

How to improve your cash-flow and liquidity by managing VAT*

* connectedthinking

PRICEWATERHOUSECOOPERS 



Efficient cash-flow management has become crucial in the current changing economic environment.

The impact on the global economy of the financial crisis has affected companies in almost every economic sector. Despite Moldova not being notably affected by the crisis, certainly not to the extent of the US and the Western European economies, several contagious effects are causing Moldovan companies difficulties in maintaining their financial stability.

During this downturn phase, with high economic and financial uncertainty, Moldovan banks are more than prudent in business crediting. This is the reason why most companies are **searching for alternative financing and cash-flow management opportunities**.

No matter how hard companies struggle to maintain their liquidity level, including implementing diverse cost-cutting measures, **potential VAT refund or other VAT saving opportunities which may help you achieve these objectives should not be forgotten**.

For instance, VAT refunds have always been a sensitive issue in Moldova. The problem is not only that the actual refund process may last much longer than the legally provided 45 days, but that it is laborious and burdensome. As companies encounter difficulties in dealing with the tax authorities and the VAT refund has become a challenging task, we would like to share our knowledge and expertise, to identify difficulties for your Company and bring the clarity you need to manage the VAT refund process more efficiently.

Our VAT refund related collaboration could include:

- Sharing information on **steps to be undertaken and documents to be gathered** to initiate the VAT refund process, by simultaneously **tailoring solutions to manage the actual VAT refund blocking period** (i.e. assignment of VAT refundable amounts to third parties, offset of other outstanding tax liabilities with VAT refundable amounts);
- **Assistance with the tax inspection** generally performed by the tax authorities for VAT refund purposes;
- **Identification of other specific business solutions to reduce or eliminate the VAT pre-financing burden** (e.g. investigating the applicability of certain VAT exemptions (e.g. contributions in kind to the statutory capital), share deals vs. asset deals, cross-border financial leasing arrangements, use / optimisation of pro-rata VAT mechanism to help companies in the financial sector to decrease costs from non-deductible input VAT, etc.), etc.

If you foresee applying for a VAT refund, have previously faced difficulties in claiming refundable VAT or if you are interested in implementing other potential VAT saving opportunities, please contact us.

Our specialists have extensive experience in resolving issues related to indirect taxes and planning to minimise their impact, optimising international cross-border operations and logistics, advising and providing clients with innovative, practical and integrated solutions. Our team is available to help you identify specific solutions for your business.

Should you need any additional information regarding the above issues, please contact us.

PricewaterhouseCoopers Moldova

37 Maria Cibotari Street

Chisinau MD2012

Republic of Moldova

Telephone: (+373 22) 238122

Fax: (+373 22) 238120