2) Financial lease providers shall be limited liability companies or joint stock companies established by a decision of the Ministry of Finance, engaged in leasing activities, according to the manner and conditions determined by this Law.
- (3) Financial lease provider cannot engage in activities other than leasing and leasing related activities.

## **Basic capital**

### **Article 3-a**

- (1) A financial lease provider shall be established with basic capital of minimum 6.000.000 Denars.
- (2) The basic capital and all further increase of the basic capital must be in a form of money and paid in their total amount, and must not originate from loans or credits.
- (3) The basic capital must not decrease below the amount referred to in paragraph (1) of this Article.

## **License for establishment and operation**

### **Article 3-b**

- (1) In order for a financial lease provider to be established and to operate, it is necessary to previously obtain a license for establishment and operation from the Ministry of Finance.
- (2) The entities intending to establish a financial lease provider shall submit an application for obtaining a license to the Ministry of Finance.
- (3) The following annexes shall be attached to the application referred to in paragraph (2) of this Article:
  - 1) draft articles of incorporation;
  - 2) proposal of the name and head office of the lease company;
  - 3) proof of payment for the money to the basic capital, to a temporary account of a payment operations holder;
  - 4) sources of funds for payment of the basic capital;
  - 5) identity of the persons intending to establish a lease company;
  - 6) proof that the person has not been convicted by a legally valid verdict for a crime to unconditional imprisonment sentence of minimum six months, until the legal consequences of the verdict still last;
  - 7) document that security measure prohibition to practice profession, perform activity or duty has not been pronounced against the founder;
  - 8) list of proposed members of the governing body including proofs that they meet the requirements referred to in Article 3-c of this Law;
  - 9) work program of the lease company, including projection of financial reports for the following three years;
  - 10) internal procedures for financial leasing, including criteria and conditions for financing the user of the leasing;
  - 11) program for prevention of money laundering, approved by the Financial Intelligence Unit; and
  - 12) proof of paid administrative fee in accordance with the Law on Administrative Fees.

(4) If a legal entity is a founder of a financial lease provider, in addition to the documents and information referred to in paragraph (3) of this Article, it shall attach the following annexes to the application:

- 1) excerpt from the register where the legal entity is entered;
- 2) information on the economic and financial status;
- 3) financial reports along with a report of the conducted audit for the last year;
- 4) proof that it has not been convicted for a crime by a legally valid verdict with a fine, until the legal consequences of the verdict still last;
- 5) document that a measure prohibition to perform activity has not been pronounced against the legal entity;
- 6) document that security measure prohibition to practice profession, perform activity or duty has not been pronounced against the responsible person in the legal entity and
- 7) document that bankruptcy or liquidation procedure has not been initiated against the legal entity.

(5) If a foreign legal entity is a founder of a financial lease provider, in addition to the annexes referred to in paragraph (3) of this Article, it shall attach the following annexes to the application:

- 1) excerpt from the register where the legal entity is entered;
- 2) financial reports along with a report of the conducted audit for the last year; and
- 3) confirmation, certificate or other type of proof issued by a relevant body in the country where it is registered, that will serve to certify that it meets the requirements referred to in paragraph (4) items 4, 5, 6 and 7 of this Article.

(6) The annexes referred to in paragraph (5) points 1) and 3) of this Article cannot be older than six months, and shall be attached in their original copy or a copy verified by a notary. Verified translation shall also be attached for those annexes originally written in a foreign language.

(7) The annexes referred to in paragraphs (3), (4) and (5) of this Article, the manner of their submission and the manner and procedure for their assessment shall be prescribed by the Minister of Finance.

(8) The authorized official person in the Ministry of Finance who conducts the procedure for issuance of a license for establishment and operation of a financial lease provider shall be obliged to require the attachments referred to in paragraphs (3) points 6) and 7) and (4) points 1), 2), 4), 5), 6) and 7) of this Article *ex officio* from the competent public bodies within a period of three days as of the day of receipt of the request.

(9) The authorized official person in the competent public body shall be obliged to submit the attachments referred to in paragraphs (3) points 6) and 7) and (4) points 1), 2), 4), 5), 6) and 7) of this Article to the Ministry of Finance within a

period of three days as of the day of receipt of the request referred to in paragraph (8) of this Article.

- (10) The contents and the form of the application form for obtaining a license referred to in paragraph (2) of this Article shall be prescribed by the Minister of Finance.

### **Members of a governing body**

#### **Article 3-c**

- (1) Member of a governing body of a financial lease provider may be any person that:
- 1) holds a university degree;
  - 2) has three years of work experience in the field of finances or banking;
  - 3) has not been a responsible person in a trade company against which a bankruptcy procedure has been initiated;
  - 4) has not been imposed a security measure prohibition to practice profession, perform activity or duty and
  - 5) is not a member of a governing body of a bank, branch office of a foreign bank, financial lease provider or financial company.
- (2) The type of documents for meeting the requirements referred to in paragraph (1) points 2, 3 and 5 of this Article shall be prescribed by the Minister of Finance.

### **Deciding upon an application**

#### **Article 3-d**

- (1) The Ministry of Finance shall decide upon the application referred to in Article 3-b of this Law in a period of 60 days as of the day of its submission.
- (2) If the application is incomplete, the Ministry of Finance shall notify the applicant to submit the necessary documents and information in a period of 30 days at the most.
- (3) The time period referred to in paragraph (1) of this Article shall not include the time periods referred to in paragraph (2) of this Article.
- (4) In the course of making a decision on the application, the Ministry of Finance shall assess in particular the qualification and the experience of the proposed members of the governing body, the economic and financial status of the founder, and the feasibility of the work program and the projection of the financial reports referred to in Article 3-b paragraph (3) point 9 of this Law.

## **Rejecting an application**

### **Article 3-e**

- (1) The Ministry of Finance shall, by a decision, reject the application for issuance of a license if the application does not contain the documentation prescribed in Article 3-b of this Law.
- (2) An appeal may be filed to the State Commission for Decision-making in Administrative Procedure and Labor Relations Procedure in Second Instance against the decision referred to in paragraph (1) of this Article, in a period of 15 days as of the day of the receipt of the decision.

## **Rejecting an application**

### **Article 3-f**

- (1) The Ministry of Finance shall, by a decision, reject the application for issuance of a license if:
  - 1) the application contains incorrect or unauthentic data;
  - 2) the last two years the applicant has been rejected an application for obtaining a license or the issued license has been revoked, in accordance with this Law;
  - 3) the paid basic capital is lower than the prescribed one in Article 3-a paragraph (1) of this Law;
  - 4) there are grounds for suspicion of the origin of the funds for payment of the basic capital;
  - 5) according to the information about the economic and financial status and the report of the conducted audit, the legal entity generates losses and has problems in the maintenance of the financial stability and liquidity;
  - 6) the investment in the basic capital is not appropriate to the economic and financial status of the founder and may lead to its further decline;
  - 7) a security measure prohibition to practice profession, perform activity or duty has been pronounced against the founder;
  - 8) a bankruptcy or liquidation procedure has been initiated against the founder - legal entity; and
  - 9) the proposed member of the governing body does not meet the requirements referred to in Article 3-c of this Law.
- (2) An appeal against the decision referred to in paragraph (1) of this Article may be filed to the State Commission for Decision-making in Administrative Procedure and Labor Relations Procedure in Second Instance, in a period of 15 days as of the day of receipt of the decision.
- (3) If the Ministry of Finance rejects the application due to the existence of the reasons referred to in paragraph (1) point 4 of this Article, he/she shall immediately notify the Financial Intelligence Unit thereof.

## **Issuing a license**

### **Article 3-g**

- (1) If the requirements referred to in Articles 3-b and 3-c of this Law are met, the Ministry of Finance shall adopt a decision for issuing a license for establishment and operation of the financial lease provider.
- (2) The decision referred to in paragraph (1) of this Article shall contain:
  - 1) the name and head office of the lease company;
  - 2) the name and surname/title of the founder of the leasing company and
  - 3) the name and the surname of the member of the governing body.
- (3) The financial lease provider shall be obliged to initiate the conclusion of lease contracts in a period of six months as of the day of its entry in the trade register, kept at the Central Register.

### **Article 3-h**

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## **Entry in trade register**

### **Article 3-i**

- (1) The financial lease provider shall acquire the capacity of a legal entity by entry in the trade register, kept at the Central Register.
- (2) The financial lease provider shall be obliged to submit an application for entry in the trade register in a period of 30 days as of the day of obtaining the license for establishment and operation.
- (3) The following shall be attached to the application for entry in the trade register:
  - 1) articles of incorporation of the financial lease provider;
  - 2) license for establishment and operation;
  - 3) proof that the monetary funds are paid to the basic capital, to a temporary account of a payment operations holder and
  - 4) other documents in accordance with the regulations on entry of the trade company in the trade register.
- (4) The Central Register shall reject the application for entry in the trade register unless it is submitted in the time period referred to in paragraph (2) of this Article and shall notify in writing the Ministry of Finance thereof in a period of five days as of the day the application has been rejected.
- (5) The financial lease provider shall be obliged to notify the Ministry of Finance on the entry in writing in a period of ten working days after the entry in the trade register.

## **Register of financial lease providers**

### **Article 3-j**

- (1) The Ministry of Finance shall keep a Register of Financial Lease Providers in an electronic form.
- (2) The Register referred to in paragraph (1) of this Article shall contain the following data on the financial lease providers:
  - 1) name and head office;
  - 2) number and date of the license for establishment and operation;
  - 3) basic capital and
  - 4) members of the governing body.

### **Consents**

#### **Article 3-k**

- (1) The financial lease provider, without prior consent from the Ministry of Finance, must not:
  - 1) appoint a member of the governing body;
  - 2) make a change in the ownership structure; and
  - 3) change the basic capital.
- (2) Before the appointment of a member of the governing body, the financial lease provider shall be obliged to submit to the Ministry of Finance a request for obtaining a prior consent attaching thereto the proofs for the fulfillment of the requirements referred to in Article 3-c of this Law and a proof for the paid administrative fee under the Law on Administrative Fees.
- (3) The financial lease provider shall be obliged to submit the request referred to in paragraph (2) of this Article 60 days prior to the expiry of the term of office of the member of the governing body at the latest, that is, within 15 days as of the day of the dismissal, resignation, death or revocation of the consent for the member of the governing body at the latest, and within a period of three months as of the occurrence of the requirement for termination of a member of a governing body to propose a member who meets the requirement referred to in Article 3-c of this Law.
- (4) Before making a change in the ownership structure, the financial lease provider shall be obliged to submit to the Ministry of Finance a request for obtaining a prior consent attaching the proofs for fulfillment of the requirements referred to in Article 3-b paragraph (3) points 4, 5, 6, 7 and 9 of this Law and the proof for paid administrative fee under the Law on Administrative Fees, that is, the proofs referred to in Article 3-b paragraphs (4) and/or (5) of this Law.
- (5) Before making a change of the basic capital, the financial lease provider shall be obliged to submit to the Ministry of Finance a request for obtaining a prior

consent attaching an explanation of the reasons for the change of the basic capital and fund sources for paying the increase of the basic capital.

- (6) The Ministry of Finance, on the basis of the request and the submitted documentation referred to in paragraphs (2), (4) and (5) of this Article, shall adopt a decision on issuing consent rejecting or refusing the request. The provisions of Articles 3-d, 3-e, 3-f and 3-g of this Law shall appropriately apply to the making of the decision upon the request.
- (7) The form and the contents of the requests referred to in paragraphs (2), (4) and (5) of this Article shall be prescribed by the Minister of Finance.
- (8) The authorized official person in the Ministry of Finance who conducts the procedure for issuance of a decision on consent for a change in the ownership structure of a financial lease provider shall be obliged to require the attachments referred to in Article 3-b paragraph (3) points 6) and 7) and paragraph (4) points 1), 2), 4), 5), 6) and 7) of this Law *ex officio* from the competent public bodies within a period of three days as of the day of receipt of the request.
- (9) The authorized official person in the competent public body shall be obliged to submit the attachments referred to in Article 3-b paragraph (3) points 6) and 7) and paragraph (4) points 1), 2), 4), 5), 6) and 7) of this Law to the Ministry of Finance within a period of three days as of the day of receipt of the request referred to in paragraph (8) of this Article.

## **Notifications**

### **Article 3-l**

- (1) The financial lease provider shall be obliged to notify the Ministry of Finance on:
  - 1) the change of the head office;
  - 2) the change of the name;
  - 3) the opening or closing of a branch office in the country or abroad;
  - 4) the existence of the basis for termination of the financial lease provider or revocation of the license and
  - 5) the change of internal procedures for engaging in financial lease activities, including the criteria and conditions for financing the lessee.
- (2) The financial lease provider shall be obliged to notify the Ministry of Finance on the cases referred to in paragraph (1) of this Article in a period of ten working days as of the day the action has occurred.

## **Operational claims**

### **Article 3-m**

The claims of the financial lease provider on the basis of concluded financial lease contracts cannot exceed ten times the amount of the basic capital and the reserves.

## **Status changes**

### **Article 3-n**

- (1) Status change in case of acquisition and merger may be performed between two or more providers of financial lease.
- (2) The status change in case of division of a lease company may be performed to two or more providers of financial lease.
- (3) A permission of the Ministry of Finance shall be necessary for performing the status change of the provider of financial lease.
- (4) The provisions of Articles 3-a, 3-b, 3-c, 3-d, 3-e, 3-f and 3-g of this Law shall accordingly apply to the issuing the permission referred to in paragraph (3) of this Article.

## **Entry of status change**

### **Article 3-o**

- (1) The financial lease provider shall be obliged to submit an application for entry of change in the trade register, kept at the Central Register, in a period of 15 days as of obtaining the permission for status changes. The permission referred to in Article 3-n paragraph (3) of this Law shall be mandatorily attached to the application for entry in the trade register.
- (2) The financial lease provider shall be obliged to notify the Minister of Finance in writing of the performed entry in a period of ten days after the entry of the status change in the trade register.

## **Basic capital**

### **Article 4**

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## **Lease contract**

### **Article 5**

- (1) The lease contract shall be obligatory verified at a notary.\
- (2) The lease contract shall mandatorily contain: description of the object, total value of the object, amount for advance payment, validity period of the lease contract, provision on who is to submit the request for an entry of the object under lease, for recording of each change of the lease contract, and for deletion of the object under lease in the special register in the Central Register, total amount of the compensation paid by the lessor, number and amount of separate payments and their due term.

## **Duration of the financial lease**

### **Article 5-a**

- (1) The financial lease may last at least one year for movable objects and two years for immovable objects.
- (2) The financial lease contract which, due to whatsoever reason, terminates before the deadlines referred to in paragraph (1) of this Article, shall be considered an operational lease contract for tax purposes.

## **Transfer of rights and obligations from the lease contract**

### **Article 5-b**

- (1) The lessor may transfer or in any other manner exercise all or some of its rights and benefits of the object deriving from the lease contract, provided that such transfer or exercise is not contrary to the right of the lessee to use the object in whole as long as the lessee accepts and fulfills the obligations under the lease contract, unless otherwise anticipated by the lease contract and/or unless it is not against the laws in the Republic of Macedonia.
- (2) The transfer or exercise of the rights referred to in paragraph (1) of this Article shall not release the lessor from the obligations under the lease contract.
- (3) The lessee may transfer the right to use the object or the obligations under the lease contract, only with previous written consent from the lessor obtained on the basis of the request submitted by the lessee.
- (4) The request referred to in paragraph (3) of this Article shall mandatorily contain:
  - 1) the number and date of the lease contract between the lessor and the lessee;
  - 2) the name, address, personal identification number of the legal entity or natural person (PINC or PINE) to which the right is transferred and
  - 3) the period for which the transfer is performed.
- (5) The lessee cannot simultaneously transfer the rights and obligations determined by this Law and by the lease contract.

## **Contract with the seller**

### **Article 6**

- (1) If the lessee has determined the seller and imposed on the lessor to conclude a sale and purchase contract with the referred seller, the obligations of the seller resulting from the contract on sale of the subject of the lease contract shall directly apply to the lessee, for which they are binding, unless otherwise determined by the lease contract or by a separate contract in a written or electronic form concluded between the lessor and lessee.

- (2) The seller shall be liable for the lease object determined by the lease contract or for the object that shall be determined by the lease contract, under the terms and conditions of the sale and purchase contract, unless it is against the regulations of the Republic of Macedonia., The provisions regulating contractual obligations shall apply unless specific terms and conditions are in detail established by the sale contract in regard to the liability of the seller.
- (3) The liability of the seller for damage compensation or fulfillment of the obligations under the sale contract, in the case when the obligations apply both to the lessor and the lessee, shall be considered completed by carrying out payment to the lessor or lessee, unless otherwise determined by the sale contract.
- (4) The lessee shall be notified about the liabilities of the seller resulting from the sale contract.
- (5) The notification referred to in paragraph 4 of this Article shall not entitle the lessee the right to cancel the sale contract without prior consent of the lessor in a written or electronic form.

### **Obligations of the parties**

#### **Article 7**

- (1) The lessee shall be obliged to determine whether the lease object about to be taken over based on a lease contract meets the agreed conditions prior to accepting it, in accordance with the lease contract.
- (2) The moment the lessee accepts the lease object, the lessor shall be obliged to pay the seller for the purchased lease object, unless otherwise determined by the sale and purchase contract.
- (3) If the object fails to meet the terms and conditions determined by the lease contract, the lessee shall have the right to reject the object within 30 working days as of the receipt, after which period the lessee loses the right to reject the object.
- (4) In case the lessee rejects the object, it shall be obliged to keep the object 30 days after receiving it at the most, unless another deadline is determined by the lease contract.
- (5) In case when the lessor has acquired the object of the lease contract, upon a request of the lessee, or if the lessee has selected the seller with whom the lessor has concluded a sale and purchase contract, the lessor shall be released from the obligation towards the lessee regarding the obligations of the seller arising from the sale contract in regard to the object (quality of the lease object, working condition of the object, as well as its timely delivery to the lessee or the lessor, replacement or reparation of the defect and installation of the object), unless otherwise agreed.
- (6) In case the lessor selects the seller, they shall jointly and severally be held liable against the lessee for any damage in relation to the object, arising from

paragraph 5 of this Article, unless otherwise agreed in a written or electronic form between the lessor and the lessee.

- (7) The lessor shall be liable for non-delivery, delayed delivery or delivery of non-conforming object, only if it arises from the lease contract or it is a result of the lessor's fault.
- (8) The lessor shall guarantee the lessee continuous use of the lease object even in case when the obligation of the lessor is not fulfilled against third parties.

### **Return of the object**

#### **Article 8**

- (1) The object shall be returned to the lessor, or to a person authorized by the lessor on the date and according to the conditions and the manner determined by the lease contract, and in the case that is not determined, it shall be acted in accordance with the regular deadlines for such intent.
- (2) When the lease contract terminates due to whatsoever reason, the lessee, pursuant to the lease contract, unless exercising the right to purchase the object or keep it on lease until further, shall be obliged to return the object in the same condition as when delivered, shall subject it to normal use and wear, unless otherwise determined by the lease contract.
- (3) Unless otherwise specified by the lease contract, the lessor shall examine the object upon its return to the lessor's physical possession within 30 business days. In case when it is not possible to do so, the lessor shall have additional deadline reasonably necessary for examination of the object and shall notify the lessee in written or electronic form, if the returned object is not in compliance with the conditions determined by the lease contract. Failure to notify the lessee in written or electronic form within the referred time period shall be considered as acceptance by the lessor that the object has been returned in the appropriate condition, unless such non-compliance could not have been detected by the lessor, diligently conducting its examination.
- (4) In case of initiation of a bankruptcy procedure against the lessee, the lessor shall have the right, upon a notice in written or electronic form to the Lessee, to immediate return of the object of the lease contract, determined by the lessor in such notice, at the lessee's expense, unless otherwise determined by the lease contract, or otherwise agreed to in a separate document in written or electronic form between the lessor and the lessee.

### **Bankruptcy of the Lessee**

#### **Article 8-a**

In the case of initiating a bankruptcy procedure against the Lessee, the object shall be separated from the other assets (property title right) and immediately returned to the lessor.

## **Bankruptcy against the financial lease provider**

### **Article 8-b**

- (1) In the case of opening a bankruptcy procedure of a financial lease provider, the lessee or the bankruptcy manager may require:
  - 1) fulfillment of the financial lease contract, leasing as a whole after which the bankruptcy manager is obliged to immediately transfer the ownership of the financial lease object to the lessee, in accordance with the lease contract;
  - 2) implementation of the procedure for transferring the financial lease contracts to other financial lease provider from the Republic of Macedonia and
  - 3) extension of the lease contract.
- (2) The procedure for transfer of the financial lease contracts to another financial lease provider referred to in paragraph (1) line 2 of this Article shall be carried out by means of an open invitation procedure.
- (3) The conditions for transfer of the financial lease contracts shall be established mutually by the bankruptcy manager and by the financial lease provider accepting the transfer of the financial lease contracts.
- (4) In the case of transfer of the financial lease contracts from the lessor being subject to an opened bankruptcy procedure to another financial lease provider, the rights and the obligations of the lessees based on the transferred financial lease contracts shall be fulfilled and accomplished towards the financial lease provider to which the financial leasing contracts are transferred.

### **Storing the object**

#### **Article 9**

- (1) The lessee shall be responsible for storing the object of the lease contract in good working condition, normal use and wear, unless otherwise envisaged by the lease contract.
- (2) The lessee shall cover all the storing costs, anticipated in paragraph 1 of this Article, including its operation, technical maintenance and repair of the lease object, unless otherwise determined by the lease contract.

### **Purchase of the object and continuance of the rights from the lease contract**

#### **Article 10**

- (1) The lease contract may anticipate the right of the lessee to redeem the object on the day or prior to the expiration of the period for use of the - financial lease object, and/or the right of the lessee to continue to use the object upon expiry.
- (2) After the expiration of the lease contract, the lessee will not automatically acquire the ownership of the object after paying all the compensations

determined by the lease contract, unless otherwise determined by lease contract.

## **Cancellation of the leasing contract**

### **Article 11**

- (1) If the conditions set forth in the lease contract are not met by one of the contracting parties, the other contracting party may cancel the lease contract, after previously notifying the first contracting party in written or electronic form, in a period not shorter than five business days.
- (2) The contracting party that cancels the lease contract shall be exempted from all the contractual obligations resulting from the contract after the given notification, unless otherwise determined by the lease contract.
- (3) In the case where the lessor determines the seller, the lessee may require cancellation of the lease contract previously notifying the lessor in written or electronic form, if the delivery of the object exceeds 30 days as of the day it is to be delivered, unless otherwise determined by the lease contract.
- (4) In the case one of the contracting parties was given an opportunity to remove the established irregularity, the other contracting party shall be entitled to unilateral cancellation of the lease contract if the previous contracting party failed to remove the irregularity within the agreed time period.
- (5) The lessor may cancel the lease contract and ask immediate return of the object, unless otherwise determined by the lease contract if:
  - a) the lessee has not paid the compensation for use of the lease object, determined by the contract;
  - b) the lessee has transferred the right to use the object without previous written consent from the lessor;
  - c) the lessee has not insured the object, and was obligated to;
  - d) the lessor reasonably assesses that there is a danger that the lease object will be exported of the country in which it is permitted to be used, if the lease contract limits the use of the object in another country, or if there was an attempt to do so and
  - e) the lessee uses the object unconsciously and without the due care.

## **Registration of the lease object**

### **Article 12**

- (1) The provider or the user shall be obliged, in a written form or electronic form, to submit a request on a prescribed form for entry of the object which is the subject of the lease contract in a special register kept by the Central Register. The provider and the user may agree to authorize the notary who has solemnized the lease contract to make the entry of the object which is the subject of the lease contract in the Central Register. The submission of the request for entry in an

electronic form shall be made in accordance with the Law on Data in Electronic Form and Electronic Signature. The request for an entry shall be submitted within a period of five working days as of the day of signing the lease contract.

- (2) The provider or the user shall be obliged to submit a request, in a written form or electronic form, in accordance with the Law on Data in Electronic Form and Electronic Signature, for entry of each change of the lease contract to the Central Register within a period of five working days as of the day of occurrence of the change.
- (3) The provider or the user shall be obliged, within a period of five working days as of the termination or cancellation of the lease contract, to submit to the Central Register a request in a written form or electronic form, in accordance with the Law on Data in Electronic Form and Electronic Signature, for deletion of the case in the respective register.
- (4) A certificate shall be issued for the entry made, the changes that have occurred, and the deletion, in a written form or electronic form in accordance with the regulations referring to data in electronic form and electronic signature. The document for the entry must contain the essential elements of the contract, the day and hour of receipt of the request in the register, as well as the time of issuance of the document.
- (5) The form and the contents of the request, as well as the manner of making an entry, changing and deleting the object which is the subject of the lease contract in the special register kept in the Central Register, shall be prescribed by the Director of the Central Register.

## **Insurance**

### **Article 13**

- (1) Unless otherwise determined by the lease contract, as of the moment the lessee accepts the object it shall be obliged to insure the object of the lease contract in an insurance company against any risk or damage of the object and injury to a third party caused by the object or by its use or its ownership by the lessee, until the day when the object is returned to the lessor, according to a law, as of the day the lessee receives the object until the expiry of the period covered by the lease contract.
- (2) The lessee shall bear all risks of loss or damage of the object, as well as injury to third party, except those caused intentionally or without due care of the lessor or the seller, unless otherwise determined by the lease contract.

## **Use of the object as pledge**

### **Article 13-a**

- (1) The financial lease provider cannot use the financial lease object as pledge without previous written consent from the lessee given in front of a notary.

- (2) At the registration of the pledge in the Pledge Register, the lessor shall mandatorily submit the consent referred to in paragraph (1) of this Article.
- (3) The pledge contracts concluded opposite to paragraph (1) of this Article shall be null and void.

### **Charging compensation**

#### **Article 14**

- (1) Upon the acceptance of the lease object on the basis of the lease contract, the obligation for payment of compensation for use of the lease object for the lessee is absolute and irrevocable.
- (2) The lessee shall be obliged to pay the compensation for use of the lease object in the amount and in the manner determined by the lease contract.
- (3) Should the lessee fail to make any payment of compensation for use of the lease object, determined by the lease contract, taking into consideration the grace period determined within the lease contract, the lessor may upon a request in written or electronic form coercively collect any calculated outstanding compensation, with calculated default interest, unless otherwise determined by the lease contract.
- (4) The lessee shall not be obliged to begin the payments determined by the lease contract until the object of the lease contract is delivered or received by the lessee, unless otherwise determined by the lease contract or unless the lessee has lost the right to reject the object, according to the lease contract.

### **Accounting, financial reports and audit**

#### **Article 15**

- (1) The lessor shall keep accounting and prepare financial reports in accordance with the Law on Trade Companies and with the adopted international standards on financial reports.
- (2) The financial reports of the lessor shall be subject of audit by an authorized audit company, in accordance with the audit regulations.
- (3) The lessor shall be obliged to publish the annual financial report and the report and opinion of the authorized auditor in at least one daily newspaper in the Republic of Macedonia, in a period of 15 calendar days as of the day of the submission of the reports to the Ministry of Finance.
- (4) The financial lease provider shall be obliged by May, 31st in the current year to submit to the Ministry of Finance a copy of the financial report for the previous year and a report of the completed audit.
- (5) The audit company shall be obliged to notify the Ministry of Finance forthwith, in case if during the audit it confirms that:
  - 1) the financial lease provider has committed serious violations of the provisions of this or another law and

- 2) the financial condition of the financial lease provider has deteriorated which puts at risk its normal operations.

## **Reports**

### **Article 15-a**

- (1) The financial lease provider shall be obliged to submit to the Ministry of Finance a report on concluded lease contracts, in a period of 15 days as of the expiry of the time period referred to in Article 3-g paragraph (3) of this Law.
- (2) The financial lease provider shall be obliged to submit reports for its financial activities and for the condition and sources of funds to the Ministry of Finance, at least twice a year, that is, by February, 28th in the current year for the previous year at the latest and by July, 15th in the current year for the period between January, 1st and June, 30th. in the current year, as well as whenever necessary. on a request of the Ministry of Finance.
- (3) The financial lease provider shall submit information necessary for statistical and analytical purposes, upon a request of the Ministry of Finance.
- (4) The form and content of the report form referred to in paragraphs (1) and (2) of this Article, as well as the manner of their delivery shall be prescribed by the Ministry of Finance.

## **Records of the object**

### **Article 15-b**

The records of the object for tax purposes shall be performed in accordance with the tax regulations.

## **Supervision**

### **Article 16**

- (1) The Ministry of Finance shall supervise the financial lease providers.
- (2) The supervision referred to in paragraph (1) of this Article shall be performed by persons authorized by the Minister of Finance (hereinafter: an authorized person).
- (3) The supervision referred to in paragraph (1) of this Article shall be performed through:
  - 1) off the field monitoring of the work of the lessors by collecting and analyzing the reports and the data the lessors submit to the Ministry of Finance and
  - 2) direct control of the lessor.

- (4) During the supervision referred to in the paragraph (1) of this Article the lessor shall be obliged to enable access or submit for insight the whole available documentation, as well as to ensure the documentation that will be required.
- (5) The documentation referred to in paragraph (4) of this Article shall be considered classified information for the Ministry of Finance, in accordance with law.
- (6) The Ministry of Finance shall compose minutes for the established irregularities and illegal activities within the supervision.
- (7) The Ministry of Finance may engage external experts in the performance of the direct control.

## **Measures**

### **Article 16-a**

The Ministry of Finance may undertake the following measures against a financial lease provider, for which it has been established that does not operate in accordance with the provisions of this Law:

- 1) submit written warning or a written recommendation;
- 2) issue a written order that includes a time period for removal of the established irregularities and illegal activities and
- 3) forbid concluding of lease contracts for a certain period of time.

## **Seizing a license**

### **Article 16-b**

- (1) The Ministry of Finance shall by a decision seize the license for establishment and operation of the financial lease provider if:
  - 1) it does not commence to conclude lease contracts in the time period determined in Article 3-g paragraph (3) of this Law;
  - 2) it is established that the information being submitted in the application for issuance of a license or consent are incorrect, unauthentic or are not longer fulfilled;
  - 3) it does not conclude lease contracts for a period longer than six months;
  - 4) a bankruptcy or liquidation procedure is initiated against the financial lease provider;
  - 5) it does not implement the measures referred to in Article 16-a points 2 and 3 of this Law;
  - 6) the Central Register rejects the application for entry in the trade register;
  - 7) the basic capital is decreased below the legal minimum and
  - 8) it does not submit a request for obtaining a prior consent for a member of the governing body within the deadlines referred to in Article 3-k paragraph (3) of this Law.

- (2) An appeal may be lodged against the determination referred to in paragraph (1) of this Article to the State Commission for Decision-making in Administrative Procedure and Labor Relations Procedure in Second Instance, in period of 15 days from the receiving of the determination.
- (3) The appeal referred to in paragraph (2) of this Article does not postpone the enforcement of the decision.
- (4) The Ministry of Finance shall notify the Central Register for the seizing of the license for financial leasing in a period of five days after the decision referred to in paragraph (1) of this Article becomes legally valid.
- (5) The members of the governing body of the financial lease provider shall be obliged, in a period of 15 days as of the day of revocation of the license, to initiate a liquidation procedure or to file a proposal for initiation of a bankruptcy procedure to the competent court and to notify the Ministry of Finance within a period of three days thereof.

#### **Article 16-c**

By adopting the decision referred to in Article 16-b paragraph (1) of this Law, the financial lease provider must not conclude new lease contracts, while in regard to the existing contracts the lessor shall correspondingly apply the provisions referred to in Article 8-b paragraph (1) lines 1 and 2 of this Law.

#### **Revocation of the consent for a member of a governing body**

#### **Article 16-d**

- (1) The Ministry of Finance shall by a decision revoke the issued consent for a member of a governing body who no longer meets the requirements referred to in Article 3-c of this Law.
- (2) An appeal against the decision referred to in paragraph (1) of this Article may be filed to the State Commission for Decision-making in Administrative Procedure and Labor Relations Procedure in Second Instance within a period of 15 days as of the day of receipt of the decision.

#### **Settlement of disputes**

#### **Article 17**

The disputes arising from the lease contracts shall be contractually settled between the parties if that is determined by the lease contract, otherwise, they shall be settled with the courts of the Republic of Macedonia.

## MISDEMEANOR PROVISIONS

### Article 17-a

A competent court shall conduct a misdemeanor procedure and shall pronounce a misdemeanor sanction for the misdemeanors determined in Article 19 of this Law.

### Procedure for issuance of a misdemeanor payment order

#### Article 17-b

- (1) With regard to the committed misdemeanors laid down this Law, the authorized person, in the course of establishing the misdemeanor, shall be obliged to propose to the perpetrator of the misdemeanor a procedure for issuance of a misdemeanor payment order, before filing a motion for initiation of a misdemeanor procedure.
- (2) If the authorized person establishes a misdemeanor, he/she shall prepare minutes where he/she shall note the essential elements of the action out of which the legal feature of the misdemeanor emerge, the description of the action, the persons found on the spot, and shall give a proposal for settlement by issuing a misdemeanor payment order. The minutes shall be signed by the authorized person and the perpetrator.
- (3) As an exception to paragraph (2) of this Article, if the authorized person establishes the misdemeanor by him/herself personally or by using appropriate technical means and devices, that is, by using data from the official records, the minutes shall be signed only by the authorized person.
- (4) If the perpetrator admits the misdemeanor it is charged with or if the authorized person establishes the misdemeanor by him/herself personally or by using appropriate technical means and devices, the authorized person shall issue a misdemeanor payment order immediately.
- (5) Upon the receipt and signing of the misdemeanor payment order, the perpetrator shall be obliged to pay the fine imposed in accordance with paragraph (4) of this Article within a period of eight days as of the day of receipt of the misdemeanor payment order at the account indicated in the payment order.
- (6) If the perpetrator pays the fine in the period referred to in paragraph (5) of this Article, it shall pay half of the imposed fine, and it shall be instructed for that right in the legal instruction.
- (7) If the perpetrator does not pay the fine within the period referred to in paragraph (5) of this Article, the authorized person shall file a motion for initiation of a misdemeanor procedure before a competent court.
- (8) The authorized persons shall be obliged to keep records of the issued misdemeanor payment orders referred to in paragraph (1) of this Article and of the outcome of the initiated procedures.

- (9) The following data shall be gathered, processed and kept in the records referred to in paragraph (8) of this Article: name and surname, that is, name of the perpetrator, permanent, that is, temporary residence, head office, type of misdemeanor, number of the misdemeanor payment order which is issued, and outcome of the procedure.
- (10) The personal data referred to in paragraph (9) of this Article shall be kept for five years as of the day of entry in the records.
- (11) The Minister of Finance shall prescribe the form and the contents of the misdemeanor payment order.

#### **Article 17-c**

*Deleted*

#### **Article 18**

- (1) Fine in the amount of Euro 4.000 in Denar counter-value shall be imposed on the financial lease provider for a misdemeanor if it:
  - 1) commences to conclude lease contracts prior to obtaining a license (Article 3-b paragraph (1));
  - 2) acts contrary to the provisions of Article 3-k paragraph (1) of this Law;
  - 3) the lease contract is not certified by a notary and/or does not contain the mandatory elements (Article 5);
  - 4) does not register the object of the lease contract in the prescribed time period (Article 12 paragraph (1));
  - 5) does not submit an application for entry of changes in the lease contract in the prescribed time period (Article 12 paragraph (2));
  - 6) does not submit an application for deletion of the object from the special register in the prescribed time period (Article 12 paragraph (3));
  - 7) does not keep accounting and does not prepare financial reports in accordance with Article 15 of this Law;
  - 8) does not record the object in accordance with the tax regulations (Article 15-b) and
  - 9) does not enable supervision of the whole documentation (Article 16 paragraph (3)).
- (2) Fine in the amount of 30% of the determined fine for the financial lease provider shall be also imposed on the responsible person in the financial lease provider for the misdemeanors referred to in paragraph (1) of this Article.

#### **Article 18-a**

- (1) Fine in the amount of Euro 2.000 in Denar counter-value shall be imposed on the financial lease provider for misdemeanor if it:

- 1) does not notify the Ministry of Finance within the deadlines prescribed by Articles 3-i paragraph (5) and 3-o paragraph (2) of this Law;
  - 2) does not notify on change of the data on the basis of which the license has been issued (Article 3-l);
  - 3) the user is not notified about the obligations resulting from the sale contract (Article 6 paragraph (4));
  - 4) cancels the contract without prior written notification (Article 11 paragraphs (1) and (3));
  - 5) uses the lease object as pledge without previous consent (Article 13-a) and
  - 6) does not submit reports in the prescribed time periods (Articles 15 and 15-a).
- (2) Fine in the amount of Euro 700 in Denar counter-value shall be imposed on the responsible person of the financial lease provider as well for the misdemeanor referred to in paragraph (1) of this Article.

#### **Article 18-b**

- (1) Fine in the amount of Euro 25 to 50 in Denar counter value shall be imposed on the authorized official person in the Ministry of Finance if he/she does not adopt a decision within the deadline referred to in Article 3-d paragraph (1) of this Law.
- (2) Fine in the amount of Euro 25 to 50 in Denar counter value shall be imposed on the authorized official person in the Ministry of Finance if he/she does not require the necessary attachments within the deadline set in Articles 3-b paragraph (8) and 3-k paragraph (8) of this Law.
- (3) Fine in the amount of Euro 25 to 50 in Denar counter value shall be imposed on the authorized official person in the competent public body which has been required the attachments *ex officio* if he/she does not submit the attachments within the deadline set in Articles 3-b paragraph (9) and 3-k paragraph (9) of this Law.

#### **Article 18-c**

- (1) Fine in the amount of Euro 4.000 in Denar counter value shall be imposed for a misdemeanor on the legal entity, that is, the sole proprietor - lease user if it:
  - 1) does not submit a request for an entry of the object of the lease contract within the prescribed deadline (Article 12 paragraph (1));
  - 2) does not submit a request for recording the changes in the lease contract within the prescribed deadline (Article 12 paragraph (2)); and
  - 3) does not submit a request for deletion of the object from the special register within the prescribed deadline (Article 12 paragraph (3)).
- (2) Fine in the amount of 30% of the determined fine for the legal entity, that is, the sole proprietor shall be also imposed on the responsible person in the legal

entity, that is, the sole proprietor for the misdemeanors referred to in paragraph (1) of this Article.

- (3) Fine in the amount of Euro 400 to 600 in Denar counter value shall be imposed on a natural person - lease user for the misdemeanors referred to in paragraph (1) of this Article.

#### **Article 18-d**

Fine in the amount of Euro 400 to 600 in Denar counter value shall be imposed for a misdemeanor on a notary if authorized, but he/she does not submit a request for an entry of the object which is the subject of the lease contract within the prescribed deadline (Article 12 paragraph (1)).

#### **Article 19**

Fine in the amount of Euro 2.000 to 4.000 in Denar counter-value shall be imposed on the bankruptcy manager for misdemeanor, if the transfer of the lease contracts is performed without a public call (Article 8-b paragraph (2)).

#### **Article 19-a**

- (1) Fine in the amount of Euro 4.000 in Denar counter-value shall be imposed on the audit company for a misdemeanor if it fails to notify the Ministry of Finance in accordance with Article 15 paragraph (5) of this Law.
- (2) Fine in the amount of 30% of the determined fine for the audit company shall be also imposed on the responsible person in the audit company for the misdemeanor referred to in paragraph (1) of this Article.

#### **Article 19-b**

The amount of the fine for the legal entity shall be determined in accordance with the Law on Misdemeanors.

### **TRANSITIONAL AND FINAL PROVISIONS**

#### **Article 20**

The existing leasing companies operating in accordance with the definition on leasing referred to in Article 2 of this Law, shall be obliged to harmonize their work with the provisions of this Law within six months as of the day this Law enters into force.

#### **Article 21**

This Law shall enter into force on the eighth day of its publication in the "Official Gazette of Republic of Macedonia".