

Approval of tax and customs legislation amendments

26 January 2018

In brief

The Law significantly amending the Republic of Moldova's fiscal, customs and other normative acts has been published.

In detail

Income tax

Personal income tax

The threshold for the application of the progressive personal income tax rates of 7% and 18% is MDL 33,000.

The annual value of allowances has been increased as follows:

- Personal and spouse's allowance – MDL 11,280;
- Major personal allowance – MDL 16,800;
- Simple allowance for dependents is MDL 2,520, except for people with disabilities, for whom the allowance is MDL 11,280.

Benefits in kind offered by employers

The taxable amount of benefits granted to employees in the form of an employer's own property is determined as 0.0373% of the property's value basis per day of use.

The value of meal tickets above the limit set by law represents a benefit in kind offered by employers.

Non-taxable income also includes:

- Winnings from lotteries and sport betting;
- Winnings from promotional campaigns up to MDL 11,280;
- Material aid granted by trade unions up to one forecasted national average salary per employee per year, except for aid granted for death and / or illness of an employee and / or their relatives (direct and through marriage).

Withholding tax

Payers of winnings should withhold 18% tax from:

- winnings from promotional campaigns, on each win value exceeding the personal allowance;
- gambling winnings, except winnings from lotteries and sport bets.

Tax rate imposed on individuals' income (with some exceptions) from supplying phytotechnical and horticultural products in their natural form has been increased from 3% to 5%.

Such purchases might be subject to tax inspection if their cumulative value exceeds MDL 300,000 per individual (with some exceptions).

Expenses deductibility

As of 1 January 2017, expenses from financial allocations for the benefit of trade unions are deductible up to 0.15% of the payroll fund, if used in accordance with the collective labour agreement.

Expenses for granting meal tickets are deductible within the limits provided by law.

Records and depreciation of fixed assets for tax purposes

Investments in fixed assets subject to a sublease or a free of charge agreement are also subject to tax depreciation.

Records of fixed assets for tax purposes is held separately for each asset.

Tax depreciation of fixed assets is calculated from the month following the one in which they are put into use, by applying the linear method.

The depreciation norm of each fixed asset is determined as the ratio between 100% and its

useful life established by the Government.

Repair expenses of a company's own fixed assets are deductible in accordance with National Accounting Standards.

Expenses related to the current or capital repair of fixed assets used in entrepreneurial activity based on an operational lease agreement or concession are deductible in the same way as those incurred for leased fixed assets, up to the following limits:

- 15% of lease or royalty (for concession) calculated amount incurred during the tax period;
- 100% of the operational lease amount for international air transport assets.

In order to move to the new methodology for fixed assets tax records and depreciation, the value base of each fixed asset at the beginning of the first tax period is determined as follows:

- For fixed assets under category I – the value basis is equal to value basis of these assets as at 31 December of the previous year;
- For fixed assets under other categories – the value basis is calculated by considering the ratio of the balance sheet value of the asset concerned in the total balance sheet value of such categories as at 31 December of the previous fiscal year, and the value basis for the respective category.

The new rules for fixed assets tax record and deduction of tax depreciation are recommendable as of 1

January 2018 and mandatory as of 1 January 2019.

Tax regime for small and medium enterprises (“IVA0”)

Economic agents that obtained in the previous year more than 60% of their income from business and management consulting services can not apply the IVA0 regime.

Economic agents which obtained income of up to MDL 1.2 million in the previous year from operational activity can choose between the general tax regime and the IVA0 regime if their VAT exempted supplies exceeded 50% of the VAT taxable supplies.

The general tax regime applies if the operational income resulting from VAT exempted supplies exceeded MDL 1.2 million in the previous year.

The tax rate on income from operational activity has been increased from 3% to 4%.

Tax payment exemption

The income tax exemption has been removed for health care institutions which obtain income from the supply of medical services under the implementation of the Single Programme of obligatory health insurance.

Capital assets value basis adjusting

In the case of statutory capital withdrawal / increase, the value basis of capital assets should be decreased / increased in proportion to the participation share.

Value added tax (VAT)

Definitions

The definition of "deduction" replaces the definition of "VAT input".

VAT exempted supplies are to be called "VAT exempted supplies with no deduction right".

The definition of "0% VAT rate" is to be replaced with "VAT exemption with no deduction right".

Taxable objects

The VAT taxable ceiling has been increased for deliveries of goods and services performed free of charge for the purposes of advertising and / or promoting sales in an annual amount of 0.5% of the sales revenue obtained during the year preceding the year in which this delivery is made. For new enterprises established during the year, this threshold is calculated on a monthly basis as 0.5% of the sales revenue for the previous month, then adjusted at the end of the year.

The value of meal tickets granted under Law no. 166/2017 on meal tickets is not taxable.

VAT rates

The 8% VAT rate applies to thermal energy produced from solid biofuels and delivered to public institutions.

Additions to VAT calculation and payment method

Individuals have to pay VAT on imported goods exceeding the non-taxable limit of EUR 300, in the case of land transport, or EUR 430 for air and maritime transport.

Clarifications have been provided regarding the VAT deduction right in some situations.

VAT exemptions with no deduction right

The list of goods and services VAT exempted with no

deduction right has been completed.

Some clarifications have been provided regarding the breaching of the VAT exemption regime for fixed assets introduced into the statutory capital.

Delivery place of goods

The following rules have been introduced for determining the place of delivery for goods:

- The effective location of the goods at the time of delivery – for goods not shipped out or transported;
- The effective location of the goods at the time of starting the shipping out or transporting to the buyer – for shipped out or transported goods by the buyer or a third person, except for deliveries for export;
- The effective location of goods at the time of handing over (delivery) or at the moment of taking title of the goods by the buyer (beneficiary) – for shipped out or transported goods by supplier.

Delivery place of services

The list has been extended to include real estate services for which the place of delivery is considered to be the place where the real estate is located.

For electronic communications services, broadcasting and television services provided by radio-electronic means – the place of delivery is considered to be the beneficiary's headquarters or, in the absence of such, the domicile or residence.

The types of services provided by radio-electronic means have been listed.

New requirements for registering the taxable subject

The ceiling for registering as a VAT payer has been increased to MDL 1.2 million.

VAT invoice

The mandatory use of electronic VAT invoices has been established within the framework of public procurement on the territory of Moldova by taxable subjects according to the list approved by the authorities.

Excise duties

The list of terms has been amended and extended in line with EU Directives.

Articles of jewellery made from precious metals have been excluded from the list of excisable goods.

The calculation methodology has been specified for excise duty on cigarettes with and without filters, and for processed tobacco.

The excise duty on goods imported by individuals for personal use is to be paid only if the goods' value exceeds the non-taxable amount of EUR 300, for land transport, and EUR 430 for air and maritime transport.

Tax administration

General information

The State Tax Service (STS) will oversee tax legislation compliance in processes of issuance, awarding, acceptance and refunding of meal ticket values, and issuance of registration certificates for cash machine technical assistance centres.

STS has the right to establish the criteria for selecting

taxpayers obliged to issue electronic VAT invoice.

The government is to develop the procedure for issuing advance individual tax rulings.

The list of indirect sources of information used for determination of taxable income of individuals has been completed (credit bureaux, payment companies, companies issuing electronic money, postal services providers and others).

General conditions for sanctioning

The 50% fine reduction for tax infringements is also to be applied for social security and health insurance contributions.

New conditions for bailiff's sanctioning have been introduced.

Real estate tax

Local Public Authorities can determine the degree of real estate completion for taxation purposes based on established methods.

Farmers have to calculate, pay and submit by themselves reports on real estate tax and land tax, according to the legislation.

Wealth tax

The taxable base of immovable property subject to mortgage and / or financial leasing is to be determined in general terms.

Local taxes

Some specifications have been introduced regarding the object of taxation and the taxable basis of land improvement duty.

Farmers will have to calculate, report and pay local taxes under general conditions.

The State Chancellery will check the legitimacy of Local Public Authorities' decisions on applicable local taxes.

The Customs Code

The sanction of suspension / withdrawal of the warehouse authorisation has been introduced for failure to respect the obligations of the warehouse keeper towards the Customs Service.

Additional clarifications have been introduced to the conditions for granting to economic agents the AEO and the approved exporter status.

The Law regarding state registration of legal entities and entrepreneurs

The set of documents necessary for registration of the legal entities' suspension or resumption of the activity has been completed by adding a declaration on own responsibility, by which a legal entity certifies that it does not have creditors.

The consequences upon the expiry of the suspension period have been expressly established according to its duration, as follows:

- For suspension for a period of less than three years - upon expiration of the term it is considered that the person has resumed activity;
- For suspension for a period of three years – it

is considered that the person has terminated the activity if they have not made a request to resume work at least seven working days before the expiration date.

The procedure has also been established for the exclusion of legal entities and entrepreneurs whose activity was previously suspended.

[Source: Law no. 808 dated 15 December 2017 on amending and completing some legislative acts, Official Gazette of the Republic of Moldova no. 464-470 (6387-6393) dated 29 December 2017]

The takeaway

The Law introduces important amendments to tax, customs and other normative acts, and entered into force on 1 January 2018, with some exemptions.

Let's talk

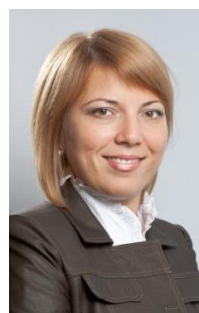
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