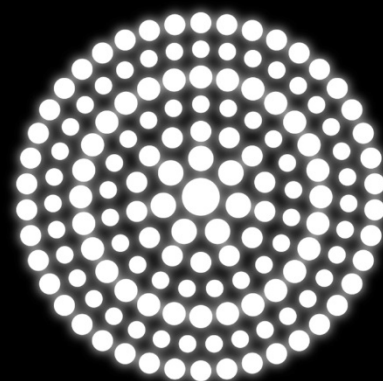


International Tax Moldova Highlights 2021

Updated March 2021



Investment basics

Currency: Moldovan Leu (MDL)

Foreign exchange control: Resident and nonresident legal entities are obliged to make and receive payments and transfers involving foreign currency operations through their bank accounts. There are certain limitations on when such entities may use cash or payment instruments to perform foreign currency operations.

Accounting principles/financial statements: IFRS are mandatory for entities of public interest, i.e., entities traded on a regulated market, banks, (re)insurance companies, collective investment funds, state-owned enterprises, or joint stock companies that are more than 50% state-owned. Other companies may apply IFRS or National Accounting Standards (NAS).

Principal business entities: These are the limited liability company, joint stock company, partnership, sole proprietorship, branch, and subsidiary of a foreign corporation.

Corporate taxation

Rates	
Corporate income tax rate	12%
Branch tax rate	12%
Capital gains tax rate	12%

Residence: A corporation is resident if it is established or managed in Moldova.

Basis: Resident companies are taxed on their worldwide income; nonresident companies are taxed only on income derived from certain Moldovan sources. Branches are taxed in the same way as subsidiaries.

Taxable income: Taxable income is based on the accounting income for the year as adjusted for tax purposes for items specifically provided by the Tax Code.

Rate: The corporate income tax rate is 12%. However, small and medium-sized business entities not registered as VAT payers (except farmers, individual entrepreneurs, and certain entities providing business and management consulting services), may calculate income tax by applying a 4% rate to their total income determined for accounting purposes, excluding certain types of income, e.g., subsidies, dividends, and exchange rate differences).

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends received by a Moldovan resident company from another Moldovan company are tax exempt.

Capital gains: Capital gains of companies are taxed as ordinary income. Prior to 1 January 2020, only 20% of the gain was taxable.

Losses: Corporate tax losses may be carried forward for five years. The carryback of losses is not permitted.

Foreign tax relief: Resident taxpayers are entitled to a tax credit for the tax paid on foreign income. The credit is limited to the amount of Moldovan tax that would have been imposed on the foreign income.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: Tax incentives are available for farmers, entities operating in information technology parks or free economic zones, and businesses that increase the number of employees.

Compliance for corporations

Tax year: The tax year is the calendar year. For a new company, the tax year is the period from the date of registration until the end of the calendar year. A company that is a member of a multinational group may apply a different period that corresponds to its financial reporting period, provided the tax authorities are notified in advance.

Consolidated returns: Consolidated returns are not permitted; each company must file its own return.

Filing and payment: Moldova operates a self-assessment regime. The tax return must be submitted by the 25th day of the third month following the end of the tax year. Interim payments are due on a quarterly basis by the 25th day of the third month of each quarter during the current tax year and a final payment is due by the due date for filing the tax return.

Penalties: Penalties apply for late filing, failure to file, and tax avoidance/evasion.

Rulings: The taxpayer may request “comfort letters” from the tax authorities. Comfort letters are provided to taxpayers free of charge. Advance tax rulings also may be requested from the tax authorities. The deadline for issuance is 90 days from the date of submission of the request to the tax authorities. The fee for issuing an advance ruling is MDL 60,000 for large taxpayers and MDL 30,000 for other categories of taxpayer.

Individual taxation

Rates	
Individual income tax rate	12%
Capital gains tax rate	Partial gains subject to individual income tax rate

Residence: An individual is resident if the individual is domiciled in Moldova or present in Moldova for more than 183 days during the tax year.

Basis: Resident individuals, both Moldovan citizens and foreigners, are taxed on their income related to activities performed in Moldova. Moldovan citizens also are taxed on financial income and investment income obtained from sources outside Moldova. Nonresidents are taxed only on their Moldovan-source income.

Taxable income: Taxable income represents the gross income obtained from all sources during the tax period, reduced by the deductions and allowances permitted by law. Gross income includes, but is not limited to, salary/wages, benefits, capital gains, rents, royalties, and annuities.

Rates: The individual income tax rate is 12%.

Capital gains: Capital gains of individuals are treated as ordinary income, but only 50% of the gain is taxable (increased from 20% as from 1 January 2020). The capital gain on the disposal of a private residence that was the taxpayer's registered residence (typically the place of domicile as stated on the individual's identity card) and that was owned by the taxpayer for at least three years before the disposal is tax exempt.

Deductions and allowances: Personal allowances are available where a taxpayer's annual taxable income does not exceed MDL 360,000. Allowances for children and dependents also are available. Deductions are granted for medical insurance and individual social security contributions.

Foreign tax relief: Resident individuals may be entitled to a tax credit for the tax paid on foreign investment and finance income in accordance with the provisions of a relevant double tax treaty. The tax credit is limited to the amount of Moldovan tax that would have been imposed on the foreign income.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Each individual who has an obligation to pay income tax must file a return; joint returns are not permitted.

Filing and payment: The deadline for filing personal income tax returns and payment of the tax due is 30 April of the subsequent fiscal year. For salary income, the employer withholds tax on behalf of the employee and files monthly tax reports.

Penalties: Penalties apply for late filing, failure to file, and/or tax avoidance/evasion.

Rulings: The taxpayer may request "comfort letters" from the tax authorities, which are provided free of charge. Advance tax rulings are not available to individual taxpayers.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	6%	6%	6%
Interest	0%	3%/12%	12%	12%
Royalties	0%	0%/12%	12%	0%/12%
Fees for technical services	0%	12%	12%	12%

Dividends: No withholding tax is imposed on dividends paid to Moldovan resident companies. Dividends paid by Moldovan resident companies to both resident individuals and nonresidents are subject to a 6% withholding tax, unless the rate is reduced under an applicable tax treaty.

Interest: No withholding tax is imposed on interest paid to Moldovan resident companies. Interest paid by Moldovan resident companies to both resident individuals and nonresidents is subject to a 12% withholding tax, unless the rate is reduced under a tax treaty. Interest paid by Moldovan banks to resident individuals is subject to a 3% withholding tax.

Royalties: No withholding tax is imposed on royalties paid to Moldovan resident companies. Royalties paid by Moldovan resident companies to resident individuals and nonresidents are subject to a 12% withholding tax, unless the rate is reduced under a tax treaty. Literary, artistic, and scientific royalties paid to individuals aged over 60 years are tax-exempt.

Fees for technical services: No withholding tax is imposed on fees for technical services paid to Moldovan resident companies. Service fees paid by Moldovan resident companies to both resident individuals and nonresidents are subject to a 12% withholding tax, unless the rate is reduced under a tax treaty.

Branch remittance tax: There is no branch remittance tax.

Anti-avoidance rules

Transfer pricing: There is no specific transfer pricing legislation in Moldova, although the tax code provides that the arm's length principle should be applied to transactions with related parties. Losses incurred on transactions between related parties are not deductible for corporate income tax purposes.

Interest deduction limitations: The deduction of interest on borrowings received from individuals and legal entities, other than financial institutions, micro-financing organizations, and leasing companies is allowed only within the limit of the average weighted rate set by the National Bank of Moldova for loans granted by the banking sector to legal entities.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no hybrid mismatch rules.

Economic substance requirements: There are no substance requirements.

Disclosure requirements: There are no disclosure requirements.

Exit tax: An individual who ceases to be resident in Moldova is deemed to have disposed of all of their Moldovan and foreign assets (other than real estate) at market value. The individual must report a capital gain and pay the corresponding income tax.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value added tax

Rates	
Standard rate	20%
Reduced rate	0%/8%/12%

Taxable transactions: VAT is levied on the supply of goods, the provision of services, and the import of goods and services into Moldova.

Rates: The standard rate is 20%. A reduced rate of 12% applies as from 1 January 2021 to accommodation, and food and beverages supplied by entities that provide accommodation and catering services. A reduced rate of 8% applies to certain food products; drugs; biofuels used for electricity, heating and hot water production; and specific phytotechnical, horticultural, and zootechnical products. International transportation and exports are exempt with credit. Certain items (financial services, postal services, cars, land and dwellings, etc.) are VAT exempt with no right to deduct.

Registration: Registration for VAT purposes is mandatory where a business entity carries out taxable supplies and imports VAT-taxable services in excess of MDL 1.2 million during a consecutive 12-month period. A business entity may apply for voluntary registration if it plans to carry out VAT-taxable supplies.

Filing and payment: VAT payers must prepare and submit VAT returns on a monthly basis. The filing and payment of VAT must be carried out no later than the 25th day of the following month. VAT related to imported services must be paid no later than the 25th day of the month following the month in which the earlier of the import of the services or payment for the services takes place, and VAT on imported goods must be paid before the goods clear customs.

The supply of goods by insolvent entities and the supply of pledged, mortgaged, and seized property is subject to VAT via the reverse charge mechanism under which buyers are required to calculate and pay the related VAT on purchased goods.

Foreign supplies of electronic services to Moldovan private individuals are subject to VAT at the standard rate of 20% in Moldova. VAT returns must be filed and the VAT paid on a quarterly basis no later than the 25th day following the end of the quarter.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: Employers must contribute 18% for social security and 6% to the pension fund based on an employee's gross salary. Employees must contribute 9% for health insurance based on the employee's gross salary (the contributions are deductible for individual income tax purposes).

Payroll tax: There is no separate payroll tax, but employers are required to withhold income tax at 12% from an employee's taxable income.

Capital duty: There is no capital duty.

Real property tax: Residents and nonresidents that own immovable property in Moldova must pay real property tax. For certain categories of immovable property, the rates are set annually by the local public administration authority within ranges stipulated by the law.

Transfer tax: Transfer taxes are charged upon notary authentication of transactions related to the transfer of property. The tax ranges from 0.1% to 1%, applied to the value of the transaction.

Stamp duty: Stamp duty may apply to the registration of civil status documents of domicile, mortgages, notary acts, etc.

Net wealth/worth tax: A wealth tax is applied to individuals who own residential real estate in Moldova (except for land), with an estimated value of at least MDL 1.5 million and an area of at least 120 square meters. The wealth tax is charged at 0.8% on the value of the real estate and the tax must be paid by 25 December during the tax period.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Tax treaties: Moldova has around 55 tax treaties. Moldova has not signed the OECD multilateral instrument (MLI).

Tax authorities: State Fiscal Service

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