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# VAT NAVIGATOR

International Information for International Business



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**Moldova**



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Roger Gladei is Managing Partner and is in charge of corporate and commercial practice at Gladei & Partners. With 20 years of professional activity, he has gained recognition as a leading expert in finance and banking, M&A and corporate governance, employment, tax and regulatory advisory areas. As Visiting Professor to the National Institute of Justice, he teaches courses to judges and future judges. He is licensed both in law and finance, and holds an MBA from GGSB. He is a member of the Moldovan Bar Association.

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Corina Voda is Associate at Gladei & Partners, specialising in corporate, contractual, employment, tax, IP and ICT matters. Combining a Moldovan and US background, she has brought the international expertise based on a solid national legal background to Gladei & Partners.

# Moldova

Roger Gladei and Corina Voda, Gladei & Partners, Moldova

## 1. Introduction

### 1.1. Summary of VAT rates

In Moldova, the following VAT rates apply:

- *Standard rate*: 20 percent
- *Reduced rate*: 8 percent
- *Other*: Zero rate and exemptions

### 1.2. Legal basis

VAT in Moldova is levied pursuant to Title III of the Moldovan Tax Code (*Codul Fiscal*) dated December 17, 1997 with amendments (the “Tax Code”). Annual laws from the Budget may include provisions concerning the application of VAT or establish various rules in VAT regulations. In addition to the Tax Code, acts of central public administration bodies regulate VAT administration. For taxation of imported goods and their customs value, a taxpayer should refer to the Moldovan Customs Code (the “Customs Code”). The taxation is administered, at both central and local level, by the State Tax Service of the Moldovan Ministry of Finance. The Principal State Tax Inspectorate (PSTI), together with the bodies of the Ministry of Domestic Affairs, have powers to exercise control over enforcement of the tax laws, including VAT control.

### 1.3. Recent developments

Recent developments in Moldova include:

Effective January 1, 2014, Moldova has a new threshold for individuals importing goods. The threshold for individuals importing goods for the purpose of VAT payment changed from EUR200 up to EUR300 (see Sections 3.1 and 4.7.1).

Effective January 1, 2014, VAT is reduced from 20 percent to 8 percent on beet sugar imported and supplied in Moldova, and on natural crops, horticulture production, and livestock produced and supplied in Moldova. (Section 7.2).

Effective August 9, 2013, due to recent reforms in VAT administration, a threshold for mandatory registration of VAT invoices in the General Digital Regis-

try of Tax Invoices was changed to MDL100,000. (See Sections 8.1, 10.2.1 and 10.3.6).

## 2. Scope

### 2.1. In general

VAT is a state tax payable on all supplies of goods and services, resulting from commercial activities, in the territory of the Republic of Moldova, as well as on imports of goods and services into the Republic of Moldova.

### 2.2. Territorial application

The VAT provisions of the Tax Code apply to the whole territory of the Republic of Moldova (“Moldova”).

*Planning point:* In practice, tax law enforcement in the eastern Moldovan region of Transnistria is virtually impossible, as long as the region continues to be outside of the control of Moldovan authorities (Transnistria was designated by Moldova as the “Transnistria autonomous territorial unit with special legal status” following a 1992 military conflict). Therefore, advice should be sought on VAT and other tax and legal matters related to doing business in that region.

### 2.3. Taxable transactions — overview

Under Article 5 of the Moldovan Tax Code, a “taxable transaction” is defined as the supply of goods and/or services, which are not exempted from VAT, made by a person (natural or legal entity) as part of its business activities.

“Supply of goods” means any transfer of ownership rights in goods, including:

- Sale;
- Exchange;
- Gratuitous transfer;
- Payments in-kind (including wages);
- Sale of pledged goods;
- Transfer of goods under a financial leasing agreement;

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- Sale through commercial or merchandise broker;
  - Supply of electricity, heat energy and gas;
  - Services consumed during supply of goods; and
  - Services relating to exportation of goods, etc.
- “Supply of services” includes rendering of any consumer and industrial services, such as:
- Property rent;
  - Lease;
  - Usufruct;
  - Operational leasing;
  - Granting rights to use any goods for a consideration, partially paid or gratuitous;
  - Construction and assembly works;
  - Repair;
  - Research;
  - Developments;
  - Experimental and design works;
  - Services rendered for the performance of a trust agreement; and
  - Supply of goods as a part of supply of services, etc.

#### 2.4. Excluded transactions

A narrow series of transactions is explicitly left out of the VAT system, being classified as “non-taxable transactions”:

- (i) supplies of goods and services within Free Economic Zones (FEZ) or within custom warehouse regimes;
- (ii) income received by a lessor as interest under a leasing agreement;
- (iii) gratuitous supplies of goods and services as advertising and/or promotion of sales if its value is not more than 0.2 percent of annual sales income in the year preceding to the year in which the supply is made; and
- (iv) transfer of property within reorganisation of legal entities.

### 3. Taxable persons

#### 3.1. Definition/scope

Taxable persons are individuals and legal entities, carrying on a business, who are residents of Moldova or who conduct business through a permanent establishment (for non-residents) and are:

- Registered or required to be registered for VAT purposes;
- Import goods (except for individuals who import goods for personal use and if their value does not exceed EUR300); or
- Import services, regardless of being VAT registered or not.

#### *Mandatory registration*

A taxable person is required to register as VAT payer if within any consecutive 12-month period the person: (i) made supplies of goods and services exceeding MDL600,000, except VAT exempted supplies; or (ii) purchased imported goods or services in excess of MDL600,000.

Permanent establishments are discussed in Section 3.5.

#### *Carrying on a business*

Under the Tax Code, carrying on a business means entrepreneurship. Pursuant to the Law on Entrepreneurship and Enterprises, “entrepreneurship” is an activity of production of goods, performance of works and rendering of services, carried out by citizens and their associations independently, from their own initiative, in their own name, under their own risk and liability, for the purpose of ensuring a permanent source of income. Business activities might be carried out in any organisational form set out in the laws, including for-profit legal entities (companies) and individual entrepreneurs (without status of legal entity).

#### 3.2. Voluntary registration

Any person carrying out business activity is allowed to register as a Moldovan VAT payer if, within any consecutive 12-month period, they have made taxable supplies of goods and services (except imports) exceeding MDL100,000, provided the payments for such supplies are made via bank transfer to bank accounts of such persons opened in Moldovan banks or other financial institutions (which are fiscally related to the budgetary system of Moldova).

#### 3.3. Exemptions from registration

Businesses that meet any of the following requirements are exempt from Moldovan VAT registration:

- The business made supplies of goods and services for any consecutive 12-month period which did not exceed the threshold of MDL600,000 (not including VAT-exempt transactions);
- The business performs only exempt supplies;
- It is a public authority or public institution;
- The business is a public or private healthcare institution operating under the terms of the Unique Program of Mandatory Medical Insurance; or
- The business is an entrepreneur patent holder.

#### 3.4. Group and divisional registration

The Moldovan law does not provide for group and/or divisional registration for VAT purposes.

#### 3.5. Registration of non-resident persons

Non-resident businesses are not entitled to register for VAT, unless their business activity in Moldova results in a permanent establishment. A “permanent establishment” is a fixed place of business through which a non-resident carries out, wholly or partially, business activity either directly or via a dependent agent, including a subsidiary, branch office, factory, plant, store, construction site, etc. The registration requirement for a permanent establishment as a VAT payer is the same as for residents.

### 4. Taxable transactions

#### 4.1. Goods

Under Moldovan VAT law, goods are any work product in the form of an article, consumer and industrial product, buildings and other immovable property, intangible assets.

Supply of goods is defined in Section 2.3.