

Investing Guide Moldova 2013



Moldova



pwc



Dear reader,

Moldova's objective is to provide a transparent and supportive business environment, competitive at the regional level. The Constitution provides non-discriminatory treatment and guarantees the inviolability of both foreign and domestic investments by ensuring the supremacy of international law, the market economy, private property and separation of power between Government branches.

Moldova is a rapidly developing country and, with the support of development partners, has entered a deep transformational phase in the process of negotiating the Association agreement with the European Union. This means adopting the *acquis communautaire* in most areas, adopting and implementing international standards, and infrastructure rehabilitation, all of which is already resulting in attractive investment and business opportunities for local and international business.

What Moldova needs most at the moment is foreign private direct investment in innovative production, because FDI also means technology, know-how and higher turnover.

The Ministry of Economy's priorities are to improve the business environment, increase economic competitiveness in light of the negotiated Deep and Comprehensive Free Trade Agreement with the EU, implement infrastructure improvements, promote energy efficiency, etc.

Moldova offers a skilled and relatively competitive workforce combined with a unique opportunity to access western and eastern markets in a free trade regime.

For industrial producers, Moldova also offers specific locations in Industrial Parks and Free Economic Zones with fiscal and administrative incentives, support from the state and free trade regimes with a market of 800 million consumers in EU and CIS.

New industrial sectors are developing in Moldova, such as ICT, automotive, energy and renewables, manufacturing, etc. Moldova is ranked in the top 20 countries in the world for speed, penetration and availability of the Internet.

This investment guide provides a fair image of Moldova. I hope it will answer most of your questions about my country and help you to take an investment decision.

Last but not least, I would like to express my gratitude to PriceWaterhouseCoopers for taking the lead and preparing this Investment Guide to Moldova!

Valeriu Lazar

Deputy Prime Minister
Minister of Economy



Partner Letter

It is with great pleasure that PwC participates in the publication of the "Investing Guide Moldova 2013", in cooperation with the Ministry of Economy and MIEPO.

Like many countries in the region and around the globe today, Moldova continues to face exceptional economic challenges. Nevertheless, the Moldovan Government is committed to taking the necessary steps to encourage investment and ease the burden of doing business in Moldova.

This guide aims to provide a comprehensive overview of the business environment as well as some of the administrative practicalities of investing and conducting business in Moldova. We trust you will find the information useful as you pursue opportunities in this emerging market.

PwC has been advising companies and individuals on how to do business in Moldova since 1996. Our significant experience in the local market, as well as the strength of our regional and global network, bring you the right mix of local and international expertise to help you improve the performance of your business in Moldova.

Yours faithfully

Ionut Simion

Partner, PwC



Why invest in Moldova?

- Favourable geographical position at the crossroads of commercial routes
- Proximity to large world markets (European Union and Commonwealth of Independent States)
- Platform for manufacturing and exporting both to the CIS and to the EU
- Competitive general corporate income tax rate in the region – 12%
- Tax and customs framework similar to that of the EU
- Considerable network of operational Double Tax Treaties and Investment Protection Agreements
- Market access through three Free Trade Agreements including:
 - WTO members (worldwide)
 - Autonomous Trade Preferences (EU countries)
 - CEFTA members (most Balkan countries)
 - CIS members (with certain exceptions)
- Entrepreneurial activities under preferential terms and conditions developed in free economic zones
- Well-skilled multilingual workforce
- Relatively low employment costs
- Favourable visa regime
- Improved legal framework regulating entrepreneurial activity
- Starting a business – fast and easy to handle
- Investment opportunities through privatisation of public property and public-private partnership



Moldovan business environment

Central and territorial organisation

The Republic of Moldova is a small, densely populated country, which gained its independence and became a sovereign state on 27 August 1991.

It is situated in South Eastern Europe, north of the Balkan Peninsula. The total area is 33,843 square km. The distance between the North and the South extremities is 350 km, and from East to West is 150 km. Moldova shares borders with Romania and Ukraine.

Under the Constitution adopted in July 1994, Moldova is a democratic republic based on the rule of law. The Constitution separates the state powers into three branches – the legislative, the executive and the judicial branches.

The legislative power belongs to the Parliament of the Republic of Moldova, elected for four-year terms. The Parliament is unicameral. It consists of 101 deputies – representatives of parties and electoral blocks, as well as independent candidates.

The executive power is exercised by the Government. Its role is to carry out the domestic and foreign policy of the state, as well as to control the activity of public administration. The Government consists of a Prime Minister, deputy prime ministers, ministers and other members. The President of the Republic

of Moldova designates a candidate for Prime Minister through consultation with parliamentary factions.

The President of the Republic of Moldova is legally distanced from all branches of power. Nevertheless he / she is mostly allied to the executive branch. The President is elected by Parliament for a four-year term.

The judicial branch encompasses the Supreme Court of Justice, Courts of Appeal and ordinary courts. The Supreme Court of Justice is the highest court and has the power to review decisions made by lower courts.

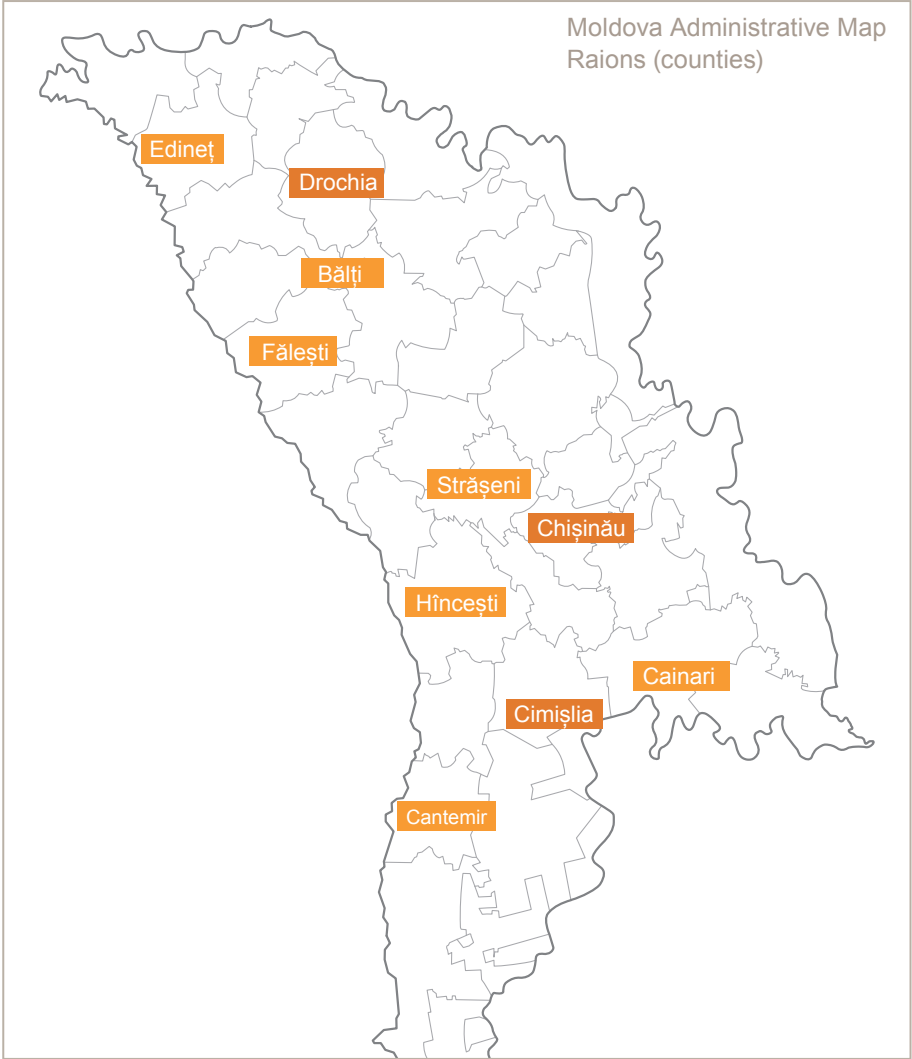
The Constitutional Court of Moldova is the sole authority of constitutional jurisdiction in the Republic of Moldova. The six justices are appointed for six-year terms. The Parliament, the Government and the Superior Counsel of Magistracy appoint two justices each.

The Constitution recognises the principle of local autonomy and states that all local issues be resolved and managed by local authorities, which operate independently pursuant to law. Each level of public administration has its own and delegated functions. The basic functions of local government include the organisation of social

services, welfare services for the elderly, housing and utilities, water supply and sewerage, the provision of public services, physical planning, public transport, and the maintenance of local roads and streets.

Moldova is currently divided into 37 first-tier units, including 32 districts (in Romanian - “raioane”), three municipalities (Chisinau, Balti, Bender), one autonomous territorial unit (Gagauzia) and one territorial unit (Transnistria). The capital and largest city is Chisinau.

Moldova has 66 cities (towns), including the five with municipality status, and 917 communes. Some other 699 villages are too small to have separate administration, so are administratively part of either cities (40 of them) or communes (659). This makes for a total of 1,681 localities in Moldova.



Municipalities	Autonomous regions		
Chisinau	Gagauzia		
Balti	Transnistria		
Bender			
Districts			
Anenii Noi	Cimislia	Glodeni	Singerei
Basarabeasca	Criuleni	Hincesti	Soroca
Briceni	Donduseni	Ialoveni	Straseni
Cahul	Drochia	Leova	Soldanești
Cantemir	Dubasari	Nisporeni	Stefan Vodă
Calarasi	Edinet	Ocnita	Taraclia
Causeni	Falesti	Orhei	Telenesti
	Floresti	Rezina	Ungheni
		Riscani	

International agreements and organisations

European Union

The integration of the Republic of Moldova into the EU is one of the country’s priorities. With the purpose of accomplishing this, the EU and the Republic of Moldova signed a Partnership and Co-operation Agreement on 28 November 1994. It came into force four years later. This Agreement formed the basis of future cooperation, with the intention of persuading the EU leadership to open a new stage in its relationship with the Republic of Moldova.

The Republic of Moldova’s link to the European Union became stronger in 2004, with the accession of ten states to the European Union. In February 2005, the Republic of Moldova and the EU signed the Action Plan, a political document for three years, laying out the strategic objectives of the cooperation between Moldova and the EU.

The Association Agreement is currently under negotiation between Republic of Moldova and the European Union. Relations between Moldova and the EU are also shaped via the European Neighbourhood Policy (ENP), a foreign policy instrument of the EU designed for the countries bordering it. Thus, the EU is developing an increasingly close relationship with Moldova, going beyond co-operation, towards gradual economic integration and a deepening of political co-operation.

Trade policies

The trade policies promoted by the Republic of Moldova are mostly geared towards attracting investments in the national economy which are capable of innovation, transfer of know-how and competitive goods for domestic and foreign markets, high added value and creating efficient technical and economic infrastructures in order to maximise the existing economic potential.

Due to its favourable geographical position, Moldova is an attractive location for international organisations and transnational corporations, and becoming increasingly important as a place to conduct business between western and eastern markets.

Autonomous Trade Preferences (ATP)

Since 1 March 2008 the Republic of Moldova has benefited from the new scheme of trade preferences granted unilaterally by the European Union, known as the Autonomous Trade Preferences (ATP) scheme. Trade preferences have been granted as

Republic of Moldova is a member of the following key organisations:

- United Nations
- Council of Europe
- Commonwealth of Independent States (CIS)
- The International Bank for Reconstruction and Development (IBRD)
- The European Bank for Reconstruction and Development (EBRD)
- World Trade Organisation (WTO)

a result of Moldova's implementation of sustainable development, good governance policies and efficient customs administration.

ATP offer free access to the EU market without quantitative restrictions and customs fees, the only exception being a small number of goods which are sensitive for the EU and subject to annual duty free tariff quotas. The main condition for entitlement to preferential arrangements is compliance with the EU rules of origin of products. ATP have offered a basis for increasing the competitiveness of Moldovan products exported to the EU and have also stimulated the efforts of Moldovan exporters to penetrate alternative markets to those in the CIS.

Deep and Comprehensive Free Trade Area (DCFTA)

In March 2012 the European Union started negotiations to create a Deep and Comprehensive Free Trade Area (DCFTA) with Moldova.

This DCFTA agreement assumes the abolition of duties and quotas in mutual trade in goods and services, as well as the elimination of non-tariff barriers (by the adoption of EU rules on public procurement, health and safety standards, and intellectual property rights, among other means). This will allow the integration of Moldova with the common EU market. The idea is to stimulate free trade between the EU and Moldova, and to improve the investment climate. Consequently, this should translate into economic growth and also open up business in EU countries to new opportunities for working with Moldova.

CIS

Moldova is part of the CIS Free Trade Area (FTA). The respective FTA Agreement entered into force on 20 September 2012 and repealed the previous bilateral

free trade agreements within the CIS. The CIS FTA is currently applicable for six CIS countries.

The aim of this Agreement is to establish conditions for a free transfer of goods and services, to provide mutual trade balance, to stabilise domestic economic conditions and to promote growth of the economic potential of the member states on the basis of mutual cooperation.

Although the FTA provides for a free tax trade regime, there are still certain exceptions, usually asymmetric in nature.

In 2002, Georgia, Ukraine, Azerbaijan and Moldova signed the GUAM agreement regarding the creation of a free trade zone. Its scope is to eliminate customs fees and other taxes with equivalent effect and quantitative limitations on trade, as well as to eliminate the barriers for free movement of goods and services.

Central European Free Trade Agreement (CEFTA)

In 2006 Moldova signed the Central European Free Trade Agreement (CEFTA), which came into force on 1 May 2007. CEFTA allows duty free access to the market of countries from the South-Eastern part of Europe. The CEFTA agreement has radically evolved since Romania and Bulgaria left and joined the EU. At this stage, the present signing parties are Moldova, Albania, Bosnia and Herzegovina, Croatia, Macedonia, Serbia, Montenegro and Kosovo.

Although the exports from Moldova to CEFTA countries are fairly low, they have an important role in supporting Moldova's efforts to be included in the Western Balkans perspective of joining the EU, thus reinforcing the relevance of the CEFTA agreement in achieving the objective of Moldova's accession to the EU.

The commercial relations of Moldova with CEFTA countries are governed by the preferential trade arrangements provided by CEFTA, which require almost total liberalisation of imports of industrial and agricultural products from CEFTA countries, except for imports of wine from the Republic of Macedonia, which carry a 1,000 hl. duty free tariff quota. CEFTA also provides an individual mechanism for trade disputes settlement or usage of the instrument provided by the WTO.

Double Tax Treaties and Mutual Protection of Investments Treaties

Moldova has signed comprehensive double taxation agreements with 48 countries, of which 45 are in force.

The Double Tax Treaties may provide for more favourable tax regimes than those provided by the local legislation. As guidance on the interpretation of Double Tax Treaties and, correspondingly, for tax administration purposes, the Commentaries to the OECD Model Tax Convention on Income and on Capital are used by the tax authorities and taxpayers.

Additional guarantees and support to investors are offered by 40 bilateral treaties signed between Moldova and various countries for the mutual guarantee of investments.

Economic overview

In 2012 Gross Domestic Product (GDP) totalled MDL 87,847 million (EUR 5,490 million), with an increase of 7% compared to 2008. Thus, in 2012 there has been a continuous recovery of the Moldovan economy, after the severe decline recorded during 2009 as a result of the global economic crisis. However, in compared prices GDP has decreased by 0.8% as against 2011.

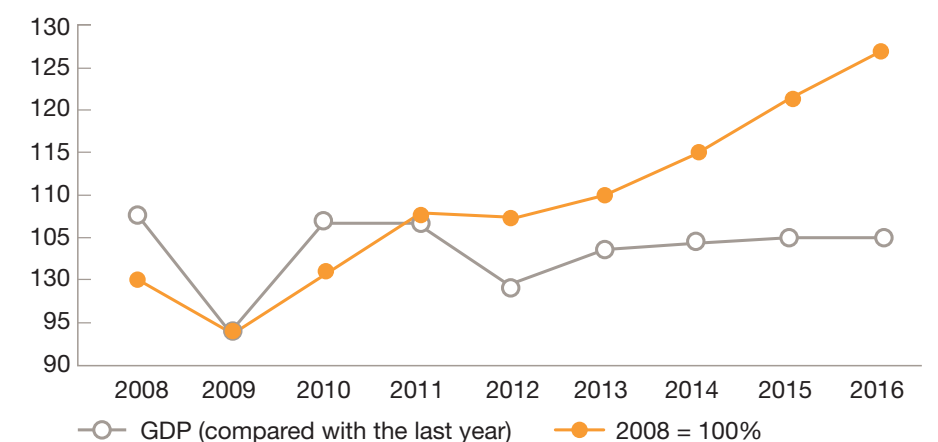
The economy of Moldova is highly dependent of remittances, which are around 21% of GDP.

Production of goods in 2012 contributed to increasing the GDP with around 25%, while services contributed with around 60% (i.e. the main branches being transport and communication services, wholesale and retail trade services, construction activities, etc.).

The export volume for the last 10 years increased 3.3 times, but its evolution in 2012 decreased with 2.5% compared with 2011 and constituted USD 2,161.8 million.

In 2012, exports of goods to EU countries totalled USD 1,013.4 million (i.e. 6.4% less than in 2011), accounting for 46.9% of total exports (compared to 48.8% in 2011). Export of domestic goods constituted USD 1,389.6 million (64.3% of total exports), registering an increase of 14.4% compared to 2011. Exports of goods to CIS countries totalled USD 928 million, with an increase of 0.9% compared with 2011.

Import volume has increased 5 times in the last 10 years, but in 2012 it registered an increase of only 0.4% compared with 2011 and constituted



USD 5,213.1 million. Moldova has a negative trade balance in 2012 (i.e. amounting – USD 3,051 million).

The annual inflation rate in Moldova for year 2012 constituted 4.6%.

The Moldovan public debt as of 31 December 2012 constituted MDL 29 million (EUR 1,812 million), while long-term investments from budgetary sources have increased 1.7 times. Meanwhile, foreign direct investments registered only USD 159 million, mainly, due to the expectations of foreign investments regarding a new wave of economic downturn.

In 2012 the unemployment rate was 5.6%. The total amount of unemployed people includes:

- 62.3% men and 37.7% women;
- 64.3% urban population and 35.7% rural population.

Legal Framework

General provisions

Legal system

The Republic of Moldova is a civil law country. Its legal framework is based mainly on statutory law. The leading legal acts are the Constitution, organic and ordinary laws approved by the Parliament, as well as other normative acts issued by the Government and other public authorities.

Under the Constitution, the Republic of Moldova undertakes to respect the treaties and conventions to which it is a party. In the event of any discrepancies between the national and international legislation applicable for the Republic of Moldova, the latter prevails.

Investment climate

Foreign and domestic investors are treated equally under the Moldovan legislation and the legal framework is the same for foreign investments.

One of the primary tasks of the Government is to attract investments and create a favourable business climate for all investors, both foreign and local. Moldovan law generally allows investments in any field of entrepreneurial activity on the entire territory of the Republic of Moldova, provided that national security interests, anti-trust legislation, norms of environmental protection, people's health and public order are respected.

Free economic zones, whose residents are provided with a range of tax and customs incentives and state guarantees, are attractive for industry investment projects.

Foreign investors' guarantees and rights

According to the Moldovan Constitution, the state must ensure the inviolability of foreign investments. The Government is keen to establish coordinated policies and well-balanced legislation in order to stimulate both domestic and foreign investments.

The legal framework for the protection of foreign investments consists of the Law on investments in entrepreneurial activity and international bilateral treaties for the facilitation and mutual protection of investments.

The law prohibits discrimination against investments based on citizenship, domicile, residence, place of registration, place of activity, state of origin or any other grounds. The law provides for equitable and level-field conditions for all investors. It rules out discriminatory measures hindering the management, operation, maintenance, utilisation, acquisition, extension or disposal of investments. At the same time, certain restrictions are provided for residents of off-shore zones (e.g. limited amount of shares in banks and prior approval from Moldovan National Bank before acquisition) and for the acquisition of agricultural and forested land.

Public authorities intending to develop a new investment policy are required to organise public consultations before implementing such policies.

Investments cannot be subject to expropriation or to any other similar measures which can directly or

indirectly deprive investors of their property right or the right to control investments, unless the following conditions are met:

- The measure is undertaken for the general public good;
- The measure is not discriminatory;
- Preliminary and equivalent compensation of damages is given.

Investors have the right to sue public authorities for damages caused due to illegal actions and decisions. Compensation is paid in the currency of the investment.

ICSID Convention

By ratifying the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention) in 2011, Moldova undertook to recognise any decision (award) issued by ICSID as being mandatory and committed to ensuring the enforcement of the pecuniary sanctions imposed by the award on its territory.

Privatisation

The privatisation process began in 1991 with mass privatisation of residential housing, most small-scale traders and over half of small-scale enterprises. After 1996 privatisation moved to cash privatisation with the goal of selling most of the remaining state assets, in particular large-scale enterprises in the energy and telecommunication sector. Several larger Moldovan firms have been sold for cash and debt assumption to strategic investors. The sale of a cement mill to

a leading producer, leather processing firm, several textile producers, several wineries and a hotel in the capital topped the list of transactions.

New provisions concerning privatisation were approved in 2007 by the Law on public property management and its privatisation. Under the law, the Agency for Public Property is the authority which carries out the state policy in the field of management and privatisation of public property, post-privatisation activity and exercises the functions of the owner of state property.

The implementation of this law has marked the beginning of a new stage in the privatisation process, characterised by widening the types of enterprises subject to privatisation, also including those in infrastructure; diversification of the privatisation methods, as well as shifting the privatisation deals to the capital market and restructuring privatised enterprises.

Public-private partnership

One of the growing-interest programmes lead by the Government is the Public-Private Partnership (PPP). The new legal framework for PPP has been recently approved, of which the most important are the Law on public-private partnerships and the Law on concessions.

Since the adoption of the necessary framework, the Government has turned to the private sector and promoted the PPP concept to provide a wide range of public services previously delivered solely by the public sector. Public services and infrastructure in the Republic of Moldova are underdeveloped, while public financial resources for their rehabilitation and modernisation are insufficient. Thus the Government is eager to join forces with the ideas, projects and resources of the private sector to increase the quality and efficiency of public services.



Establishing a business

Forms of business entities

The following forms of business legal entities (for-profit) may currently be incorporated in Moldova:

- Limited liability company (SRL / LLC);
- Joint-stock company (SA / JSC);
- General partnership;
- Limited partnership;
- Co-operatives.

In general, the form of business organisation does not influence the type of activity to be carried out by a legal entity. On the other hand, certain types of activity expressly provided by the law may be carried out only based on a license, issued by the public authorities. In some cases, the specific form of business organisation is regarded as a special requirement for obtaining a licence (e.g. only JSC may obtain licences for banking, insurance activities, etc.).

The most widespread forms are limited liability companies and joint stock companies. From a foreign investor's perspective, the choice usually tends to be either an LLC or a JSC. In specific circumstances for non-commercial activities a representative office may be considered.

Foreign legal entities and individuals may incorporate companies in Moldova (both LLC and JSC), either as sole shareholders owning 100% of the statutory capital or in partnership with a local company or individual.

Both LLC and JSC are legal entities liable for their obligations with all the assets they own. The shareholders are not liable for the company's obligations. Accordingly, the company is not liable for the obligations of its shareholders. The JSC shares are regarded as securities and may be traded on regulated capital markets.

The minimum capital requirement for a limited liability company is MDL 5,400

- *Legislation allows incorporation of a wide range of business entities, including wholly foreign-owned companies*
- *The most widespread forms are Limited Liability Companies (LLC) followed by Joint Stock Companies (JSC)*
- *For a 100% investment, using an LLC tends to be more convenient. It is easier to establish and operate an LLC than a JSC*

(approximately, EUR 338), while for a JSC it cannot be less than MDL 20,000 (approximately, EUR 1,250).

Under Moldovan legislation, there is no concept of a registered commercial branch of a foreign entity. A representative office established in the Republic of Moldova by a non-resident company is not a legal entity and may not carry out entrepreneurial activity.

Registration procedure

Establishing a business entity in Moldova involves registration with the State Register of Legal Entities held by the State Registration Chamber of the Ministry of Justice.

The State Registration Chamber registers LLC / JSC within five business days (general term) or four hours - one day (speed-up procedure) of submitting all the required documents.

The fees to be paid to the State Registration Chamber for the incorporation of an LLC vary between EUR 75 and EUR 130, depending on the procedure applied (general or speed-up). The costs for the incorporation of a JSC accordingly vary between EUR 100 and EUR 180.

The JSC shares need to be subsequently registered with the National Commission for Financial Market (NCFM). It takes 15 business days from the required documents being

submitted. The fee for the registration of JSC shares is 0.4% of the amount of stock issue.

The "one-stop-shop" principle was introduced in 2010, under which the State Registration Chamber transfers the information on newly-incorporated entities to statistical and tax authorities, as well as to social and medical insurance authorities.

Authorisations and permits

Certain types of activity may be carried out only based on a licence, issued by the public authorities. The list of activities subject to licensing is expressly provided by the Law on regulation by licensing of entrepreneurial activity.

The Nomenclature of permission documents has been recently approved. It is now forbidden to issue or to request any form of permission not included in the Nomenclature. The legal framework regarding the set-up and implementation of the one-stop-shop for entrepreneurs has been also approved. The purpose of setting up the one-stop-shop is to allow parties involved in entrepreneurial activity to receive standardised information and permission through a single point of reception.

Regulations for business

Competition policy

The competition legal framework is formed by the newly-adopted Law on competition and the Law on state aid.

The Law on competition provides the legal framework for the protection of competition. It particularly covers the allowance and / or control of mergers, abuse of dominant position, unfair competition, as well as being aimed at preventing and countering anti-competitive practices. The secondary legislation supporting the implementation of the law is to be approved in 2013.

The Law on state aid enters into force in August 2013. It provides for the legal framework for the methods of authorising, monitoring and reporting state aid granted to individuals and legal entities in all areas of the national economy, except agriculture, in order to maintain a normal competitive environment. Any state aid is offered subject to preliminary approval of the Competition Council.

The Competition Council is entitled to supervise compliance with competition and state-aid provisions, initiate the examination of any alleged breaches of competition legislation, by its own motion or at the request of any individual or enterprise affected by the alleged infringement. Upon the violation of the Law, the Competition Council is entitled to request termination of the infringement to prescribe behavioural or structural remedies and / or apply fine.

The aim of the new legal framework is to maintain a competitive market and is particularly intended to implement EU provisions into national law.

Consumer protection

Consumer legislation contains provisions on the safety of consumers, liability of producers and sellers for breaches of the law and their contractual obligations, procedure for concluding contracts, establishing the shelf-life of food and non-food products, replacement of products or reimbursement of their cost, etc.

Moldovan legislation is under continuous modification with the aim of harmonisation with EU regulations



The Agency for Consumers Protection is the competent authority in this field. The recent amendments to the Moldovan competition legislation transposed certain provisions of the EU legislation, e.g. concerning unfair business-to-customer commercial practices, unfair terms in consumer contracts.

Price controls

There are certain areas in which the Government establishes a limit on the prices for products and services, such as for state-owned land and mineral resources, transport and post services, medicines, natural gas, heating and electrical energy, etc. The state usually intervenes in the formation of prices by limiting the trade mark-up.

Patents, trademarks and copyrights

The laws regulating intellectual property in Moldova mainly cover patents on inventions, copyright and other related rights, industrial design protection, trademarks and appellations of the origin of goods, plant variety protection and the protection of integrated circuit topographies.

The state regulatory body in charge of the legal protection of trademarks, patents and copyrights on the territory of the Republic of Moldova is the State Agency for the Intellectual Property (AGEPI).

The national legal framework in this area has been recently amended in

order to achieve harmonisation with the provisions of European legislation. Moldova is a signatory to the International Convention Establishing the World Intellectual Property Organisation.

Real estate

The ownership title and other real rights over immovable assets (e.g. servitude, usufruct, mortgage, etc.) are subject to registration in the Real Estate Register, held by the Cadastral Office. Information from the Real Estate Register is public and registrations performed in the Register are presumed to be authentic and complete, until the contrary is proved.

The ownership title over immovable assets is transferred from the seller to the buyer as of the registration of the transfer in the Real Estate Register.

Agricultural and forested lands can be bought only by the state, Moldovan citizens and Moldovan companies without any foreign investments in their statutory capital.

Tax Frameworks

From the tax perspective, there are 45 operational Tax Treaties for Avoidance of Double Taxation concluded by Moldova with other jurisdictions.

Although not a member of the Organisation for Economic co-operation and Development (OECD), Moldova applies OECD commentaries in interpreting Double Tax Treaties.



Corporate Income Tax

Moldova has a competitive general corporate income tax (CIT) rate in the region – 12%.

The following rates are also applicable:

Municipalities	CIT rate
Individual entrepreneurs	7% and 18%
Farming enterprises	7%
Legal entities	12% *
Legal entities (small & medium businesses enterprises)	3% **

* For legal entities whose income is estimated through indirect methods, the 15% CIT rate is applied to the value of income in excess of the amount of gross income recorded in accounting.

** The tax rate applies to income which arises from the operational activity, if conditions for applying this special regime are met (e.g. operational revenue up to MDL 100,000 or EUR 6,250 in the previous fiscal year).

Deductible expenses

As a general rule, expenses incurred by a company are deductible for CIT purposes, providing these expenses:

- are deemed as ordinary and necessary;
- are aimed at deriving taxable income; and
- are justified with adequate supporting documentation.

Annual compliance to be considered
Full CIT deductibility of R&D costs
CIT depreciation based on diminishing balance method (5% to 30%)
Three-year fiscal losses carry forward
As of 2015* - TP documentation requirements in line with OECD are expected

* Based on the information available on Medium Term Budgetary Framework for 2014 - 2016.

Among others, the following expenses are generally CIT deductible:

- Depreciation of fixed assets calculated using the diminishing balance method;
- Amortisation of intangible assets calculated using the straight-line method;
- Research and development expenses incurred during the fiscal year as current expenses, (certain conditions should be met);
- Business trip expenses, representation expenses and expenses on insurance of business entities, within the limits established by the Government;
- Waste, spoilage and expiration expenses, within the annual limitation established by the company's manager;
- Bad debts, under certain conditions;
- Charity and sponsorship expenses borne for the benefit of specific beneficiaries, up to 10% of taxable income;
- Interest payable, in specific cases;
- Fiscal losses are carried forward in equal instalments for the following three years under specific conditions.

Capital gains

The capital gain taxation rule provides that only 50% of the income earned from the sale, exchange or disposal of capital assets is deemed to be a taxable capital gain. The taxable gain is generally calculated as 50% of the difference between the fiscal value (i.e. all costs related to the acquisition of capital assets) and the sale price. This taxable portion of the capital gain is then taxed at the normal tax rates. Such rule applies provided the taxpayer does not participate in the management of the activity related to such capital assets on a regular, continuous and substantial basis.

This capital gain should be included in the total gross amount of income for the year in which the assets were sold (alienated). Capital gains may be decreased by capital losses registered in the current or previous year. Some examples of capital assets include: shares, plots of land, options to purchase or sell capital assets, etc.

Capital Gain

50% of the difference between the fiscal value and the sale price is considered taxable

Withholding (WHT) taxes

Residents

Final WHT on dividends paid between Moldovan legal entities	
6%	as of 2012

Dividends received by Moldovan legal entities from foreign legal entities have to be included in the tax return and taxed accordingly at the applicable 12% CIT rate. The beneficiary of such dividends is entitled to credit the tax paid in the foreign country, within certain limits.

Resident legal entities making payments to individuals (other than salary payments) should withhold and pay WHT at the following rates:

7%	preliminary withholding of payments made for the benefit of resident individuals, unless such payments are tax exempt or represent employment income. The beneficiary deducts (i.e. recovers) the 7% WHT from the annual income tax due.
10%	final withholding of an individual’s income derived from leasing, rent and usufruct of movable and immovable property, and advertising campaigns
6%	final withholding on dividends paid out to individuals, except for dividends for the profits earned during 2008 - 2011 for which the withholding rate is 15%.
15%	preliminary withholding from interest. The beneficiary deducts (i.e. recovers) the 15% WHT from annual income tax due
12%	preliminary withholding from royalties (with certain exceptions). The beneficiary deducts (i.e. recovers) the 12% WHT from annual income tax due



Non-residents

Under the 2013 domestic tax provisions, the following WHT rates apply upon payments to non-residents:

6%	for dividend payouts, except for dividends for the profits received in 2008 – 2011, for which the withholding rate is 15%
12%	for interest and royalties
12%	for other income

Value-added tax (VAT)

Annual compliance to be considered	
20%	standard VAT
8%	certain types of supplies (e.g. bread, bakery products, milk, gas, certain pharmaceutical products etc.)
0%*	certain supplies (e.g. export of goods / services), international transportation, supplies to and from the territory of Free Economic Zones, import and / or supply of goods and services destined for technical assistance projects under specific conditions, etc.
exempt	certain supplies, financial services, sale shares, sale or rental of dwellings and land, etc.

* VAT exempt with the right to exercise the input VAT deduction

The standard VAT rate is generally applied to local supplies of goods and services as well as to goods subject to import and services subject to the reverse charge mechanism. The reverse charge refers to services rendered by a non-resident supplier to a Moldovan company, with place of supply deemed to be in Moldova (e.g. consulting services, supply of information, supply of staff, etc.) and which do not fall under any specific VAT exemption. Such reverse charge VAT is due and payable to the Moldovan budget at the date of external payment.

Input VAT incurred on acquisitions of goods and / or services may be deducted, provided it is incurred by a VAT registered payer to perform VAT-able supplies within its business activity.

A company is required to register for VAT purposes if the total turnover within the last 12 consecutive months reached the threshold of MDL 600,000 (approximately EUR 37,500). The optional registering as a VAT payer may be performed when the threshold of MDL 100,000 (approximately EUR 6,250) is reached and other compliance requirements are observed.

Should the company register a deductible input VAT exceeding its output VAT, this balance could be partially refunded, only if the company carries out a specific range of business activities (e.g. export supplies, international transportation services, production of bakery and dairy products, leasing activity, supply of own manufactured certain agricultural products, etc.). Otherwise, this VAT amount may be carried forward to the following months and offset against the Company’s future output VAT liabilities.

In addition, VAT payers performing capital investments in Moldova may be entitled to refund the recoverable VAT related to this kind of capital investment. Note that specific conditions should be met and there are a few exceptions to this rule (e.g. buildings and certain transport items). As of 1 January 2013 legal entities not registered as VAT payers and performing capital investments (expenses) related to vehicles for transportation, are entitled to benefit from a refund of VAT under certain conditions.

Income obtained by individuals is taxed on a cash basis.

Taxation of resident individuals

Resident individuals	
7%	annual income up to MDL 26,700 (approximately EUR 1,670)
18%	annual income exceeding MDL 26,700 (approximately EUR 1,670)
6%	dividend income (15% for the period 2008-2011; non-taxable prior to 01 January 2008)
6%**	social security contribution at the level of employee
23%	social security contribution at the level of employer
3.5%	health insurance contributions at the level of both employee and employer
exempt	interest incomes from deposits placed in Moldova until 1 January 2015

* In the Republic of Moldova, there are two progressive Personal income tax (“PIT”) rates 7% and 18%.

** The 6% employee social security contribution rate is applied to a base capped at five times the national average salary for the year, i.e. MDL 19,250 (approximately EUR 1,200) multiplied by 12.

The legislation provides an annual fixed social security contribution for other categories of taxpayers of MDL 5,220 (approximately EUR 325) and for an annual fixed amount of medical insurance contribution paid by other categories of taxpayers, which constitutes MDL 3,318 (approximately EUR 210).

Taxation of foreign individuals

Based on Moldovan tax law, the object of taxation for:

- foreign citizens being Moldovan residents is the gross income, including benefits in kind provided by the employer, derived from (i) any source within Moldova, as well from (ii) abroad related to the work performed in Moldova;
- foreign citizens being non-residents of Moldova is the gross income, including benefits in kind provided by the employer, derived from any source within Moldova.

The employee’s gross income (both resident and non-resident) includes basic pay, overtime pay, supplementary pay, awards and bonuses, compensation from unused holiday or vacation time, as well as benefits in kind (e.g. housing allowances, compensation for school fees, food, personal expenses etc.).

According to Moldovan tax law, foreign citizens (individuals) become Moldovan tax residents if they stay for at least 183 days during the fiscal year (which corresponds to the calendar year).

The payments performed to foreign individuals fall under the same PIT rates as for resident individuals (i.e. 7% and 18%).

Considering the provision of the domestic law applicable in 2013, no Moldovan social security contributions are due for foreigners seconded to Moldova and working with no local labour agreements. Additionally, based on the amendments to the law, for foreign citizens and stateless people employed under labour agreements in Moldova, social security contributions are calculated in a similar way as for Moldovan citizens (i.e. 6% at the employee level and 23% at the employer level).

No health insurance contributions are required for foreign citizens seconded to Moldova (i.e. no local labour agreement). Still, the respective foreigners may benefit from private optional health insurance.

Foreign individuals with local labour agreements have to pay health insurance contributions as Moldovan citizens (3.5% for each payer category - employers and employees).

Other tax issues

Rulings

Even though the law does not provide for the possibility of obtaining binding rulings, comfort letters can be obtained. Taxpayers that inadequately calculated tax liabilities due to incorrect written explanations issued by the Moldovan Tax Authorities are not subject to sanctions (i.e. fines and late-payment penalties).

Tax inspections

Under the general tax rule, the Moldovan Tax Authorities can assess tax liabilities no later than four years after the last date established for the submission of the relevant tax report or for the settlement of that tax liability (when the submission of the tax report is not required). This limitation term does not apply in cases of tax evasion-related crimes. According to the tax law, taxpayers that erroneously calculated taxes and / or duties, and this fact has not been identified during a previous tax inspection, are exempted, under a repeated tax inspection, from fines and penalties for identified tax violations related to the periods under the repeated tax inspection.

Transfer pricing (TP)

TP regulations are currently at the initial stage of development, as the law does not list any specific TP methods. According to the tax law in force, transactions carried out between related parties should observe the arm’s length principle. Those that do not follow this rule are disregarded for tax purposes.

In accordance with Moldovan tax law, a company is considered a taxpayer’s related party if it controls the taxpayer, is controlled by the taxpayer, or both the company and the taxpayer are under the common control of a third party.

From a tax perspective, control is the ownership (either directly or through one or more related parties) of 50% or more in value of the capital or voting power of one of the companies. In this case, an individual is treated as owning all equity interest owned directly or indirectly by members of one’s family. Two individuals are related parties if they are spouses or relatives up to the fourth degree.

Losses incurred in dealings between related parties carried out directly or through intermediaries are treated as non-deductible for CIT purposes.

According to current Moldovan tax law, there are no formal TP documentation requirements. At the time of writing, however, there is a proposal that the formal transfer pricing documentation requirements be introduced into Moldovan tax law as of 2015.

Permanent establishments (PEs)

The concept of a tax “Permanent Establishment” does exist in Moldova. In general, the PE of a non-resident entity is subject to corporate tax in Moldova on any profits attributable to that Permanent Establishment. While non-resident entities operating in Moldova without a locally-established entity run the risk of creating a taxable Permanent Establishment, since there is no local concept of a legal branch that is not a legal entity, non-residents do not typically intentionally operate in Moldova through a taxable Permanent Establishment.

A PE, unlike resident companies, is only required to calculate the taxable base for CIT purposes on income sourced in Moldova. Due to the regulatory environment in Moldova, foreign enterprises operating through a PE in Moldova are not common.

Customs Framework

Moldova has been a WTO member since 2001. In general, any kind of goods and means of transport may enter and leave the territory of Moldova without any restrictions (certain limitations specifically provided by the legislation are in force, however, which cover goods and means of transport crossing the border by breaching state security, public order, environment, etc.).

Both definitive and suspensive customs regimes are provided under Moldovan law. Definitive customs regimes refer to import and export, while suspensive customs regimes comprise: transit, bonded warehouse, inward processing relief (with suspension), processing under customs control, temporary admission, and outward processing relief.

Of these customs regimes, the following are deemed to have economic impact: bonded warehouse, inward processing relief, processing under customs control, temporary admission, and outward processing relief. The suspensive customs regimes allow for suspension of import duties payment, usually for a specific (limited) period and provided that certain conditions are fulfilled, whilst a customs regimes with economic impact triggers a specific economic advantage to the benefit of the company applying it (e.g. repayment of customs duties paid upon importation, application of lower customs duty rates or customs duties exemption).

There are also some environmental

pollution taxes related to specific packaging and goods that importers should pay.

The Law on Customs Tariff establishes standard customs duty rates applicable upon import of goods into Moldova, depending on their specific customs tariff classification code. The Moldovan Customs Tariff is based on the Harmonised Commodity Description and Coding System (2007 edition).

Customs duty rates are generally indicated as percentages to be applied to the customs value (i.e. ad valorem duty rates) of goods imported into Moldova. The maximum ad valorem standard customs duty rate is 30%. There are also specific customs duty rates established, as well as combined rates.

The customs valuation is generally performed in accordance with the customs valuation principles in the General Agreement on Tariffs and Trade (GATT).

The customs value is determined based on one of the six provided valuation methods (i.e. transaction value, transaction value of identical goods, transaction value of similar goods, deductive value, computed value, and reserve method). If the first method is not applicable, then the second method should be applied and so forth.

A preferential tariff treatment presumes a reduction of or exemption from customs duty, which may also be applied within a specific allowance (settled either as value or quantity).

A preferential tariff treatment is granted for specific categories of goods depending on their origin and in accordance with the free trade arrangements (FTAs) to which Moldova is a party. Moldova has concluded FTAs to date with most of the Commonwealth of Independent States (CIS) countries and is also a Central European Free Trade Agreement (CEFTA) contracting state.

From 1 March 2008 until 31 December 2015, Moldova also benefits from Autonomous Trade Preferences (ATP) from the EU.

A favourable tariff treatment presumes a reduction or an exemption from customs duty upon import of specific goods into Moldova, depending on their type or final destination, according to domestic customs law or international agreements to which Moldova is a party.

Moldovan customs law provides the following exemptions, among others, from customs duty:

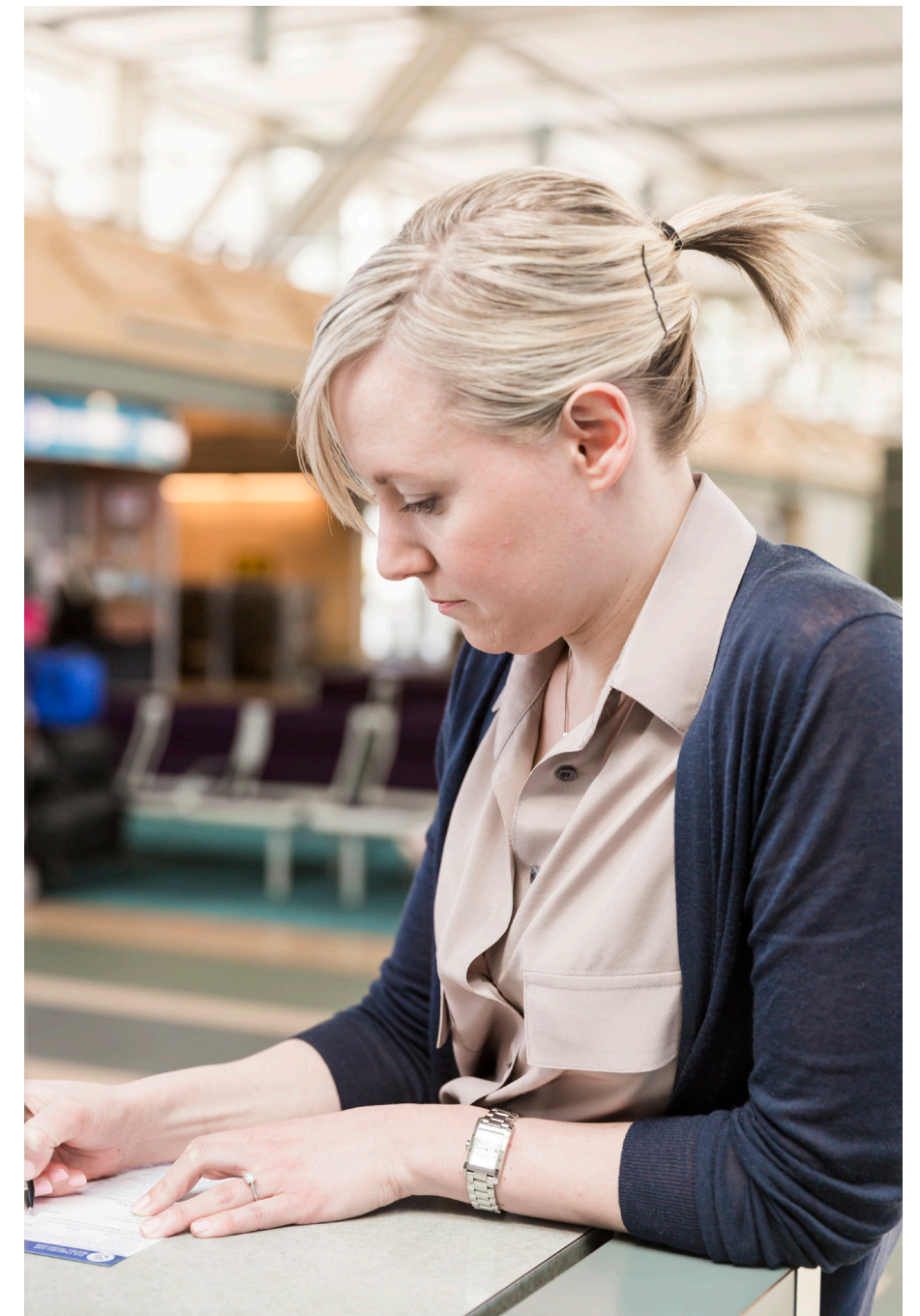
- Goods imported by individuals for personal use, not exceeding a specific threshold;
- Goods released in Moldova under transit, bonded warehouse, or inward processing relief regimes;
- Moldovan goods previously exported and released back within a three-year

term in the same status, as well as compensatory products obtained under outward processing relief;

- Certain movable goods imported by legal entities carrying out leasing activities for the purpose of paying off their contractual liabilities derived from lease agreements concluded with Moldovan individuals or legal entities.

Moldovan customs legislation also provides for:

- the concepts and procedures of post-clearance inspection;
- the obligation of individuals and companies to maintain the necessary documents for customs inspection for six years; and
- the obligation of individuals and companies that perform external trade transactions to maintain the related documents for the purposes of post-clearance inspection for five years.



Foreign Direct Investment

Total FDI

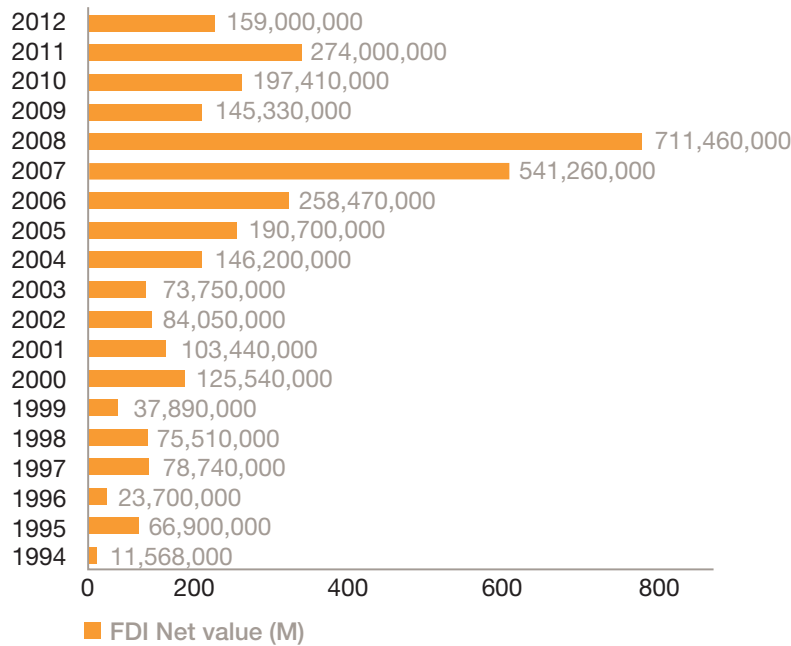
According to statistical data in 2012, the inflow of the net direct foreign investments into the economy of Moldova amounted to USD 159 million, decreased by 43.3% from the level in 2011. Although social capital inflows increased, the decrease was driven by lower reinvested income as many enterprises with foreign capital paid dividends that exceeded effective profits. Capital outflows were estimated at USD 177.4 million, representing mainly, withdrawals from social capital and repayments of previous loans to affiliated creditors.

Two thirds of the foreign capital present in the Republic of Moldova is invested in joint venture companies, while the rest belongs to companies in foreign ownership. From the perspective of the total capital value and also from the numerical perspective, companies with foreign capital are concentrated in the category of companies with a large share of foreign capital (75 - 100%), indicating that foreign investors prefer to control the management of companies as much as possible, or even integrally.

Net flow of foreign direct investment in the national economy in 2011 increased considerably, amounting to USD 274 million. Net foreign direct investment flow is differentiated by sector. Thus, in the banking sector capital investments in 2011 were the smallest in the last 5 years (i.e. USD 7.64 million), while in other sectors, net direct investment flows were much higher and amounted to USD 247.75 million, with an increase by 31.8% compared to 2010.

Companies with foreign capital are larger than the local ones and promote a more active investment policy in comparison to companies with domestic capital. Large-scale production, better economic performances and greater access to external financial sources has made it possible for companies with foreign capital to register essentially bigger inflows of tangible and intangible assets during recent years. During that period it has also been demonstrated that, with some exceptions, companies oriented towards satisfying internal demand promote a more active investment policy compared with those oriented mainly towards exports.

The ratio of FDI flow into the economy of Moldova in GDP was 2.2% in 2012.



Major Foreign Investments



Incentives for investors

Information technology (IT) industry

During 2012 - 2016 Moldovan companies whose main activity is software development (IT companies) and their employees may benefit from a range of tax incentives (subject to specific conditions being met).

Employees of IT companies may benefit from personal income tax (PIT) incentives for employment salaries earned from such companies – standard taxation being limited to certain monthly amounts (i.e. two national average forecasted salaries). PIT incentives are applicable only for salary income. Other types of income that do not refer to salary remuneration (e.g. benefits in kind, material aids, etc.) are taxed at the standard rates.

Monthly social security contributions at the level of IT companies are also limited to the income capped at two national average forecasted salaries.



Investment support

Openness to Foreign Investment

Moldova continues to take steps towards developing a stronger economy, reforming a cumbersome regulatory framework, combating corruption and adopting reforms aimed at improving the business climate. Poor physical infrastructure, cumbersome licensing procedures, excessive permit requirements and proliferation of fee-for-services to public authorities and commercial organisations all contribute to a business environment that remains among the most challenging in the region. For example, in the Doing Business Dealing with Construction Permits indicator, Moldova ranks 168th out of 185 countries and has twice as many procedures as the average for OECD countries.

After a prolonged recession in the 1990s, GDP has grown for seven straight years and inflation has decreased. Moldova, which is consistently ranked among the poorest countries in Europe, relies heavily on investments, foreign trade and remittances sent by Moldovans working abroad for economic growth. Recent years have seen an increase in foreign direct investment (FDI) as investors have taken advantage of the eastward expansion of the European Union, which has bordered Moldova since the accession of Romania on 1 January 2007. The Government of Moldova has made efforts to tackle some obstacles to investment, such as corruption and red tape. Furthermore, Moldova has declared European integration a

strategic objective. The country had an Action Plan with the EU that set out a roadmap for democratic and economic reforms and the harmonisation of Moldovan laws and regulations with European standards.

The Government has created an adequate legal base, including favourable tax treatment for investors. Under Moldovan law, foreign companies enjoy the same treatment as local companies (national treatment principle). The Government views investments as vital for sustainable economic growth and poverty reduction. The amount of foreign direct investment (FDI) is far below the country's needs, however, so the Government continues to add incentives to attract FDI.

In June 2012 the Moldovan Parliament approved the National Development Strategy (NDS) "Moldova 2020". The NDS "Moldova 2020" was developed through broad-based consultations with stakeholders and civil society. Attracting FDI is critical to enhancing several pillars of the NDS.

Human capital

Demographic data

Population
The Republic of Moldova has a population of 3.559 million. Moldovans represent the largest ethnic group (75.8%), followed by Ukrainians and Russians (8.4% and 5.9% respectively) and smaller minorities such as the Gagauz minority (an ethnic group of Turkish origin, 4.4%) and Bulgarians (1.9%).

According to the latest data, 41.44% of the population live in urban areas. Chisinau municipality has a population of 786.3 thousand people and Balti municipality has 148.2 thousand people.

Language
The main language spoken in Moldova is Romanian, although Russian is also commonly spoken and business is often conducted in one of these two languages. In addition, many Moldovans speak English, French and / or Italian.

Education
The Moldovan state education system includes primary, secondary, technical and higher education institutions. Education is mandatory for Moldovan citizens up until the age of sixteen. The Government ensures free access to education at all levels according to approved quotas. There are 1,545 educational institutions in the Republic of Moldova, with the majority of them being State owned (97.3%).

During 2012, the economically active population was around 1,214 million people. Of the total occupied population of 1.146 million, 24.91% have completed higher education studies, 16.17% have completed technical education, with 22.57% having completed secondary, 18.91% lyceum, 15.87% gymnasium and 1.54% primary education.

Students by Indicators, Types of institution and Years						
Thousand	Total	607.9	579.8	557.9	537.1	518.8
	General schools	436.1	415.5	396.5	381.4	366.0
	Vocational schools	24.3	22.2	21.4	20.3	19.6
	Colleges	32.7	32.2	32.2	31.4	30.7
	Higher educational institutions	114.9	109.9	107.8	103.9	102.5
Per 10,000 inhabitants	Total	1,704	1,626	1,565	1,508	1,461
	General schools	1,222	1,166	1,113	1,071	1,032
	Vocational schools	68	62	60	57	55
	Colleges	92	90	90	88	86
	Higher educational institutions	322	308	302	292	288

Source: National Bureau of Statistics

Labour costs

Employment income
Employee gross income includes:

- basic pay;
- overtime pay;
- supplementary pay;
- awards and bonuses;
- compensation from unused holiday or vacation time; and
- benefits in kind (e.g. housing allowances, compensation for school fees, food and personal travel expenses).

Moldovan tax law provides for special rules (i.e. tax exemption) regarding income obtained by members of diplomatic missions, and other missions accredited as such, and their personnel.

The annual personal allowance provided for Moldovan residents is MDL 9,120 (approximately EUR 570). Individuals can also benefit from a spouse's exemption of the same amount, provided the spouse does not use it in the respective year.

In addition, individuals benefit from an annual allowance of MDL 2,040 (approximately EUR 130) for every dependant (except for those disabled since childhood, who are entitled to MDL 9,120 (approximately EUR 570) exemption per year)). If a dependant has several carers, exemptions for dependants will be given to every carer.

Social security contributions
Contributions to the Social Fund are mandatory for Moldovan citizens, but unlike taxes they have an exact destination and are available for refund to the taxpayer in the form of pensions, allowances, etc.



	2011	2012	2013
The National Bureau of Statistics	MDL 3,193 (EUR 200)	MDL 3,478 (EUR 217)	MDL 3,850 (EUR 241) (forecasted)
PayWell Moldova	MDL 5,578 (EUR 348) (75% higher)	MDL 5,560 (EUR 347), (66% higher)	N/A

For more details on social security contributions, please refer to the “Taxation of individuals” section above.

Health insurance contributions

The mandatory health insurance contribution, calculated as a percentage of wages and other forms of payment and remuneration.

For more details on health insurance contribution please refer to the “Taxation of individuals” section above.

Temporary work incapacity-related costs

Allowances for temporary work incapacity due to common illnesses or accidents unrelated to work (with some exceptions) are paid as follows:

- the first five calendar days – paid by the employer;
- starting with the sixth calendar day – paid by the social security state budget.

Salary inflation history and forecasts

Since 2007, PwC Moldova has performed an annual Salary and Benefits Survey – PayWell Moldova. The participants in the PayWell Moldova Survey are companies from different industries (i.e. IT, Telecom, FMCG & Industries, Oil & Gas, Pharma and Banking), including the leaders on the Moldovan market.

The table above describes the average monthly salary in the Republic of Moldova for the period 2011 - 2013

from National Bureau of Statistics data in comparison with the PayWell Moldova Salary and Benefits Survey.

Labour regulation

Labour relations in Moldova are regulated by the Labour Code (effective as of 1 October 2003), Collective Labour Conventions (at national, territorial, branch and company level) and other special laws (e.g. Law on wages). Labour legislation provides employees with minimum guarantees which cannot be worsened or limited by an employment contract. Certain aspects of employer - employee relations are governed by internal regulations adopted at the company level by the employer (e.g. staff handbook).

Trade unions

Traditionally, trade unions were very tough in labour relations negotiations. They are currently effective in obtaining minimum wage legislation, as well as other basic rights for employees. They also conclude annual collective labour agreements at different branch and company levels.

Union membership for employees is not compulsory, but unions still have a high level of influence in large and state-owned enterprises. In small private companies they tend to be less active.

Employers should ensure the necessary conditions for the activity of unions. Unions have no right to participate in the management of a company and

its commercial activity. Nevertheless, sometimes the employer should take the opinion of the trade union into account when adopting internal regulations (i.e. internal policies) or dismissing trade union members.

Salaries and wages

An employer may not negotiate and establish a basic salary lower than the national minimum gross salary. This is currently MDL 1380 (about EUR 86) per month for privately-owned companies.

The forecasted monthly salary is MDL 3,850 (about EUR 241) in 2013, having increased by 10.7% from the previous year. Currency regulations demand that salary payments be made in local currency (MDL), including those to foreign staff.

Employment contracts

The conclusion of written individual employment contracts with all employees is compulsory. The contract should contain provisions concerning the employee position, salary level, working conditions and other mandatory issues.

As a general rule, employment contracts are concluded for an indefinite period. Fixed-term employment contracts may be concluded only in specific situations provided for by the Labour Code. Employment contracts may provide for a trial period of employment up to six months.

Working Hours

The standard working week stated in the Labour Code is 40 hours, over five or six working days a week, but generally from Monday to Friday.

The law defines limits and rates for overtime, holiday / weekend and night work. Working hours on weekends or holidays can be either compensated with free time or paid. Overtime is generally paid as 150% of the hourly

rate for up to a specified number of hours and 200% beyond that.

Paid Holidays

Annual paid vacations are established at a minimum of 28 calendar days a year. Additional paid leave can be given to employees for special occasions such as a marriage, birth of a child, death of relatives, study, etc. Sick and maternity leaves are paid from the Social Insurance Budget.

Termination of Employment

An individual employment contract may be terminated at the initiative of the employers on the specific grounds stipulated by the Labour Code (e.g. failure of trial period, staff redundancy, systematic non-compliance with regulations / requirements or absence of the employee from the working place, theft, etc.).

The Labour Code gives additional protection to specific categories of employees, including minors, female employees, employees with children, union members and various other categories. There are specific situations in which employment cannot be terminated by the employer (e.g. during sick leave or maternity leave).

Severance payments may appear in specific situations such as termination of the contract due to liquidation of the employer, staff redundancy or when the employee’s health situation restricts his performance in the position held, or the employee is insufficiently qualified based on a decision of the attestation commission.

Foreign workers

Foreign citizens who work in Moldova based on a local labour contract or those seconded to Moldova have to obtain a work permit. Specific incentives in obtaining the work permits are provided for the management of large companies with foreign investments.



Infrastructure

Air Transportation

Ten air carriers operate in Moldova and perform regular flights. The biggest air carriers are the public enterprise “Air Moldova” and the private company “Moldavian Airlines”. Foreign airline companies present in Moldova are: Austrian Airlines, Carpatair, Air Baltic, Turkish Airlines, Tandem Aero, S7 Airlines, Tarom, Meridiana, Lufthansa, Atlasjet, AeroSvit and Utair.

Road Transportation

The country has more than 9,500 km of roads, but only 8,700 km have rigid surfacing: 3,300 km of national roads and 6,100 km of local ones. 93% of roads need repair. There are no motorways and in winter snow can make some areas temporarily impassable.

Railway Transportation

The State Enterprise “Calea Ferata” runs Moldova’s railroad. The railway network, totalling 1,138 km (707 mi) of track, still needs considerable investment.

The entire length of the Moldovan railway network is single track and not electrified. Much of the railroad infrastructure is still in a poor state, with all of the rolling stock being inherited from the former Soviet Union. The average speed for commercial passenger trains is 35 – 40 km/h (22 – 25 mph including stops).

2012			
Volume of goods transported by transport enterprises (thousand tonnes)		Number of transported passengers (thousand)	
railway	4,122.7	railway	4,340.9
auto	5,516.8	bus and micro-bus	117,052.5
naval	144.2	naval	115.7
air	1.6	air	673.0
Total transported goods	9,785.3	Total transported passengers	121,856.9

Source: National Bureau of Statistics

Traffic by international airport Chisinau

Commercial air transport			Scheduled flights	
Year	Passengers	Freight and mail, tonnes	Passengers	Freight and mail, tonnes
2005	480,785	1,726	447,593	1,540
2006	546,633	1,838	511,315	1,652
2007	687,221	2,262	647,361	2,136
2008	845,926	2,469	834,084	2,225
2009	806,583	2,021	797,586	1,865
2010	936,226	2,398	928,761	2,305
2011	1,044,785	2,710	1,036,587	2,646
2012	1,220,496	2,766	1,209,490	2,662

Substantial investments have been made in building new railway lines since 2003, however, with the goal of connecting Chisinau to southern Moldova and eventually to the Giurgiuleszti terminal. The first such segment was the 40 km (25 mi) Revaca–Cainari line, which opened in 2006.

Connections exist to Ukraine at Kuchurhan, Mohilyv-Podil’s’ky, Ocnita. The track between Basarabeasca and Reni crosses the border back and forth. Note that the Kuchurhan crossing as well as the Tighina–Tiraspol–Kuchurhan segment are under the control of the Transnistrian separatist authorities, the circulation of trains on the route depend on the level of political tensions between the separatists and the Government of Moldova.

Between Moldova and Romania there is a break-of-gauge (Romania employing standard gauge). The most important crossing (including gauge changing equipment) is Ungheni-Iasi, with another two at Cantemir-Falciu and Giurgiulești-Galați. International passenger trains run to Bucharest, Kiev, Minsk, Saint Petersburg and Moscow.

Naval Transportation

Giurgiulesti International Free Port (GIFP), Moldova’s only port accessible to sea-going vessels, is situated 133.8 km up the River Danube in the South of Moldova. GIFP serves as the only direct sea / river-borne transshipment and distribution point to and from Moldova.





Key locations for investments

Free Economic Zones

Moldova has designated areas where domestic and foreign investors can carry out entrepreneurial activities under preferential terms and conditions (i.e. favourable tax, customs and other regimes).

These designated areas are the Free Economic Zones (FEZ) and Industrial Parks (IP).

FEZ are parts of the Moldovan customs territory, separate from the economic perspective, in which local and foreign investors may carry out entrepreneurial activities under a preferential regime, i.e. benefiting from special guarantees and facilities (tax, customs, regulatory, immigration, etc.).

FEZ are created for a period of at least 20 years. Moldova currently has seven FEZ, established between 1996 and 2011, located all over the country's regions. There is also an international free port (South) and airport (North-East), with status similar to FEZ.

FEZ residents should be registered in Moldova (legal entities with local, mixed or foreign capital) and are selected by FEZ Administration, based on the investment amount and type, infrastructure available / to be created, type of activities to be carried out, etc.

The following types of activities may be carried out in FEZ:

- Industrial production of goods for export (apart from ethylic alcohol and alcohol products);
- Sorting, packing, labelling and other similar operations for goods which transit through Moldovan customs territory;
- Other auxiliary activities necessary for the basic activities above (e.g. utility services, warehousing, construction, catering etc.);
- External commercial activity (i.e. wholesale of goods imported into FEZ outside Moldova and offered for export).

Each type of activity within FEZ is subject to a separate time-limited authorisation issued by FEZ Administration.

Investments within Free Economic Zones in Moldova totalled USD 169.4 million by the end of 2012.

FEZ "Expo-Business-Chisinau" operates in Chisinau, for the period 1995 - 2025. Area managed as free zone – 23.61 ha (the land is used 100%). In 2012 it had 42 registered residents from 14 countries. Total investments since the establishment of the FEZ amount to USD 51.83 million.

FEZ "Balti" operates near Balti City, in the northern part of the country. It was created in 2010 for a period of 25 years. FEZ "Balti" is composed of four areas: subzone 1 (2.02 ha), subzone 2 (10.35 ha), subzone 3 (110 ha) and subzone

4 (12 ha). In 2012, it had 22 residents, including key investor “Draexlmaier Automotive” Ltd and, as of late 2012, “Gebauer & Griller”, one of the leading providers of cables and wires, with an announced investment of around USD 18.5 million. Total investments since the establishment of the FEZ amount to USD 22.36 million.

FEZ “Ungheni-Business” is located near the city of Ungheni, in the central region of Moldova, on the west border with Romania. It was established in 2002 for a period of 45 years. The total area of the FEZ is 42.34 ha divided into the main territory and four sub-zones. In 2012, there were 38 residents registered. Total investments since the establishment of the FEZ amount to USD 49.29 million.

FEZ “Otaci-Business” was established in 1998 for a period of 25 years. FEZ “Otaci-Business” is located in Otaci, Ocnita District. It has two sub-zones, of 32.17 ha and 1.02 ha respectively. In 2012, 11 companies were registered as residents of FEZ “Otaci-Business”. Total investments since the establishment of the FEZ amount to USD 3.38 million.

FEZ “Taraclia” was established in 1998 for a period of 25 years. Taraclia FEZ is located in the south region of Moldova, in Taraclia District. The Free Zone is located along the railway Chisinau-Besarabka-Reni, on the territory of several industrial enterprises, its total area being of 36 ha. In 2012 there were 9 residents registered. Total investments since the establishment of the FEZ amount to USD 15.07 million.

FEZ “Valkanes” was created in 1998 for a period of 25 years. It is the only FEZ located in the Gagauzia region, 6 km from Vulcanesti. FEZ “Valkanes” has an area of 122.3 ha divided in two sectors (78 ha and 44.3 ha respectively). In 2012 there were 31 residents registered. Total investments since the establishment of the FEZ amount to USD 13.38 million.

FEZ “Tvardita” is situated on the south of the Republic of Moldova. It was created in 2001 for a period of 30 years. The FEZ area is 3.57 ha. Total investments since the establishment of the FEZ amount to USD 14.06 million.

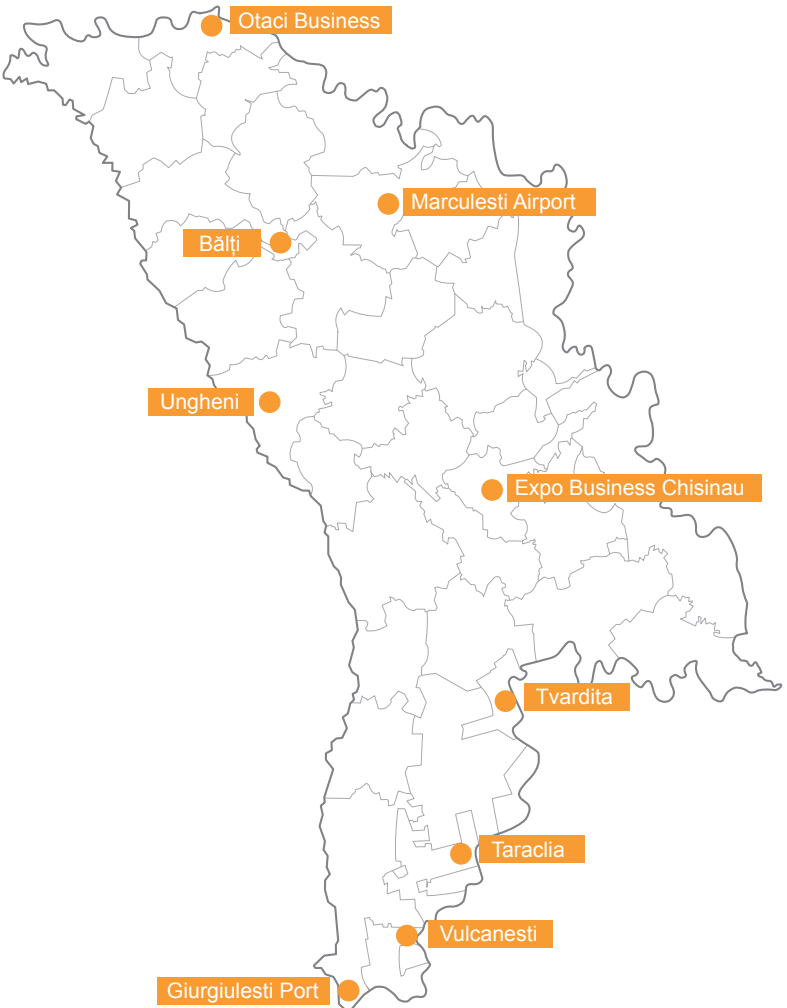
Marculesti International Free Airport was established in 2008 for a period of 25 years. It operates on the territory of the ex-military aerodrome of Marculesti. It has a dual-purpose airfield, used for military and civil air transportation, international passenger and freight transportation, and for the fulfilment of requirements for national defence, security and international commitments of the Republic of Moldova.

The land within the limits of the Free Airport has an area of 265.23 ha, consisting of the airfield and the development region. The land is managed by the State Enterprise “Marculesti International Airport” as general investor. In 2012 the Free Airport had 12 registered residents.

Giurgiulesti International Free Port (GIFP) was established in 2005 for a period of 25 years. It is located 133.8 km up the river Danube, which is included in the Rhine-Main-Danube

waterway corridor, in the South of Moldova with its territory bordering directly with Romania and the Ukraine. It has a territory of 120 ha, including a petroleum terminal, a cargo port and an industrial free zone. GIFP is capable of receiving both inland and sea-going vessels.

GIFP is within the private ownership of its general investor and operator ICS Danube Logistics SRL, a company owned by Danube Logistics Holding BV and EBRD. Unlike those of FEZ, the residents of GIFP may carry out any activity ordinarily allowed throughout the Republic of Moldova, including: port and transport services; manufacture of industrial products, including oil products; transportation, processing, packaging and finishing of goods; wholesale trade; paid services, etc. There is no minimum investment requirement to become a GIFP resident. In 2012, there were 32 residents registered.



Industrial parks

An industrial park is a defined area with technical and production infrastructure, where economic activities, mainly industrial production, provision of services, employment of scientific researches and / or technological development, may be carried out, benefitting from specific incentives.

An industrial park may be created for 30 years either on the territory of state or private enterprises, through green field investments or by means of public private partnerships. In practice, an industrial park is created by means of obtaining the title of industrial park by an enterprise on the basis of Government decision. This enterprise becomes the administrator of the industrial park, i.e. it can also act as the resident of the industrial park.

Any legal entity registered in Moldova (legal entities with local, mixed or foreign capital) can become an industrial park resident on the basis of a contract concluded with the administrator-enterprise, aiming to carry out such activities as industrial production, service provision, implementation of the scientific researches and / or technological development within the industrial park.

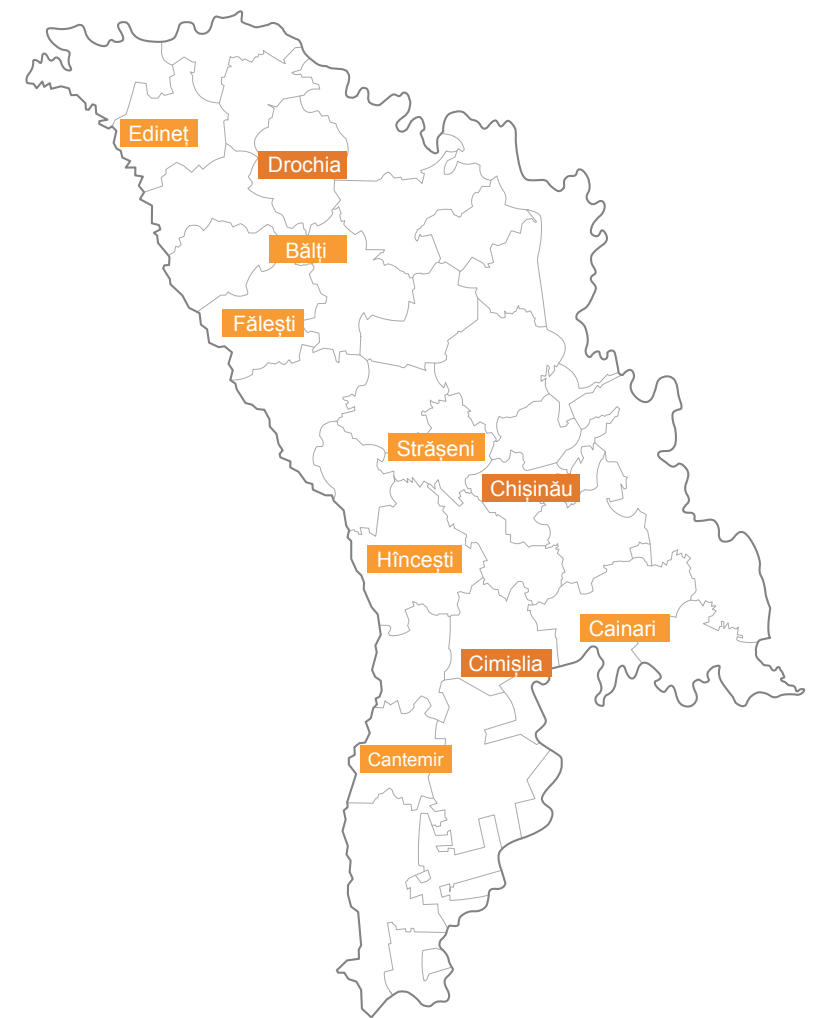
The new law on industrial parks was adopted in 2010. During 2010 - 2011 three enterprises obtained the title of industrial park on the basis of Government decisions:

Industrial park “Bioenergagro” is in Tarigrad, Drochia District in the northern part of Moldova. The area of this industrial park is 13.49 ha. It is a private industrial park. The title of industrial park was offered by the Government to “Bioenergagro” LLC, including the plot of land in their private ownership, in order to implement the first investment project on the Biogas production complex by the “Bioenergagro” LLC.

Industrial park “Tracom” is located in Chisinau on a territory with an area of 32.26 ha. It has the necessary infrastructure for residents to be able to perform their activities in the following areas: manufacturing of machinery and equipment, electrical and electronic production, manufacture of metal articles and IT.

Industrial Park “Cimislia” is located in Cimislia city on a territory with an area of 40 ha. It is currently under construction. According to the project, the areas of specialisation of this Industrial Park will mainly be the following: manufacture of dairy products, oil production, manufacture of starch and starch products, and meat production, processing and preserving.

There are also other places, identified on the basis of feasibility studies (all the studies are available at the address: <http://mec.gov.md/studii-de-fezabilitate/>), suitable for the establishment of industrial parks (Edinet, Falesti, Balti, Hincesti, Cantemir, Cainari).



FEZ and IP incentives overview

With the aim of attracting investment, Moldova offers incentives for the residents of FEZ and Industrial parks.

FEZ incentives

Protection of FEZ residents against legal acts worsening the applicable regimes.

Should newly-adopted laws (“New Law”) worsen the conditions of FEZ residents’ activity in respect of customs, tax and other regimes provided for by the previous laws concerning FEZ (“Old Law”), FEZ residents may benefit from the regimes provided by the Old Law for:

- 10 years as of entry into force of the New Law, but not more than the period of FEZ operation (general rule);
- The whole period of operation within FEZ, but not more than 20 years of entry into force of the New Law (special rule applicable to residents whose investments in the fixed assets of FEZ-company or in the development of FEZ infrastructure exceed USD 200 million);
- The Old Law will be applicable for the mentioned period to FEZ residents’ activity within the investment projects registered before the entry into force of the New Law.

Special tax and customs regimes

For 2013, the following CIT incentives for FEZ investors are applicable:

- Entities established in the FEZ and which export goods and services from FEZ to outside the customs territory of the Republic of Moldova or deliver the produced goods to other FEZ residents for goods to be exported are entitled to apply 50% of the applicable CIT rate on such income. For other cases, the CIT rate is 75% of the established one;
- The income obtained from exports of goods (services) originating from the FEZ to outside the customs territory of the Republic of Moldova or from supply of the produced goods to other FEZ residents for goods to be exported is CIT exempted for a period of three years, provided the FEZ residents invested a capital equivalent of at least USD 1 million in the fixed assets of their enterprises and / or in the development of the infrastructure of the FEZ;
- The income obtained from the export of goods (services) originating from the FEZ to outside the customs territory of the Republic of Moldova or from supply of the produced goods to other FEZ residents for goods to be exported is CIT exempted for a period of five years, provided that the FEZ residents invested in the fixed assets of their enterprises and / or in development of the infrastructure of FEZ capital equivalent to at least 5 million USD.

From a VAT perspective, goods and services supplied in the FEZ from abroad, from FEZ outside the customs territory of the Republic of Moldova, in the FEZ from other areas of Moldova and those supplied to residents of other FEZ are subject to 0% VAT.

According to the customs provisions, goods are introduced into the FEZ with no import VAT or customs duty and are not subject to economic policy measures, according to specific criteria. Certain taxes in specific situations might be incurred by residents of the FEZ, however. Investors in the FEZ are guaranteed and protected from changes in legislation for a general period of up to ten years, while under certain conditions this period may be extended to 20 years.

Transfer of profits, currency repatriation rules

Monetary means obtained by foreign investors as profits (dividends) or from the sale of their shareholding in companies - FEZ residents, or resulting from reorganisation / winding up of companies - FEZ residents may be freely transferred outside of the Moldovan territory, after fulfilling tax liabilities.

The provisions on foreign currency repatriation are applicable to the export-import transactions between FEZ residents and foreign entities. These rules do not apply to transactions between FEZ residents and other Moldovan legal entities operating outside FEZ, however.

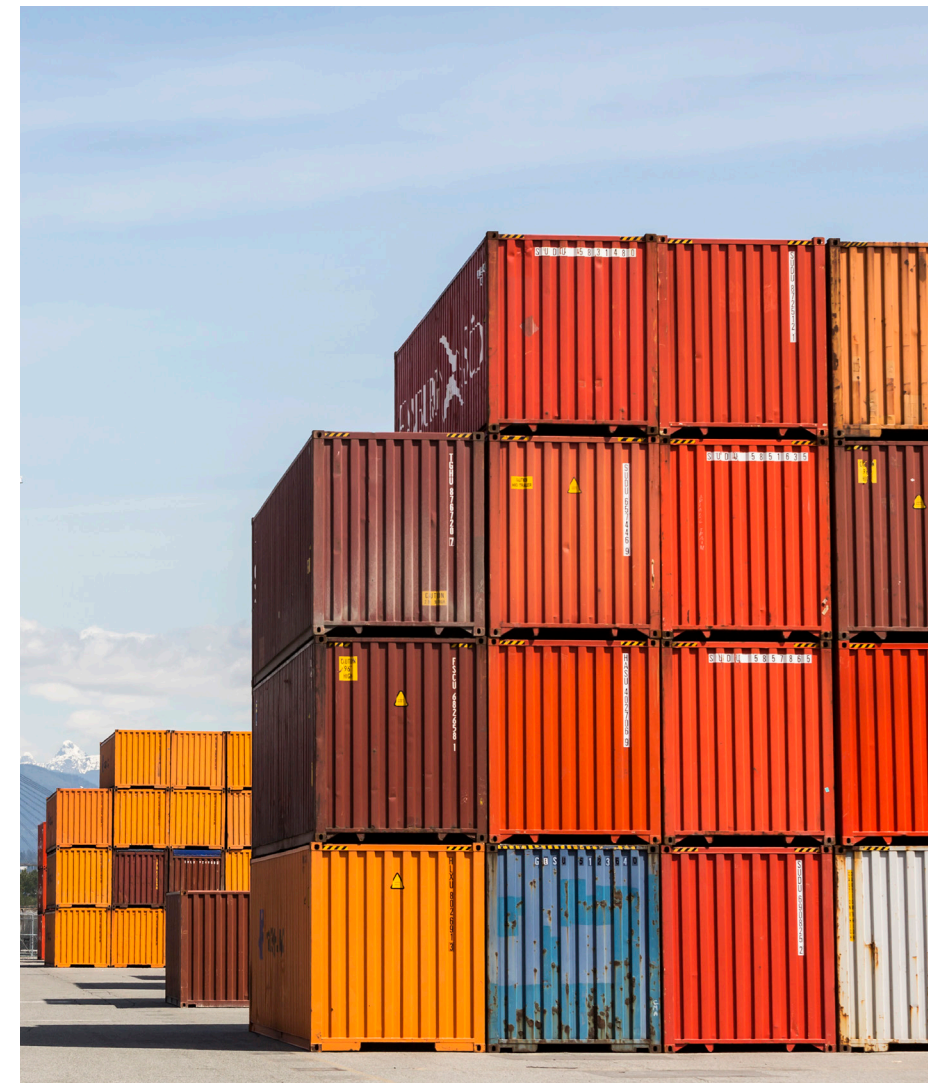
Special visa and work permits regime for foreign workers of FEZ residents

A simplified procedure of work permits issuance is provided for the foreign workers of FEZ residents. No consular fee is required for the issuance of business visas for foreign workers of FEZ residents.

Industrial Parks incentives

IP Residents and IP Administration may benefit from the following real estate facilities and Government support:

- Free of charge change of the category of land with agricultural destination;
- Entitlement to privatise public property land associated with constructions, at the price land established by law;
- Free of charge transfer of public property assets with the purpose of industrial parks establishment upon owner’s decision;
- Application, by the administrating enterprise, of the reduction coefficient down to 0.3 of the tariff set for the annual lease payment for the public property land;
- Optimisation of state inspections.



Labour & Education Overview

Most of the FEZ and IP are located near or within the biggest cities in Moldova (Chisinau, Balti, Ungheni, Drochia).

Most of the universities, professional and vocational schools are located in Chisinau.

FEZ “Balti” is located near the Balti City in the north region of Moldova. In Balti there are several higher and medium education institutions, including Balti State University, Dniester Institute of Economics and Law, Balti Polytechnic College, Medical College, Technical-Railway College, Light Industry College, a lyceum, professional and vocational schools, etc.

FEZ “Valkanes” is located near the town of Vulcanesti. There are two high schools, two secondary schools and a gymnasium.

Ungheni City is located in the east-central part of Moldova, on the border with Romania. Its population is 38,200 people, with 62% being economically active. There are six high schools, two secondary schools, two primary schools, a boarding school, a multi-purpose school, Medicine College, Agribusiness College, two sports schools, a hospital and two medical centres.



The district where FEZ “Taraclia” is located has 21 schools, a State University and a vocational college.

The Free International Airport Marculesti is located close to former military-industrial complex. In the surrounding areas (Floresti and the neighbouring villages) there are three vocational schools, which prepare workers in different fields (construction workers, mechanics, electricians, operators, etc.).

Local Transportation

Most of the FEZ are located at the intersection of national roads and do have access to railways.

FEZ “Expo-Business Chisinau”

- 1 km to International Airport Chisinau
- International road Chisinau-Odessa
- 150 km to Free International Airport Marculesti
- 240 km to Giurgiulesti International Free Port

FEZ “BALTI”

- International route – 1 km from E583 European road (Vienna-Uzhgorod-Chisinau-Odessa-Rostov/Don)
- National route – location at the crossroads of the international road M4 (Balti-Floresti-Soroca) and the ring road with direct access to the national road Balti-Chisinau and the international road M14 (Balti-Edinet-Cernauti)
- Railway – located at the intersection of three railway lines (Balti-Rabnita, Balti-Ungheni, Balti-Ocnita), there are two stations (Balti-Slobozia Station, called the North Station, and Balti-City Station, called the West Station)
- Balti International Airport (Leadoveni) at 10 km and Marculesti International Airport
- Railway at a distance of 1 km

FEZ “Otaci-Business”

- The national route is located at a distance of 500 m from the FEZ and the nearest railway station – Valcinet – is situated at a distance of 1 km
- Access through the routes Otaci-Ocnita, Otaci-Soroca, Otaci-Balti

FEZ “Valkanes”

- Proximity to the Romanian border (Giurgiulesti customs) – 50 km, and to Ukraine - 1 km
- Main railway linking the FEZ with the Danube port of Reni (Odessa region, Ukraine) – 38 km
- Distance to Galati (Romania) – 60 km, to Odessa – 260 km, to Ismail – 60 km, to Chisinau – 180 km
- The closest airports are located in Chisinau – 180 km, and Cahul - 35 km
- Located close to the international route M3 Giurgiulesti-Chisinau

FEZ “Ungheni-Business”

- Access to the Russian-type railway, the European-type railway is 2 km away
- Chisinau International Airport is 140 km away
- Marculesti International Free Airport is 105 km away
- The distance to the national road is 1 km

FEZ “Taraclia”

- Access to railway and roads
- Access to local and international routes
- Developed communication system
- 150 km from Chisinau
- 75 km from Giurgiulesti International Free Port
- 35 km from the border with Ukraine
- 55 km from the border with Romania
- FEZ “Tvardita”
- Existing infrastructure:
 - National highway (Chisinau-Cimislia-Basarabasca-Ceadarlunga)
 - International Airport at a distance of 125 km (Chisinau)



Success Stories

Dräxlmaier Group Automotive

The main resident in subzones 1 and 2 of the free economic zone “Balti” is the foreign capital company “Draexlmaier Automotive” Ltd., which produces electric coaxial cables for major companies like BMW, Daimler-Benz and Volkswagen. Being an international partner to the automotive industry, the Dräxlmaier Group has a global presence with 38,000 employees working at 53 sites spread over 20 countries and four continents.

The company has investments of USD 30 million in the Republic of Moldova, around 2,800 employees and annual sales exceeding MDL 200 million. The company plans to expand in the coming years, with an expected 18,000 sqm increase in production and warehouse spaces, investments of USD 22 million and employing an additional 1,500 people.

Giurgiulesti International Free Port

Giurgiulesti International Free Port, Moldova’s only port accessible to sea-going cargo vessels, is situated 133.8 km / 72.2 nautical miles from the Black Sea on the maritime section of the river Danube. Privately owned Giurgiulesti International Free Port’s entire territory, including its business park, will retain a status similar to that of a free economic zone until the

year 2030. The general investor and operator of Giurgiulesti International Free Port is the foreign capital company “Danube Logistics” Ltd., owned by Danube Logistics Holding BV of the Netherlands and the European Bank for Reconstruction and Development. The objective of Danube Logistics’ international management team is to establish Giurgiulesti International Free Port as the premier business park and logistic centre in the Republic of Moldova.

Residents of Giurgiulesti International Free Port benefit from a location on international trade and transportation routes, such as: the Rhine-Main-Danube waterway corridor, which connects the Black Sea, 14 European countries and the North Sea; the European and Russian railway systems, as well as the international road network. The port is a green field development with newly constructed utility and road infrastructure. All land plots leased by residents benefit from newly constructed road, electricity, water, gas and fibre-optic telecommunication connections. The reliability of electricity and gas supplies has been ensured by the newly constructed 110kv electricity substation and a recently completed connection to the national high pressure gas pipeline network. Port Facilities consist of an oil product terminal, a grain terminal,

a vegetable oil terminal, a bulk cargo terminal, a newly constructed container and general cargo terminal, a Ro-Ro terminal and a mixed-gauge rail terminal.

The International Port currently has 32 registered residents. About 300 people are employed in production and service activities within the port as of 1 January 2013, of which 116 are employed by “Danube Logistics” Ltd. The total volume of investments made by the residents in the International Port for the entire period of its activity is currently about USD 57.8 million, of which USD 2.7 million was invested in 2012. Besides the main investment of USD 46.5 million by “Danube Logistics” Ltd, the construction and exploitation of the grain terminal performed by “Trans Cargo Terminal” Ltd amounts to an additional USD 7.3 million. Other investment projects have been performed by “Trans Bulk Logistics” Ltd (USD 2.8 million), “Dunav-Tir” Ltd (USD 0.4 million), “Happy House” Ltd (USD 0.7 million) and “Iunasistem” Ltd (approx. USD 0.1 million).

During 2012, port operation services amounting to MDL 18 million were performed by the general investor, significantly exceeded previous periods. About 86,200 tonnes of oil were imported through the International Port oil terminal, 78,500 tonnes of grain products were exported through the International Port grain terminal, 56,600 tonnes of merchandise were imported through the International Port cargo terminal and 60,900 tonnes of vegetable oils were exported through the International Port vegetable oil terminal.

Lafarge

Located in 64 countries with 68,000 employees, Lafarge is a world leader in building materials, with top-ranking positions in its Cement, Aggregates & Concrete businesses. In 2012, Lafarge’s net profit made up to MDL 47 million (EUR 2.93 million), which made 37,2 up compared to 2011. For the third year in a row, was ranked amongst the top-10 of 500 companies evaluated by the “Carbon Disclosure Project” in recognition of their strategy and actions against global warming.

Lafarge has been operating in Moldovan since 1999, after the acquisition of the then most important cement producer in the country – the Rezina Cement Plant. Since then, it has invested more than EUR 50 million to modernise the industrial assets. Lafarge currently holds 95.31% of the capital share of Lafarge Ciment (Moldova) SA, with 283 employees and a turnover of MDL 615 million in 2012.

In 2010 Lafarge Ciment (Moldova) SA launched a new product line (Cemplast, Cemfort and Cemfortextra), aligned with European quality standards, to replace the then existing product range. The new product line was innovative for the Moldavian market, designed to benefit final customers by making their choices and work easier. In line with the Group commitment, the formula of the new products allows reduced CO2 emissions. In order to better understand the needs of its partner concrete producers, while sustaining the development of new products, Lafarge Ciment (Moldova) SA extended the service range provided to its partners in 2011 by opening a new Concrete Test Centre in Chisinau. In recognition

of its commitment to its customers, the company won the top prize “The Golden Mercury” for brand promotion in the “Trademark of the year” national competition in 2010, “The Golden Mercury” in 2011 (new product line) and “The Gold Medal” of the contest in 2012 (Concrete Test Centre). In 2013 Lafarge Ciment (Moldova) SA has won the top prize “The Golden Mercury” for its social responsibility projects.

Lear Corporation

One of the most dynamic residents of the free economic zone “Ungheni-Business” is the foreign capital company “Lear Corporation” Ltd., the original capital for which came from the Netherlands. This resident is part of the concern Lear, which was founded in Detroit, USA, in 1917. With its headquarters in Southfield, Michigan, Lear maintains 207 locations in 35 countries around the globe and employs approximately 100,000 people. Over 50% of the corporation’s plants are located in the U.S. and Canada. The company’s key customers are Ford, Opel, Jaguar, Volvo, Mazda, Fiat, Volkswagen, Peugeot, General Motors, etc. Car seats, electronic equipment and interior elements make up over 80% of its product range.

“Lear Corporation” Ltd. has been producing equipment for motor vehicles in the free economic zone of “Ungheni-Business” since 12 January 2010. The company currently has over 1,208 employees, with invested capital of over USD 4.1 million. The company makes products from textiles, vinyl and leather, with net annual sales reaching MDL 554.6 million in late 2012.

How can we help?

The Ministry of Economy

The Ministry of Economy is the Government’s central public administration body. The basic functions and objectives of the Ministry of Economy are to direct and promote state economic policies, to ensure economic reform implementation and to raise the population’s living standards.

The Ministry’s mission is to ensure national economic growth by optimising the regulation framework for entrepreneurial activity, creating prerequisites for business environment development, developing technologies, ensuring competitiveness, creating an attractive investment environment, contributing to de-monopolisation of the domestic market and removing anti-competitive practices, and promoting international economic cooperation.

The Ministry has the following responsibilities with regard to investment and export promotion policies:

- participate in the development and promotion of state investment policies (including attraction of direct foreign investment), free economic zones and export promotion of domestic production;
- improve legal framework in order to stimulate investment activity;
- ensure the harmonisation of national legislation with EU rules on investment;
- participate in policies promoting venture capital investments in

companies with high degrees of innovation;

- help the creation of a favourable investment climate for foreign and local investors, and improve tools for attracting domestic and foreign investment and export promotion;
- monitor and analyse the process of free economic zones establishment and development, implementation of strategic investment projects and projects beneficial to the national economy;
- analyse processes and factors influencing investment activity, the increase of national economic competitiveness and export promotion, and determine state policy priorities in the area.



Moldova

Moldovan Investment and Export Promotion Organisation (MIEPO) – Your Reliable Partner

The Moldovan Investment and Export Promotion Organisation (MIEPO) is a public non-profit institution coordinated by the Ministry of Economy of the Republic of Moldova. MIEPO can be considered as a reliable partner for all potential investors and importers of Moldovan products.

MIEPO was created under Government Decision no. 105 on 2 February 1999 and its services are provided free of charge. Its main objectives are:

- Export Promotion;
- Foreign Direct Investment Attraction.

In order to realise these objectives, MIEPO collaborates with local and foreign public and private institutions, associations, international organisations, etc. MIEPO is a member of the World Association of Investment Promotion Agencies (WAIPA).

MIEPO uses the following tools to implement Government investment attraction and export promotion policy:

- Support in identification of partners and investment site locations in Moldova;
- Organisation of local and foreign Business Missions, Forums, B2B Meetings, Matchmaking, Training for local businesses, participation of local companies at international trade fairs;
- Moldovan investment climate promotion;

- Development of promotional materials;
- Identification of constraints faced by investors / exporters in setting up their business in Moldova, by means of questioning companies, with further development and submission of relevant proposals to the Government in order to overcome the problems;
- Coordinates feasibility studies for investment projects to be implemented in the Republic of Moldova, marketing analysis at the national level;
- Development of proposals for national programmes, strategies, etc. according to its competencies.

MIEPO can be considered a “One-Stop-Shop” information point for investors to provide them with a broad spectrum of information at all stages of the investment process: pre-investment (including the organisation of study visits for potential investors), investment and post-investment. MIEPO also identifies partners at the request of local companies seeking to promote their products on foreign markets and at the request of foreign companies that intend to buy Moldovan products.

MIEPO is always available to assist potential investors and foreign importers of Moldovan products examine, establish and develop business opportunities in the Republic of Moldova by use of modern tools of foreign investment attraction and export promotion.



PwC

PwC has been serving its clients in Moldova for more than 15 years. We take great pride in our capability to think global and act local for your long-term success. This is achieved through a combination of domestic expertise based on in-depth knowledge of the local business environment and international PwC network experience, which ensures that neither our resources nor our expertise are limited by national boundaries.

PwC Moldova provides a full range of Tax and Legal, Advisory and Assurance Services.

Our team comprises the largest tax, legal and advisory practice in Moldova, and is well suited to solving the complex issues you may face. Our areas of specialisations are as follows:

Tax Services

- Corporate Taxation - being highly qualified in all aspects of inward investments and structuring investments in terms of corporate income tax, WHT and local tax regulations;
- Indirect Taxation - with extensive experience in solving complex issues related to indirect taxes, customs procedures and foreign trade;
- HR Services - covering individual and corporate advice, ranging from assistance with obtaining work and

residence permits, advising and assisting with all matters regarding income taxation legislation, salary surveys, outplacement and human resources audit;

- Tax compliance, accounting and payroll assistance - maintaining accounting records, preparing and submitting financial statements based on NAS / tax returns, as well as ensuring the payroll process.

Legal Services

The Legal team of PwC Moldova is a member of an international network of PwC Legal firms which includes more than 2,000 business lawyers in over 75 countries. PwC Legal in Moldova has been included in the top positions in the rankings of Legal500 and IFLR1000.

PwC Moldova provides a full range of legal services, including:

- Regulatory compliance;
- Investments;
- Corporate and commercial;
- Mergers and acquisitions;
- Competition;
- Employment and immigration;
- Banking and financing;
- Litigation (commercial, tax and administrative), etc.

Advisory Services

The Moldovan Advisory practice, in cooperation with Romanian Advisory team, provides a full range of consulting and deals services, including in such areas as Strategy, Finance & Accounting, Operations, People and Change, Technology, Governance, Risk and Compliance, Dispute Analysis and Investigations (Forensic), Business Recovery Services, Corporate Finance, Transaction Services, Valuation and Strategy.

Assurance services

- Audits in accordance with the International Standards on Auditing (ISA) or with other audit standards recognised and generally accepted.
- Preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) or with other recognised accounting standards (US or UK GAAP).
- IFRS induction, operational audit, internal audits, business planning, analysis of security systems, market penetration, investigations and accounting expertise.

Please visit our website at www.pwc.com/md

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