

LEGISLATION FOR TOURIST DEVELOPMENT ZONES AS A FACTOR FOR INCREASING TOURISM IN THE REPUBLIC OF MACEDONIA

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Abstract

Purpose – The aim of this paper is getting information about how to develop tourism and establishment of tourism development zones in Macedonia with the Law for tourist development zones and factors that influence its development. Tourist development zones in Macedonian legislation should develop tourism in a way that will put operational and commercial tourism economy such as resorts, hotels, motels, camps, travel agencies, small economy and trade production, the purpose of promotion and development of tourism.

Methodology – Deductive and inductive method, methods of quantitative, qualitative analysis with relevant and confirmed data for relevant institutions are implemented. Also synthesis, comparative method, and case study are used.

Findings – According to the law for tourist development zones several zones are planned in main tourist destinations in Macedonia. The economic impact would be important for these regions, with the valuation of these places it would open new jobs, and increasing visits of foreign tourists especially how good will be Macedonia promoted worldwide as a country with rich cultural and natural heritage.

Contribution – The new approach of introducing the new Law for tourist development zones into Macedonian legislation is a good instrument for achieving the goal for developing tourism in Macedonia. Even this process is in the beginning, some impacts are visible. Also there are some obstacles of property law aspects, expropriation and judicial procedures regarding creation of tourist development zones, but this is normally happened when these processes are undertaken as a new instrument.

Keywords: Tourism law, Law for tourism development zones, increasing tourism offer, tourism development

INTRODUCTION

Republic of Macedonia is a story that should be experienced as a country with rich cultural heritage, archaeological sites, and natural beauties. Monasteries and churches maintain spiritual culture, and natural beauty fulfill it.

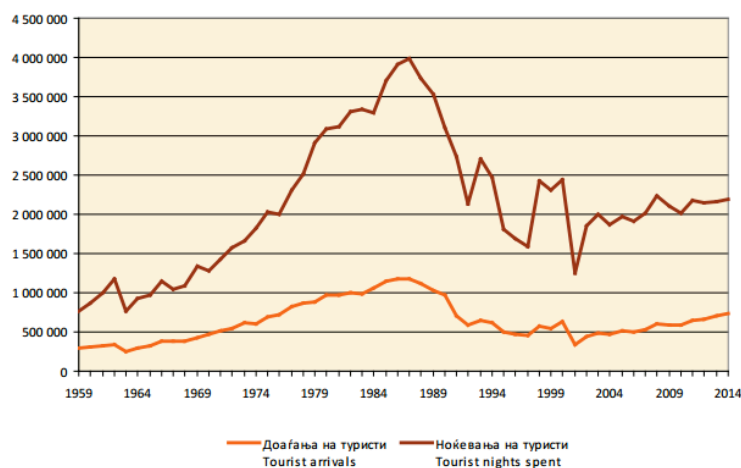
Tourism is one of the fastest growing economic sectors in Macedonia, since there are great opportunities for attracting foreign and domestic investment and the opportunity for new jobs. Essential work and constantly improve of tourism offer is done through the promotion of cultural, lake and river tourism, mountain, spa, sports, hunting, wine, winter, archaeological, religious, rural and rural eco-tourism and convention tourism. Considering the current tourist offer of the existing tourist facilities it can be noticed that it is mainly short list of different tourist products, and it should be widened.

It is also necessary further develop of national parks and placing them in service of tourism development and promotion of the natural beauties of Macedonia. (Krstanoski, M., Rechkoski, R. 2010)

Alternative forms of tourism are factor that enables the participation of different segments of the tourist demand. Namely, with this the different affinities of the tourist clientele can be found and used.

Statistical indicators say that in the period 2010-2014, Macedonia has growth in the number of tourists by 25% from 586.241 tourists in 2010, this number raise to 735.650 in 2014, and consequently number of nights raised. (www.stat.gov.mk/Publikacii/8.4.15.01.pdf)

Figure 1: **Tourist arrivals and nights spent in Macedonia 1959-2014**



Source: <http://www.stat.gov.mk/Publikacii/8.4.15.01.pdf>

The huge importance of tourism as a sector of the economy of Macedonia is highlighted and confirmed with the commitment for 4-5% of GDP to be derived from tourism. (Strategy for tourism development 2009-2013, Strategy for tourism development 2012-2015)

In accordance with the Constitution and current legislation, all investors are granted national treatment status. Generally there are no restrictions on entry of foreign capital. Permanent working conditions are legal possibility of 100% owned legal entity by foreign capital, the absence of restrictions on repatriation of profits, foreign legal entity or natural person can buy land provided to register a company in the country, the procedure and the transfer of land is simplified, a one stop shop - company registration is done within a few hours, introducing significant tax relief in accordance with the Law on Income Tax and the Law on Personal Income Tax, introducing customs benefits under the Customs Law and special benefits within the newly established zones under the Law for technological - industrial development zones. (Constitution and cited laws)

In the field of tourism, despite the stated benefits and incentives, it is still evident weak competitiveness of domestic tourism product on the European and world market. This condition is a result of the low level of investment, in particular the inadequate infrastructure, construction of new and reconstruction of existing catering facilities for accommodation, unsatisfactory quality full service in this sector, and certain administrative obstacles and tax burdens for foreign and domestic investors, which must be removed.

One of the instruments to improve this area is the introduction of a legal framework that would define and refine the benefits when investing in capital projects in the field of tourism. In 2012 was adopted Law for tourism development zones, following the Law for technological - industrial development zones from 2007, and later on the basis of that principle in 2013 Law for industrial green zones was adopted. Latest announcements for this periods, but not yet realized are and hopefully will be passed, a Law for free health zones that will develop health activities, within the appropriate forms of health tourism, but the future remains to show how it will be accomplished.

1. LAW REGULATION OF TOURIST DEVELOPMENT ZONES IN THE REPUBLIC OF MACEDONIA

According to the legislation, free economic zone in Macedonia, is area which is separate, specially fenced and marked area, an entity in which economic activities are carried out under legal conditions with customs and tax benefits. It is established as a trade company that performs economic, technical, administrative, professional and other matters relating to the operating of the free zone. With registration in the central register, the free zone becomes a legal entity. Free zone is established on area designated by spatial or urban plan for the locations of public interest. It can be established in an urban area or outside the urban area. Construction of buildings and performing other activities in the free zone is of public interest and may consist of several separate parts of the territory of the Republic of Macedonia. Each section must be fenced and separated from another area. Free zone can be established by one or more domestic or foreign companies or other legal entities. When the free zone is established by several founders, an agreement for establishing a free zone must be concluded. The founder of the free zone should:

- Have provided written proof of his financial situation, and with that it should proof that the required funds are in the bank and there is no lien on it, as well as a report from an authorized audit firm and
- Have proof of previous experience of trading or operating in the free zone.

With the Law for tourist development zones benefits that the country offers to foreign and domestic investors are:

- Tax exemptions for income tax in the subsequent 10 years,
- State aid for any investment above 10 million €,
- VAT exemption on construction materials, assistance for the costs of training and development of employees.

The biggest part of land areas are state owned, and the user of the zone which will buy the land is obliged within 1 year to require a building permit, and for 6 years to have built facilities to a percentage that will be prescribed by the authorities. In addition, since the issuing of the building permit until the issuing of license for building use, it will be exempted from paying VAT on building materials, and also investor will be exempt from paying customs duty on import of building materials.

The law provides the opportunity, for the government to give subsidies to users of the zone for initial investments in tangible and intangible assets necessary to pursue franchise for chain of hotels and creating jobs, and is expected with that, to have a successful public announcement because of full package that is offered.

Main provisions from law for tourist development zones are stated below. As it can be seen there are a lot of impacts, and all these should be taken into account.

Accelerating the development of the national economy and increasing the rate of employment in the tourism sector, increasing the competitiveness of the tourist offer and attracting the greatest possible domestic and foreign investment are main objectives of the Law.

This law is founded on some principles which can be classified as:

- Efficiency,
- Transparency
- Proportionality,
- Promotion
- State aid.

Efficiency is as relation between results or effects, and used resources. For performance is important not only time which will operationalize the objective, but a very important component is the amount of material and human resources that will be spent. In this context, in the tourism sector in Macedonia is necessary suppression of irrational spending of resources - financial, technical and human. Value for money should be the basic guiding principle in the operation of modern hospitality company, which must produce more and better with less cost.

Transparency, clear, predictable and opted access to all conditions, privileges, rights and obligations for entities interested in using the benefits of the law. Public, clear and predictive representation of all rights, obligations, and benefits shall be designed to introduce the general public with them, in order not to have misunderstandings regarding the benefits that are provided.

Proportionality or equal giving and investment in the process of tourism development on one side of the country, and on the other side of the entities interested in investing in tourism development zones.

Promotion must be represented in tourism to achieve and get all its effects.

State aid as a category is determined and defined by the Law on State Aid Control, from 2010, according to which "state aid" means all potential or realized expenses and all potential or actual reduced revenues from the state, to assigned providers, state aid which distort or may distort competition by giving an economic advantage to certain company, and that would not be possible without state aid granted or by favoring the production of certain goods or the provision of certain services. (Law regulative)

2. LEGISLATIVE STRUCTURE OF THE LAW FOR TOURISM DEVELOPMENT ZONES AND BENEFITS FOR ITS IMPLEMENTATION

Law for tourism development zones in a direct way regulates the matter on tourist zones, and it is systematic and organized into 10 separate parts.

The first part includes General provisions, covering issues relating to the subject of legal regulation, the purpose, the public interest, determines the definitions of certain terms that are closely related to tourism development zones, and the state aid which is essential to the development of tourism. The object of the law is strictly set in the direction of arrangement of the benefits of investing in tourism development zones and determining the procedure and conditions for sale and construction of land used for a specific purpose for the construction of such zones, and of course the foundation, development and operation of tourism development zones. The provision that building and the works for the establishment and operation of tourism development zones is the public interest only confirms the interest of the state to the development of tourism as an important sector of the economy of Macedonia. The legal definition says that tourism development zone is a separately fenced and marked area representing a functional entity formed for the development of tourism by introducing standards in the area of services, and efficient use of resources by applying the highest environmental standards which are performed under legal prescribed conditions.

The second part refers to the Benefits of investing in the zones. Considering financial expenses which are made by the user of zone, regarding personal income earnings for the salaries of employees, the law foresaw the release and facilitating in a period of 10 years, from the beginning of the activity in the tourist zone. This relief and release is logically taking into account with the importance given to tourism as a sector of the economy and the benefits that could be given from the state. Conditions for release and relief are exactly provided, no matter whether it is a user of the zone or it is a holder of the right to build in the area which has certain exemptions and relief from the time of receiving license for construction and for use of the building and even then. For user of zone it is provided assistance for training and development which consists in education in the form of either general or specified training and modernization of knowledge of employees. As conditions under which a state aid is provided to the entities which perform some of the activities in accordance with laws on tourism and for hospitality activities, as well as condition-the value of the investment project not to be less than 10 million €. The gaining of state aid in the area of tourism is given on a contractual basis for granting state aid.

Conditions and manner of establishment of tourism development zones covered the third part of the Law. Certain spatial conditions for the establishment of zones are determined. All documents which should be provided for the establishment of the zones are strictly defined in the law, such as the various reports, urban - planning documentation etc.

The next part of the law covers Procedure for sale of construction land, by determining the conditions of sale, the manner, content of the contract for sale, the parties of the contract, the mode of conducting the public bidding and other activities that are directly related to the procedure for purchasing.

Responsibilities in relation to the establishment, development and monitoring that have Agency for Promotion and Support of Tourism of the Republic of Macedonia, activities and actions are set in the fifth part of the Law.

In order to increase transparency for operation in tourism development zones, the law provides giving a report by a user of the zone to the Agency in order to check current operations in that particular area. All these circumstances relating to the Preparation, content and submission of the report are contained in the sixth part of the law. Content report include: the scope of services provided by the zone, in quantity and in value, the number of foreign and domestic tourists and its origin from states and cities, the earned income or turnover and the number of employments for the reporting period, per qualification structure. Through determination of these criteria control of the tourist zone is made, as well as its user, and justification or not justification for establishment and operation of zone is done.

In the seventh section entitled Activities that can be performed in the tourism development zone and specific conditions under which they can be performed, provisions that regulate activities conducted in tourism development zone and implementation of law are contained, contract and labor relations also. Activities in the zone are performed out under the following conditions: the business is in accordance with the submitted feasibility study or business plan, provided in the announcement; operation shouldn't endanger public safety, the environment and health in the area and the user of the zone shall insure the main assets and employees from risks arising from operations. In the zone shouldn't performed activities related to: services originating from countries or companies that are subject to embargos and blockades in accordance with acts of international governmental organizations and countries; services that endanger public morality, public security and defense services which are not in accordance with the laws of the Republic of Macedonia and of international agreements ratified by the Republic of Macedonia relating to the protection of intellectual and industrial property. Disputes between users of zones and the Agency are resolved in accordance with the laws of the Republic of Macedonia. Labor relations between employers and employees are regulated by the Labour Law and the Collective agreement.

According to the legal provisions prescribed in the eighth part of the law, Administrative supervision over the legality of operations of users of tourist development zones is made by the Agency, through authorized and employed persons in the Agency. There are two types of performance of this supervision, such as: supervision without prior notice at a time when the controlled entity conducts its activities and supervision which is conducted on a basis of a previous application by the users of tourist development zone.

Offence provisions, the settlement procedure, the types of offenses are provided and included in the ninth part of the Law. Offense responsibility is provided for the legal entity when it wouldn't submit the appropriate report on its operations, then for the responsible person of the legal entity for the same offense and for the legal entity, and is also envisaged for offense responsibility for the individual person who is a beneficiary of the area in case when it wouldn't submit report on its activities to the Agency.

The last tenth part of the law, refers to the Adoption of detailed rules relating to this matter, and its Entering into force.

According to some plans and project proposals, eight tourism zones are planned in Ohrid, Struga, Dojran region, ski resorts and spa centers. (Proposal of projects - www.mtc.gov.mk)

These tourism development zones should move development of tourism in a way that will put operational and commercial tourism economy such as resorts, hotels, motels, camps, travel agencies, small economy and trade production in the purpose of promotion and development of tourism.

The goal is to accelerate the development of the national economy, attracting the greatest possible domestic and foreign investment, increasing the competitiveness of the tourism offer and increase the rate of employment in the tourism sector. The idea is into separate zones to provide special incentives for investment in construction of new tourist facilities, hotels, spa-centers. All these are with higher intention within a few years the number of tourists which annually visit Macedonia to increase and reach over 1 million visitors.

Benefit for investors is that a great freedom in the parameters for construction, which the state will provide to the users only in principle, and they will be able to build more than that. Zones cover 13 to 15 *ha*, but number of objects which will be built isn't known because in urban plans will mark only building stamp that will give a minimum parameters and purpose, and if the investor wants to build more there will be no obstacles to it. (<http://mtc.gov.mk>, 2015)

Also the economic impact is very important for this region, and with the valorization of these zones would open new job positions, and with increased visits by foreign tourists in particular, the Republic of Macedonia, as well will be promoted worldwide as a country with rich cultural and natural heritage.

It must be pointed out that until March 2016, there is not realized proposed projects for this kind of tourism development zone in Macedonia, and because of that it can't be analyzed the implementation of the law in the practice, but hope that there will be more practical data in the future and future researches will be done in the future.

3. CONCLUSION

The development of tourism development zones and the implementation of the Law of tourism zones, these forms will be one factor of the overall development of tourism and its components. Also these are factors for development of basic forms of tourism and encourage the total visit of these regions.

With the Law for tourist development zones, benefits that the state will offer to foreign and domestic investors in these zones such as tax exemptions for income tax in the next 10 years, state aid for any investment over 10 million €, VAT exemption for building materials, assistance for training costs and staff training. The law provides the opportunity for: Establishing tourist development zones of the territory of Macedonia on state-owned land, its management by domestic or foreign legal entities, the possibilities of granting state aid in the form of tax incentives and exemptions, and supervising of the operation of these zones by the Agency for Promotion and Support of Tourism in Macedonia, attracting export-oriented foreign investment, transfer of technology and knowledge, the development of the domestic tourism industry, increased breakthrough to external markets, creating new jobs. and concerted international trade through controlled channels and concentrated services and needs in one place.

Advantages offered by the Law for tourism development zones are: Fiscal incentives, exemption of customs duties on goods, equipment, raw materials and building materials, the land is taken on lease for a period of 99 years, efficient administration-one-stop shops, simple and fast customs procedure – in every free economic zone there will be separate customs office, local subsidies from the use of infrastructure, investors do not pay a fee for construction land to the municipality, and not paying fees for obtaining building permits.

Tourists want to understand other people and their behavior, to learn about traditions and culture and therefore to succeed in attracting more tourists through the development of tourist zones in Macedonia, and increase the quality of services offered by hospitality and tourism workers have to do more in order to motivate visitors. Modern guest is not satisfied with just overnight.

The present world is a world where information is available at any time and any point in the world. This means that one can choose where to go, and hope that Macedonia will be chosen because of its competitiveness in the market, and it should have a richer tourist offer and affordable prices, as well as tourist facilities to be used during more time in the year, and with that prices be more realistic.

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