

# Business Guide to Moldova\*



2006 Edition

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This guide has been prepared for the assistance of PricewaterhouseCoopers clients and also parties interested in doing business in Moldova. It does not exhaustively cover the subject, but is intended to be a synopsis of some of the important initial questions that may arise. When specific problems occur in practice, it is likely that a close understanding of the laws, regulations and decisions of the country will be of benefit, and appropriate accounting, tax and legal advice be considered.

The material contained within this guide has been assembled in May 2006 and is based on the legislation as it stands at 1st August 2006.

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# Chapter 1

## Moldova: a Profile

- Moldova's population accounts for 3.4 million
- 7.1% GDP growth in 2005

### 1.1 General Description

Moldova is a small, densely populated country that has been independent since 1991. It is situated in South Eastern Europe, north of the Balkan Peninsula. With an area of 33,700 square kilometres (about 12,600 square miles), Moldova is the second smallest country of the Commonwealth of Independent States (former Soviet Union republics). It stretches 350 km from North to South and 150 km from East to West. In the North and East Moldova borders Ukraine and in the West borders Romania.

The country's topography is diverse, ranging from a steppe area in the North and South, to forested and mountainous highlands up to 400 metres in elevation in the centre of the country. This area retains its ancient name Codru, meaning "old forest". These beautiful forests continue to hold great environmental importance. The underground water reserve, mostly drinking water, is estimated at 200 million cubic metres. The soil is black earth (chernozem) and is rich in humus. An extremely favourable combination of climatic and soil conditions creates high yields of cereals, grapes, tobacco, fruit and vegetables.

### 1.2 Political System

The Republic of Moldova has been an independent State since August 27, 1991. The Constitution dates from July 29, 1994. The Parliament is unicameral, having 101 members. Parliament is elected for 4 years. Constitutional amendments stipulate that the President must now be elected by the Parliament instead of directly by the electorate. The President then nominates the Prime Minister.

### 1.3 Population and Urbanisation

The Republic of Moldova has a population of 3.4 million. The Moldovans represent the largest ethnic group (76.1%), followed by Ukrainians and Russians (8.4% and 5.8% respectively) and smaller minorities such as the Gagauz minority (an ethnic group of Turkish origin, 4.4%) and Bulgarians (1.9%). Chisinau's population amounts to 716,530. According to the latest data, 38.7% of the population live in urban areas.

The population of Moldova is predominantly Christian of different denominations: Orthodox (99.3%), Roman Catholic, Reformed, and Greek Catholic.

### 1.4 Language

The official language of the country is Moldovan (equivalent to Romanian), although Russian is also commonly spoken. English is widely recognised as the international business language

### 1.5 Education

Education is mandatory from the age of six to fifteen. There are 1,571 educational institutions in the Republic of Moldova. The majority of them are State Institutions (98%) and only 30 of them are private. Annual fees for private schools vary from USD 50 to USD 2,000 a year.

There are 35 institutes of higher learning, including universities, which provide training in the humanities, economics, sciences, engineering and technical fields. In May 2005, the Republic of Moldova signed the Convention for adherence to the Bologna Process for an Integral European Higher Education Area.

The number of post-secondary institutions has grown in recent years and private education has become increasingly popular. English language business administration courses have been introduced in co-operation with the US and Canada, as well as with the European MBA programme, run by the Grenoble Graduate School of Business (GGSB) from France.

## 1.6 The Economy

The Republic of Moldova is committed in its European integration efforts, on both the political and economic fronts, and it aims to strengthen economic relations with neighbouring Balkan countries. Moldova became a member of the World Trade Organisation in May 2001, and joined the United Nations on March 2, 1992

GDP growth has remained stable over the past few years. Cumulative GDP growth during 2004-2005 was 14.4% (7.3% in 2004 and 7.1% in 2005).

GDP totalled USD 2.5 billion and increased by 7.1% in 2005.

Real economic growth in 2005 was over 7%.

Total industrial output increased in 2005 by 6.3% against 2004.

The country's historic strength is agricultural processing, in particular wine production and the processing of fruits and vegetables. Moldova's dark-earth soil, which is ideal for growing wine grapes, tobacco and sugar beet, is one of Europe's most fertile soils.

Electricity generation is one of the country's biggest industries. Other industries include steel manufacturing, agricultural machinery, foundry equipment, white goods and textiles.

Agricultural output grew by 1% in 2005, determined by an 8.6% increase in livestock output and a 2.1 % reduction in vegetable output.

Inflation slipped to 10% in 2005 compared with 12.5% in 2004 and 15.7% in 2003.

Consolidated budget revenues amounted to USD 600 million in 2005, increasing by 28.8% compared with the previous year.

The gross domestic product for the first two quarters of 2006 constituted MDL 8,449 million (USD 635 million).

## 1.7 Transport and Communications

### Transport

In 2006 the volume of transported goods by all means of transportation decreased by 18%.

**Roads:** The country has more than 9,200 kilometres of roads, but only 8,700 kilometres have rigid surfacing. There are no highways, and in winter snow may make certain areas temporarily impassable.

**Rail Transport:** "Calea Ferata", a state-owned company, runs Moldova's railroad. The Railroad company registered a profit of USD 42,000 last year. Calea Ferata carried a total of 5.1 million passengers last year, a 9.2 % decrease compared with 2004. The railway network still needs considerable investment.

**Water Transport:** Moldova's main waterway is the Dniester river, which has access to the Black Sea via Ukrainian ports.

**Air Transport:** 14 air carriers operate in Moldova, which perform regular flights on 17 routes. The biggest air carriers are the national companies, "Air Moldova" and "Moldovan Airlines" and foreign operators such as: "Austrian Airways", "Tarom", "Sky Alliance", "Transaero" and "Tandem Aero" Ltd.

This year Moldova signed the Aviation Cooperation Agreement with the EU meaning that Moldovan aviation standards are accepted in Europe.

### Communications

**Telephone and postal service:** JSC "Moldtelecom" S. A. administers the fixed telephone network, data transmission and Internet and offers Internet access to other Internet Service Providers (ISP).

There are two GSM mobile providers, the French-Moldovan Voxtel; and Moldcell - an international company, whose main shareholders are MoldFintur SRL and Fintur Holding B.V. (The Netherlands). Voxtel was initially granted an exclusive license but anti-trust legislation allowed for an additional license to be granted to Moldcell.

Post and Telegraph services are available at most post offices with money transfer services, including Western Union and Money Gram.

**Television:** : The cable-TV provider Sun-TV (Sun Communication) is the main television provider in Moldova. The system includes channels such as CNN, Discovery, Eurosport, Cartoon Network, HBO and others, mainly in Russian or Romanian.

**Radio:** There are both Moldovan and Russian radio stations with news and a variety of music channels. There are several FM private networks as well as national AM radio networks.

**Internet:** : Some of the Internet providers operating in the Republic of Moldova are: Sun Communication, Transcor Agency, Arax-Impex, Cartel-System, GlobNet, InterDnestrCom, MAXdsl, Meganet, MNC MoldData, MoldInfoNet, Moldpac, NeoNet Group, Riscorm, StarNet, Telcom Technologies.

Moldtelecom Internet Point of Presence has direct access to the Global Network via three fibre optic cables with a total capacity of 34 Mbps, connected to the Frankfurt (Germany) Sprint - internationally recognised operator. Moldtelecom offers Internet services to other ISP and direct Internet subscribers via its own public telephone networks or via leased lines.

Information technologies are gradually assuming an important role in the development of the Republic of Moldova's economy and over the past few years the promotion of IT-services, such as mobile communication, Internet technologies and data transfer has increased. The number of economic entities dealing with IT is growing (in 2005 the number of granted licenses for rendering IT – services totalled 931).

According to a survey carried out at the end of 2005, 10.2% of Moldovan households are provided with computers: in the urban districts - 20%, in the rural regions - 4%. Only 16% of the population has Internet access: 33.4% - in the urban districts, 4% - in the rural regions.

## 1.8 Business Visitors

For any business trip to Moldova a degree of advance preparation is recommended. Prepared planning can go a long way towards avoiding unnecessary frustrations.

### Visa Requirements

All travellers to Moldova require passports (preferably with a validity of over six months) and most visitors (except CIS and Romanian citizens) also require a visa. Visas can be purchased from one of Moldova's embassies or consulates. To obtain a visa, visitors are required to present an invitation or booked accommodation from a Moldovan company or organisation.

Visas can also be bought on arrival at Chisinau airport (single entry, valid for one month), but visitors still need an invitation from a Moldovan company or organisation (except EU, USA, Canada, Japan and Switzerland citizens).

Transit visas are issued to foreign citizens and non-residents upon presentation of an entry visa to a third country.

### Types of visas and costs:

■ single entry (during 1 month)	USD 60
■ double entry (during 1 month)	USD 75
■ multiple entry (during 1 month)	USD 105
■ multiple entry (during 2 month)	USD 150
■ multiple entry (valid for 3 months)	USD 180
■ multiple entry (valid for 6 months, with permanent stay for up to 90 days)	USD 240
■ simple transit	USD 30
■ double transit	USD 60

Visas are not required for the holders of diplomatic passports of USA, Canada and EU member states. Visas for members of official UN delegations are free of charge.

Starting 1 January 2007 the citizens of EU member states, USA, Canada, Japan and Switzerland will need no entry visa.

### Currency

Moldova introduced its own currency in November 1993.

The Moldovan currency is the "Leu", plural "Lei", abbreviated as MDL.

### Notable points are:

- On 1 June 2006, the official exchange rate was USD 1= MDL 13.21422 and EURO 1 = MDL 17.0152;
- Transactions between residents must be performed in MDL;
- Most prices are denominated in MDL but prices for some goods and services are unofficially indicated in a convertible currency (USD) but payable in MDL;
- Residents/non-residents of the Republic of Moldova are entitled to bring in / take out of the country banknotes, coins and cheques in the



- national currency of Moldova in an amount that does not exceed EUR 10,000 per person;

  - There are no limitations to the amount of foreign currency that can be brought to the Republic of Moldova. Non-residents are entitled to take out of the country foreign currency in banknotes, coins and traveller's cheques in an amount that does not exceed EUR 10,000 (or its equivalent) per person, without having to present any authorisation to the customs authorities. An amount of up to EUR 10,000
- can be taken out of the country if the non-resident provides a customs declaration confirming that he introduced this amount into the country;

  - Cash and credit cards (Visa Card, Master Card, and Maestro Card) may be used in Moldova but not many places accept traveller's cheques. Cash is the preferred method for transactions and can be exchanged easily at official exchange points.



Statutory Holidays

1 January	New Year's Day
7 and 8 January	Christmas (Orthodox)
8 March	International Women's Day (Gifts and flowers are given to women)
1st and 2nd day of Easter	Easter (Orthodox, dates depending)
1st Monday after Easter	Memory Day
1 May	International Labour Day
9 May	Victory Day
27 August	Independence Day (Republic Day)
31 August	Language Day
14 October	City Day

Additionally, the period between New Year and Christmas is characterised by very limited business activity. In summer, some companies, government agencies and the courts operate with reduced hours and staff.

## Chapter 2

# Business Environment

Moldova counts five free trade zones and a free international port  
Successful privatisation of housing has laid the foundation for the development of the real estate market.

## 2.1 Business Climate

From 1991 significant steps have been taken towards improving the business environment in Moldova. In recent years Moldova has made headway on the stabilisation front (stable currency and low inflation), but has lagged behind in the area of structural reform and the creation of a business-friendly legal and tax environment.

Positive achievements have been made in the following areas:

- Successful completion of mass privatisation programme;
- Privatisation and liberalisation of the foreign trade sector;
- Monetary stability and lower inflation;
- Introduction of full current account currency convertibility;
- Implementation of national accounting and audit standards based on international standards;
- Privatisation and streamlining of the banking system;
- Successful completion of land privatisation;
- Implementation of post privatisation activities;
- Implementation of the Regulation Automated Interbank Payment System.

## 2.2 The Aims of Government Policy

The Government of Moldova, realising the depth of economic and social crisis, acknowledges the need to revive the economy and decrease social tension in the country whilst continuing to integrate into the international community.

## 2.3 Free Trade Zones

There are five free trade zones and industrial parks in Moldova: Expo-Business-Chisinau, Tvardita, Valcanes, Taraclia and Ungheni-Business and also a Free International Port - Giurgiulesti.

Since the establishment of the first free trade zone in 1995 and until the beginning of 2006, the amount of attracted investment totalled USD 75 million. The biggest share of investments is attributed to Expo-Business Chisinau - 44%.

The bulk of the investments since the start of the free trade zones' activity is broken down as follows: Expo-Business-Chisinau (USD 32.8 million), Taraclia zone (USD 13.4million), Valkanes zone (USD 9.7 million) and Tvardita zone (USD 9.1 million).

## 2.4 Small and Medium-Sized Businesses

The government acknowledges that small and medium sized enterprises (SME) play a crucial role in the transition process. A vibrant SME sector is not only a source of employment, but also a key source of innovation, entrepreneurship and productivity growth.

The number of SMEs is constantly increasing each year. They represent 92.9% of all Moldovan enterprises.

The majority of SMEs perform trading activities owing to the small amount of capital investment required and to a quick capital turnover rate.

## 2.5 Participation in International Organisations

Moldova is a member of the following key organisations and associations:

- Council of Europe
- Commonwealth of Independent States (CSI)
- Stability Pact of South-Eastern Europe
- GUAM
- World Trade Organisation
- The International Monetary Fund
- The European Bank for Reconstruction and Development
- The International Bank for Reconstruction and Development
- International Development Agency
- International Finance Corporation
- Multilateral Investment Guarantee Agency



Moldova joined the Special Data Transfer Standard (SDTS) of the International Monetary Fund in May 2006, envisaging a complex approach to the transfer of economic and financial data for the international capital market.

American Chamber of Commerce in Moldova (AMCHAM) has been set up this year (2006) to attract investments from the USA.

Government strategy includes the prospect of the country joining the European Union. However, strong efforts must be made in many areas to meet the preconditions

## Support from International Financial Institutions

World Bank lending has provided consistent support for the country's economic reform program. Early lending focussed on providing adjustment support, strengthening the private sector in both the agriculture and enterprise sectors, and improving economic and financial management in the energy sector.

The World Bank has 26 projects currently underway in Moldova, totalling USD 174.4 million. Nine of these projects have been launched by the World Bank in 2006. These projects are: Competitiveness Enhancement (USD 9.8 million), Quality Education in Rural Areas of Moldova (USD 10 million), RISP II (USD 15 million), Trade and Transport Facilitation in South-Eastern Europe (USD 7 million), Social Investment Fund II (USD 20 million), Rural Investment and Services (USD 15 million), Health Investment Fund (USD 10 million), Pilot Water Supply and Sanitation (USD 20 million). The total amount of projects realised in Moldova since 1992 exceeds USD 630 million.

The EBRD is also active in Moldova, both in equity investment and in providing financing to investors. In addition to its participation in the electricity privatisation, the EBRD is financing major investments in transport, heating and water supply, as well as the development of the banking system.

EBRD has also approved a credit of USD 0.9 million directed to ProCredit Moldova aimed to facilitate small and medium-enterprises' access to financing.

## 2.6 Land Ownership

Under current law, land can be freely bought and sold with the exception of: foreign citizens, companies and

states that have no right to purchase and sell agricultural lands and forested lands (but they can obtain the right of property for such land by inheritance).

Starting with this year (2006) the right to purchase and sell agricultural lands belongs only to the State, natural persons who are citizens of Republic of Moldova, as well as legal entities with 100% local capital, thus depriving the domestic companies with foreign investments to purchase agricultural land.

## 2.7 The Property Market

The property market has developed continuously over the last years. Privatisation of housing has been successfully completed and played a significant role in the consolidation of the national real estate market. In 2005, as well as in the previous years, housing prices have been continually increasing. In 2005 the price of real estate increased by 30-35%.

The average price for a square metre of housing space has increased from USD 490 in the beginning of year up to USD 650 by December 2005.

Commercial real estate has also seen increasing demand. The price per square metre of office space is about USD 600-1200. For shops the price amounts to USD 350 for industrial facilities - USD 120, and for storage facilities - USD 90-150.

A number of CLASS - A office projects are at various stages of construction and they are expected on the market in 2006 – 2007.

Rent rates are currently remaining relatively steady. On average, rent for commercial real estate for office purpose in 2005, was USD 12 - 18 for one square metre, depending on the class of building.





## Chapter 3

# Foreign Investment, Privatisation and Foreign Trade



- The amount of total foreign investment in Moldova totalled USD 1,129 million at the end of 2005.
- Foreign Investors Association is active in Moldova
- Foreign and domestic investments given equal treatment
- Foreign trade totalled USD 3,399.52 million in 2005

### 3.1 Foreign Investment

#### Current Investment Overview

Moldova attracted last year the highest level of foreign investments for the last 15 years, amounting, respectively to USD 260 million or 9% of the GDP.

The amount of foreign investments in 2005 increased by 7.7% compared to the year 2004 when foreign investments totalled USD 240 million.

Of the total volume of foreign investments attracted last year USD 80 million represent the subscribed capital, USD 53 million - reinvested income and USD 126 - other capital.

The biggest foreign investor are Russia, which for the period 1994-2005 invested about USD 147 million, Spain - USD 81 million and USA - USD 61 million. The top 15 foreign investors include: the Netherlands - USD 59 million, Germany - USD 31 million, France - USD 30 million, Romania - USD 27 million, Switzerland - USD 17 million, Great Britain - USD 15 million, Ireland - USD 15 million, Greece - USD 14 million, Liechtenstein - USD 13 million, Malta and Turkey - USD 12 million and Cyprus - USD 11 million.

The amount of total FDI in Moldova totalled USD 1,129 million at the end of 2005.

According to preliminary data, the amount of FDI estimated for the year 2006 shall amount to USD 300 million.

### 3.2 Foreign Investors Association

The Foreign Investors Association (FIA) has been operating in Moldova since September 2004. FIA is the first and the biggest association of its kind in Moldova.

The Association's main objective is to promote dialogue between the government and investors in order to improve the business climate and the competitiveness of Moldova on the regional and international scenes

### 3.3 Rights and Guarantees

Business entities, with or without foreign equity, must be registered in compliance with the legislation governing the specific form of business through which the investment is being carried out.

Foreign and domestic investors are treated equally in accordance with the "Law on enterprises and entrepreneurial activity" and the "Law on investments in entrepreneurial activity".

There are no restrictions as to the amount of capital that can be invested except for the minimum statutory capital contribution of USD 430 (allocation between foreign and local investors does not matter). Legislation permits 100% foreign ownership in companies. Investments in national defence and security enterprises require compliance with additional legislative provisions.

Moldova has concluded several bilateral treaties for the mutual guarantee of investment (see Appendix II for a list of countries with which Moldova has signed such agreements).

### 3.4 Privatisation

Privatisation has been one of the cornerstones of the economic reform plan. The Agency of Privatisation (AP) represents the government in all privatisation matters.

Under the Law on Privatisation and the Privatisation Programme, all state assets can be privatised except for those involving national heritage or national security.

Privatisation methods include selling assets at auction, direct sales through open and closed tenders, stock auctions, employee buyouts or gratuitous transfers.

Foreign investors (companies or private individuals) have the right to participate in privatisation directly, or through a legal representative. Moldovan nationals can use a variety of methods of payment whereas foreign investors can purchase assets only on a cash basis.

In the draft privatisation programme for the year 2006 – 2007 about 330 enterprises with state participation were included in the privatisation list.

Strategic Moldovan Enterprises such as “Moldtelecom”, “Tutun CTC”, wineries are also included in the privatisation list, but shall follow a specially-tailored privatisation programme.

### 3.5 Foreign Trade

Moldova is a member of the World Trade Organisation, which helps to reduce the barriers of mutual trade between countries, and enhance private sector progress.

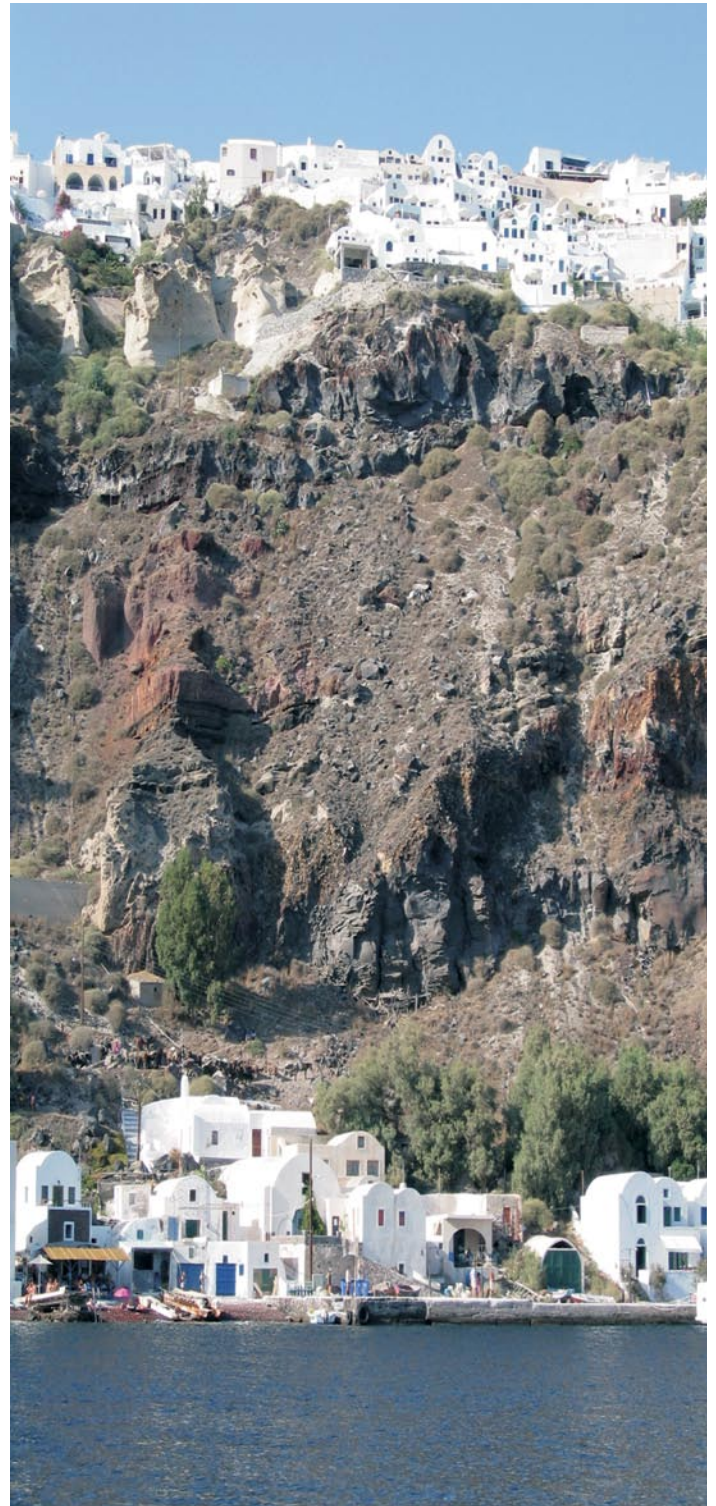
The volume of Moldovan foreign trade in 2005 totalled USD 3,399.52 million, a 19.1% increase compared with 2004.

Export volume in 2005 totalled USD 1,091.3 million and grew by 10.8 % against the previous year. Moldovan exports to CSI countries constituted 50.5 % (USD 551.2 million), increasing by 9.7 % compared with 2004. The export volume to European Union countries amounted to USD 324.3 million, which represents 29.7 % of Moldova's total export volume, or a 95% increase compared with the previous year. Exports to Central and Eastern Europe totalled USD 121.4 million, increasing 14.9% compared with 2004. The countries that receive the biggest share of Moldovan exports are: Russia (31.8%), Italy (12.2%), Romania (10.2%), Belarus (6.5%) and Ukraine (9.1%).

Import volume in 2005 totalled USD 2,311.8 million, which is 30.7% more than in 2004. Imports from EU countries increased by 29.5%. Imports from CIS and Central and Eastern Europe countries increased by 19.8% and 46.8%, respectively.

The major exporters to Moldova are: Ukraine (21.3%), Russia (11.8%), Romania (11.1%), Germany (8%), Italy (6.6%) and Turkey (4.0%).

The volume of Moldovan foreign trade in the first quarter of 2006 amounted to USD 313.2 million. An analysis of Moldovan foreign trade for the first quarter of 2006 shows a decrease of exports to Russia, USA and Italy compared to the same period of 2005.





# Banking and Finance

- Moldova's banking system consists of 15 commercial banks.
- The National Bank's monetary policy for 2006 was adopted in December 2005.
- In 2005-2006, The National Bank of Moldova (NBM) has issued new standard acts, which regulate various aspects of banking activity.

### 4.1 The Banking System

The banking system of Moldova consists of 15 commercial banks (see Appendix III). The banking activity is supervised by the National Bank of Moldova, which operates as the country's central bank, independent but co-operating with the Government and accountable before the Parliament. Commercial banks act under the authorisation of the National Bank.

Moldova's banking system experienced major changes over the past year. In August 2005 the shareholders of the Businessbank decided to self-liquidate the bank owing to the meagre results of its activities. This was only the second time in the history of Moldova's banking system that a commercial bank was self-liquidated. The first was the self-liquidation of the Greek commercial bank ICB Moldova.

Another major development was the opening in January 2006 of a Representative Office of Raiffeisen Bank. The setting up of a representative office in Moldova is a part of the strategy of the Raiffeisen Banking Group for which Central and Eastern Europe is a key region.

In addition, in March 2006, the EBRD and Western NIS Enterprise Fund sold 9.78% and 9.88%, respectively, of their shares in Moldova-Agroindbank. The buyers were a Dutch and three Slovenian banks: Poteza Adriatic Fund B.V. (Netherlands) – 4.66%, Factor Banka (Slovenia) – 4.99%, Activa Invest (Slovenia) – 4.99%, and Druga Penzija (Slovenia) – 4.99%.

Finally, in May 2006, Veneto Banca (Italy) acquired a 100% stake in Joint Stock Commercial Bank "Eximbank" from Canadian Royal HTM group of

Toronto. This was deemed a major acquisition both for representatives of "Eximbank" and for the whole economy of Moldova.

### 4.2 The National Bank of Moldova (NBM)

The National Bank of Moldova (NBM) is an independent institution whose main objective is maintaining the stability of the national currency. An administrative department heads the bank: five members including the President of NBM are appointed by Parliament for a seven-year term. The responsibility of the department is to issue NBM policy guidelines.

The NBM represents the country in international forums and organisations on matters pertaining to monetary policy, banking regulations and others.

The primary functions of the National Bank are:

- To establish and manage the monetary and foreign currency policy of state;
- To provide ongoing analysis of the current economic situation and make recommendations;
- To license, control and regulate the activity of financial institutions;
- To grant credits to Government and commercial banks;
- To manage currency reserves;
- To issue banknotes.

The National Bank's monetary policy for 2006 was passed in December 2005. This policy was established on the basis of macroeconomic forecasts for 2006-2008 concerning projected economic development in Moldova and in line with its low inflation policy.

Monetary policy is based on the following assumptions:

- The annual inflation rate should not exceed 8-10%;
- The real GDP growth should be 6.5% in 2006;
- The maintenance of state international reserves up to a level sufficient to cover at least three import-months.

In 2005-2006, the NBM issued new standard acts, which regulate diverse aspects of banking activity.

#### **Regulation on credit standing facilities extended by NBM to banks, adopted in March 2006**

The Regulation hereof regulates the modality of extending credit standing facilities by NBM, with a view

of maintaining the liquidity of banks and ensuring timely payments performance. The credit standing facilities extended to banks in Moldovan lei are intraday credits and overnight credits.

### **Regulation on Automatic Interbank Payment System, approved in March 2006**

The Regulation defines the rules under which the Automated Interbank Payment System (AIPS) shall be used. AIPS represents the system through which the interbank payments in Moldovan lei are performed on the territory of the Republic of Moldova. The participants of AIPS are: NBM, banks licensed by NBM and Tiraspol settlement centre.

### **Regulations on foreign currency control on the territory of Moldova**

The amendments to the Regulations on foreign currency control on the territory of Moldova were amended in July 2006. The main amendments provide the increase to USD 10,000 of the foreign currency amount that can be taken out of the country residents without the submission of confirmatory documents or authorizations from the National Bank of Moldova.

## **4.3 The Foreign Exchange Market**

The regulation and control of foreign currency is the responsibility of the National Bank. The NBM systematically collects and publishes information from commercial banks about currency exchange operations on the market, as well as giving and cancelling licences for foreign exchange activities and providing methods of establishing the official Moldovan Leu (MDL) exchange rate etc.

Exchange operations can be carried out in bank establishments, stock exchanges and currency exchange points, where exchange facilities are provided for private individuals.

At the beginning of 2006, for the first time, the exchange sale rate exceeded the rate of 13 MDL per 1 USD.

## **4.4 Banking Market**

Among the 15 commercial banks currently operating in Moldova, the most successful are Moldova-Agroindbank, Moldindconbank, Victoriabank, Banca

Sociala, Mobiasbank, Eximbank and Banca de Economii.

Banks must be registered with, and operate under licences issued by, the NBM. Licences are granted to commercial banks depending on the size of their equity, as follows:

- In order to obtain an “A” category authorisation, banks should reach and maintain a tier I capital within at least the minimum necessary quantum;
- In order to obtain a “B” category authorisation, banks should reach and maintain a tier I capital at a level higher than two-fold the amount of the minimum necessary quantum;
- In order to obtain a “C” category authorisation, banks should reach and maintain a tier I capital at a level higher than triple the amount of the minimum necessary quantum.

Beginning with 1 January 2006, the quantum of the minimal capital necessary for a tier I capital is 50 million MDL (about USD 4 million).

As of May 2006 seven banks have a licence of type C and eight banks have a licence of type B.

Commercial banks may engage in the following main activities:

- Taking deposits (with or without interests);
- Giving credits;
- Making loans;
- Issuing and managing debit and credit cards, checks, security bills etc;
- Buying and selling local and foreign currency;
- Consulting services.

Once a year, a bank is required to publish an annual report and an independent auditor's opinion, and to provide a full report to the NBM.

Under Moldovan law a bank must report on money-laundering transactions. Financial Institutions must have procedures for money laundering, including, at a minimum, the following:

- Internal methods, procedures and control measures;
- Permanent training of employees, as well as, strict selection in order to provide a high professional level of persons selected for certain positions;
- Using audit services for system's control purpose.



## Credit activity

As of the end of the first quarter, the total credit portfolio of the Moldovan banking system accounted for MDL 10,738.3 million (USD 811.29 million)

Credits in foreign currency have seen strong growth and, as of April 2006, accounted for USD 312.3 million. During the same period, credits in national currency registered MDL 727.4 million (USD 54.72 million). The average interest rate on credits in national currency was 17.91% and 10.89% on credits in foreign currency.

## Repatriation

The current legislation contains strict rules on the repatriation of hard currency. Banks are directly responsible to the NBM for monitoring the way in which regulations on hard currency repatriation are observed. Failure to observe the deadlines set for collecting hard currency receivables earned from exports by Moldovan residents entails severe sanctions. In addition, hard currency prepayments made for imports of goods and services that have not been finalised within a set time are also governed by repatriation rules.

The legislation regulating the repatriation procedure provides the repatriation term of foreign currency as of one year.

The state authority in charge of supervising the repatriation procedure is the tax authority.

## 4.5 Financial Markets

### Primary Market of State Securities

In 2005 initial and additional issue of securities were registered in the total amount of MDL 375.4 million (USD 28.24 million).

The additional issue of securities plays an important role in the mobilisation of free investment resources in the real sector of the economy. During 2005, 65 additional issues of securities were registered in the total amount of MDL 357.7 million (USD 27 million). Comparative to 2004, when only issues of shares were registered, in 2005, the National Securities Commission registered four public offers for bonds.

### Secondary Market of Securities

The total amount of transactions on the secondary market constituted MDL 558.7 million (USD 42 million) - a 31.2% decrease compared to 2004. Similar to previous years, the off-stock transactions have prevailed over those performed on the stock exchange.

The total difference between the off-stock transactions and the transactions performed on the stock exchange constituted MDL 126.0 million (USD 9.50 million).

### Insurance Market

Moldova has 32 insurance companies, which provide support and assistance at all stages of the insurance process. The Insurance Law establishes the insurance services, including life insurance, property insurance, accident insurance, third party liability insurance, etc.

# Corporate and Business Law

- Legislation allows the establishment of a wide range of business entities, including wholly foreign owned companies and subsidiaries;
- The most common type of company is the Limited Liability Company followed by the Joint Stock Company;
- Non-resident companies are entitled to establish in the Republic of Moldova subsidiaries and representative offices;

## 5.1 Legal Framework

The Commercial legislation of Moldova is represented by a complex system of laws, most of which have been subject to significant amendments in recent years.

The current legislative basis for investment and business operations includes the following:

- Civil Code;
- Law on Entrepreneurship and Enterprises;
- Law on investment in entrepreneurial activity;
- Law on State Regulation of Foreign Trade;
- Law on Joint Stock Companies;
- Regulations of Economic Society;
- Law on Insolvency;
- Law on Privatisation and Program of Privatisation.

Based on the Law no. 424-XV of 16 December 2004 on the revision and optimisation of the business activity legal framework, the Government of the Republic of Moldova approved a decision regarding the Register of the official acts adopted by the Government and central administrative authorities, regulating the business activity, as well the decision regarding the Nomenclature of the authorisations, permits and certificates, issued by the central administrative authorities and the subordinate bodies to individuals and legal persons for carrying out business activity.

## 5.2 Forms of Business Organisation

Under the Civil Code and the Law on Entrepreneurship and Enterprises, the following legal forms of business organisation are possible:

- Joint stock company (SA);
- Limited liability company (SRL);
- Co-operatives;
- State and municipal enterprise;
- General partnership \*;
- Limited partnership \*.

\* - These enterprises are not corporate bodies.

The most widespread forms are joint stock and limited liability companies. Joint ventures can be established in any of the mentioned forms. Insurance companies can be incorporated in any form of organisation established by legislation in force. Banks can be registered only as a Joint Stock Company.

### Joint Stock Company (SA)

This is a company whose capital is divided into equal shares and distributed among shareholders according to their contributions.

Joint-stock companies have to be state registered and their shares have to be registered at the National Securities Commission. The minimum ownership capital required for the incorporation of an open joint stock company is MDL 20,000 (USD 1,505) and MDL 10,000 (USD 752.5) for a closed joint stock company.

Types of contributions to the ownership capital shall be determined by the Memorandum of Incorporation and may be money; fully paid-in securities; other assets, including ownership rights or other rights that have monetary value.

Statutory capital of joint stock companies must be formed before registration, except non-monetary contributions, which have to be transferred to the company within one month of registration.

The supreme administrative body of the companies is the General Shareholders Meeting, which should be held no less than once a year. Its decisions are mandatory for the company and its shareholders. Between General Meetings the Board of Directors and/or its Chairman represent shareholders' interests.



## Limited Liability Company (SRL)

This kind of enterprise can be established by founders who are either individuals or legal entities. The founders of a SRL do not have shares as in a joint-stock company. The ownership contribution of each owner is specified in the company's constitutive documents. At the end of the year, profits may be distributed among the founders depending on their contribution to the share capital, upon the decision of the General Meeting of Founders.

The minimum capital requirement for a limited liability company is MDL 5,400 (USD 406), 40% of which must be paid before the company is registered. The rest of the authorised capital has to be paid no later than six months after registration.

Should the limited liability company be incorporated only by 1 (one) Founder, 100% of the company's share capital should be paid prior to the registration.

The supreme body of a Limited Liability Company is the General Meeting of Founders, which has to take place at least once a year.

The founders of the company have a pre-emptive right to purchase other member's "shares" before they are offered for sale to a third party.

## 5.3 Enterprises with Foreign Investments (including joint ventures)

The Moldovan "Law on investment in entrepreneurial activity" provides for the following forms of investments:

- Property rights on movable and immovable assets;
- Intellectual property rights (copyright, know-how, goodwill);
- Any right granted by law or an agreement, any issued license or authorisation;
- Rights derived from shares, share parts or other forms of participation in companies;
- Monetary receivable rights or other forms of investor liabilities having an economic or financial value;
- Cash.

There is no minimum limit for the amount of foreign investment that can be placed into a company's capital. A foreign enterprise is a company whose capital is formed by 100% foreign investments.

In the Republic of Moldova enterprises with foreign investments can be founded as a joint-venture company or as a company with foreign capital exclusively.

The registration procedure for a foreign or joint company is the same as for a local company, but additional data about citizenship and location of foreign investors is required.

Foreign investors and enterprises have the right to purchase shares and stocks of other enterprises.

## Subsidiary and Representative office

A non-resident company is entitled to establish in the Republic of Moldova a subsidiary or a representative office.

A subsidiary of a non-resident company operates as an enterprise fully owned by a foreign investor from the moment of its registration.

A representative office established in the Republic of Moldova by a non-resident company is not a legal entity.

A subsidiary and representative office established in the Republic of Moldova by a resident company with foreign investments is not a legal entity.

## Registration

Every enterprise, subsidiary or representative office has to be officially registered in Moldova before commencing activity. Otherwise, any income will be confiscated by the state.

Registration requires for a set of documents, provided by law, to be submitted to the State Registration Chamber within the Ministry of Informational Development.

All submitted documents should be in original or notarised copies, legalised according to the procedure in force (in case they are drafted or issued abroad, except the cases when the regarded documents are issued in Romania or in a country of the CIS), translated into Romanian and notarised,.

The authorities cannot require additional documentation.

In order to perform certain activities, legal entities have to apply for a license. The Law on Licensing establishes expressly the types of activities that can be carried out only based on a license. The establishment of a Licensing Chamber has proved quite effective for Moldova. Now the majority of granted licenses are centralised, in correspondence with a procedure applicable for everybody.

# Labour Relations and Social Security

- In 2005 the average salary per economy amounted to USD 106;
- Projected average salary per economy for 2006 is USD 129
- Moldova has a well educated work force (extensive language skills)
- Employer's social insurance contribution has fallen to 26%.

## 6.1 Labour Relations

### Availability of Labour

Moldova has a wide choice of potential employees: both skilled and non-skilled labour is available. Chisinau has a strong language school sector and as a result a number of professional personnel fluent in foreign languages are available.

### Employer/employee Relations

Employer/employee relations in Moldova are regulated by the Labour Code and a Collective Labour Convention, which is concluded every year between the Government, the Federation of Professional Unions and the National Confederation of Patronage (independent union of employers).

The basic principles regulated by the Labour Code are provisions regarding individual labour agreements, working time, dismissal, holidays, payments (salaries and compensations), guarantees and responsibility, special protection measures for certain categories of workers (i.e. expectant mothers, young people) and resolution of labour conflicts.

Other relevant laws in this context are the Law on Organisations of Professional Unions and the Law on Patronage Organisations.

### Trade Unions

Trade unions, historically, were very strong in negotiations on labour relations. Trade unions' activities are regulated by the Law on Trade Unions (professional unions).

Generally, unions are organised by branches of industry; there is also a Confederation of independent Trade Unions of Moldova. Union membership for workers is not compulsory, but still among large and mainly state-owned enterprises they have a high-level of influence. In small private companies they tend to be less active.

All trade unions have the status of a corporate body and have to be officially registered. Unions represent a considerable negotiating force, being particularly effective in obtaining minimum wage legislation as well as other basic rights for employees. They also conclude annual collective labour agreements at different industrial and company levels.

Unions have no right to participate in the management of a company and its commercial activity. Nevertheless, sometimes business decisions are discussed with unions, because of potential negative social consequences for employees.

## 6.2 Working Conditions

All employees conclude a Labour Contract, either individual and /or collective depending on the enterprise. Labour Contract clauses cannot be stricter than provisions in the Labour Law. The contract should be concluded in written form, indicating position of employee, salary level and other important issues.

There are three basic types of employment contracts in Moldova:

- For indefinite period of time;
- For a definite time but no more than for five years;
- Project-specific contract, which is terminated when task has been completed.

Moldovan labour legislation also provides for a probationary period of employment which can be extended for up to three months (in certain cases up to six months).

### Wages and other Salary Rights

The average salary per economy amounted to MDL 1,318.7 (USD 99.2) in 2005, having increased by 19.5% compared to the previous year.

In 2005 the financial services sector recorded the highest levels of wages - MDL 3,451 (USD 260). The lowest wage was registered in the agricultural and educational fields – MDL 744 (USD 56) and MDL 882 (USD 66.3), respectively.

Most companies that are majority owned by the state have a complex system of bonuses (monetary and non-monetary), and premiums that slightly increase the net base pay.

Currency regulation demands that salary payments must be made in local currency, including those to foreign staff.

## Working Hours

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

Generally, overtime can be accepted only in certain cases and should not exceed 120 hours per year, or 240 hours per year in exceptional cases. Working hours on weekends or holidays, as well as over time during the working week, 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 this, although this is specific to individual enterprises.

## Paid Holidays and Vacations

Annual paid vacations are established at a minimum of 28 calendar days a year (not including statutory holidays). In the first year of employment holiday leave can be delayed until after six months of employment.

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.

## Equal Opportunities

The Labour Code states that it is unacceptable to refuse work or to give any preferences to potential employees based on differences in sex, nationality, language, social or material situation, religion or other non-business characteristics, except in cases where this is compulsory for specific work conditions. Additional privileges in working conditions, including holidays and limitation of overtime work exist for pregnant women and women having children, young people under 18 years old and disabled people.

## Health and Safety

Employers have to ensure the necessary level of safety at work and, if damage was caused to the health of an employee, the company takes responsibility for it (including material welfare).

Professionals with specific hazards must be supplied with special clothes, boots and other individual protection facilities where necessary.

## Termination of Employment

The Labour Contract between employee and employer may be terminated in the following circumstances:

- Terminating the employment contract on the initiative of an employee requires a minimum of two weeks written notice without offering reasons for leaving;
- The contract can be dissolved earlier if both parties agree;
- For terminating the employment contract on the initiative of an employer, there are certain conditions stipulated by the Labour Code (such as: legal reorganisation of the company, lack of qualification, systematic non-compliance with the regulations/requirements or absence of employee from the working place and others).

## 6.3 The Social Insurance System

### Coverage

Contributions to the social insurance system give an employee a right to pensions, illness, pregnancy and childcare benefits, professional accident and unemployment insurance and other social care services.

### Contributions

All employers and employees must contribute to the state social insurance system at the following rates:

Employers must pay social security contributions to the amount of 26% of the gross salary of its employees to the Social Security Fund;  
Employees pay a contribution to the Social Security Fund to the amount of 3% of gross salary, which is deductible for income tax purposes.

The social insurance system covers only those foreign employees who have personally applied for it. The same rule applies for contributions to the pension fund.

## 6.4 Foreign Personnel

The following laws and regulations govern the legal status of foreigners in Moldova:

- Law on legal status of foreign persons and persons without citizenship;
- Law on investments in the entrepreneurial activity;
- Law on entrance and departure of the Republic of Moldova;
- Law on migration;
- Regulations establishing the procedure of giving and cancelling immigration certificates and work permits.

In general, foreign persons have the same rights and obligations as Moldovan citizens. However certain exceptions are specified in law:

- Foreign nationals have no right to vote or to be elected into the state legislative authorities and executive powers;
- Foreign nationals cannot be members of political parties and organisations;
- Foreign nationals cannot participate in military service for Moldova.

In the case where a foreign person staying in Moldova breaks the law or their presence can damage national security or public order, they can be expelled from the country.

Foreign personnel can get visas and residency permits as is necessary for their activity in enterprises with foreign investments.

Labour conditions for foreign employees must be fixed in an individual labour contract.

### Work and Residence Permits

All foreign citizens who stay in the country more than 90 days must be registered with the local authorities as well as obtain a temporary immigration certificate and a residence permit. Those who intend to work in the Republic of Moldova have also to obtain a work permit.

## Medical Insurance

Medical insurance for foreign citizens and stateless persons located in Moldova is compulsory.

The medical insurance for foreign citizens and stateless persons is made upon the type of residence permit (temporary or permanent) they have in the Republic of Moldova.

Under Moldovan legislation, and if international agreements do not provide otherwise, foreign citizens and stateless persons having permanent residence in the Republic of Moldova benefit from the same rights provided by obligatory medical insurance as the citizens of Moldova.

This category of people is granted with obligatory insurance policies and is entitled to benefit from such medical services as those included in the united program offered by accredited medical institutions of Moldova.

Insurance policies are issued for the period of labour contracts upon their signing.

## Living Conditions

Over the last few years Moldovan cities have developed rapidly.

A lot of houses are built for the specific purpose of being rented out. Prices for accommodation vary widely and can be relatively high compared with other living costs.

Chisinau has some reasonable private kindergartens (teaching in Russian and Romanian with English as additional lesson), but there is only one international school, QSI (attached to the American embassy).

The city has numerous restaurants and cafes, including a steadily increasing number of private restaurants serving international cuisine. Appendix IV includes a list of contact numbers for some hotels and restaurants, in Chisinau.

A visitor can also enjoy theatres, concert halls, Cinemas, bars, nightclubs and casinos and one small English language cinema in Chisinau, which presents films in English with Romanian subtitles.



# Accounting and Audit Requirements and Registrations

- Current Moldovan National Accounting Standards and regulations are based on relevant International Accounting Standards (IAS)
- Differences still exist between Moldovan National Accounting Standards and IAS
- Current National Standards on Auditing are based on 1999 and 2000 IFAC Technical Pronouncements
- Code of Professional Conduct for Auditors and Accountants is based on 2000 IFAC Code of Ethics

## 7.1 Background

The legal and regulatory framework of accounting and auditing consists of the Law on accounting, Law on auditing, National Accounting Standards (NAS), National Standards on Auditing and the Code of Professional Conduct for Accountants and Auditors.

Currently, the Law on Accounting and the Law on Auditing are not in compliance with the 4th and 7th EU Directives on Accounting and the 8th Directive on Auditing. However, the Government of the Republic of Moldova is currently reviewing these Laws with the intention of ultimately complying with EU Directives.

## 7.2 Accounting

### Moving Towards International Accounting Standards

Historically, accounting in Moldova, as it was in the former Soviet period, was directed towards providing information to two selected user groups, the Tax Authorities (accounting profit was broadly similar to taxable profit) and the Government. This led to the preparation of financial statements that did not take into account the needs of other users such as shareholders, bankers, suppliers, customers, employees or potential investors. As a result both meaningful financial information and disclosure were somewhat lacking.

At the international level, the Republic of Moldova was ahead of other newly independent states in the development of accounting, which is evidenced by the activities of the Association of Professional Accountants and Auditors of the Republic of Moldova (ACAP). The body was set up as a result of the Moldovan Accounting Reform project financed by USAID and became the first country-associate member of the International Federation of Accountants (IFAC). However it has only limited official status or responsibility for regulation of the accounting and audit professions in Moldova.

In 1994 Moldova adopted a State programme aimed at bringing accounting regulations into line with international standards and on 4 April 1995 the Law on Accounting was approved by Parliament. The current accounting system came into force on 1 January 1998, according to the Decision of the Government of Moldova on the accounting reform, which approved the conceptual framework for future development of accounting standards in accordance with IAS. A new “chart of accounts” and the first 12 National Accounting Standards were introduced. This system is obligatory for all registered economic entities.

The order and the title of the National Accounting Standards correspond to the relevant IAS and broadly the content is similar.

The full list of current accounting standards are shown in Appendix V.

Whilst the move towards IAS and greater transparency of financial information is to be commended, it is advisable that users of Moldovan financial statements should not assume that they comply in full with IAS. Less than 50% of the total number of equivalent IAS has been adopted and none of the NAS have been updated for amendments introduced by IAS.

### Current Regulations

Unlike some countries where an independent professional body may be given responsibility to set all or part of the standards, all accounting regulations in Moldova are currently established by the Ministry of Finance. These take the form of:

- Laws or Government Decisions, detailing significant new pieces of legislation;
- Norms (or regulations), providing a detailed explanation of how the Laws or Government Decisions can be implemented;
- Orders of the Ministry of Finance providing additional guidance on accounting and tax issues.

Appendix VI provides a table highlighting some of the major differences between the current practice in Moldovan Accounting Regulations and International Accounting Standards, which are taken into account when reading Moldovan Financial Statements.

## 7.3 The Chart of Accounts

The principle underlying the Chart of Accounts is that almost all companies record the same item in the same 3-digit summary account (called level I account), irrespective of the nature of their business. When further detail is needed by an enterprise due to business peculiarities, 4-digit (called level II account) or 5-digit (called level III account) sub-accounts are used. A brief summary of the current Chart of Accounts for a commercial company is given in Appendix VII. (Note that the Chart of Accounts for banks and insurance organisations is different).

The annual financial statements submitted to the authorities include Balance Sheet, Income Statement, Cash Flow Statement and Statement of Changes in Shareholder Equity. Ministry of Finance Instruction on “Chart of Accounts” sets the account numbers of this standard grouping; however, the grouping of accounts is not always consistent with that which one might expect from a Western perspective. Enterprises may introduce additional groups of accounts and level I summary accounts as needed if the Ministry of Finance of the Republic of Moldova grants approval. Sub-accounts (level II & III accounts) may be established as needed.

## 7.4 Preparation and Approval of Financial Statements

### Legal Requirements

The legislative and normative framework of the current auditing system includes:

The Law on Auditing Activity.  
National Standards on Audit issued by the Ministry of Finance.  
Regulations on licensing auditing activity approved by the Ministry of Finance.

In addition, further regulations exist for enterprises in specific industries such as public quoted, investments funds, banks and insurance companies.

Auditing activity must be carried out by an auditing company holding a license issued by the Ministry of Finance, National Committee for Securities or National Bank, as appropriate.

### Auditing Standards for Legally Required Audits

The National Standards on Auditing (NSAs) were approved and published in 2000 and are based on 1999 and 2000 IFAC technical pronouncements (see Appendix VIII). NSAs become effective for audits of financial statements covering periods beginning in or after January 2001.

In addition, The Code of Professional Conduct for Auditors and Accountants was approved by the Ministry of Finance and published in March of 2001 and is based on 2000 IFAC Code of Ethics.

Publication of the NSAs and the Code in 2000-2001 with enforcement effectively starting in 2002 gave practitioners at least one year to absorb the pronouncements and develop appropriate policies and procedures within their practices.

All registered auditors are required under the law to perform audits in accordance with the National Standards on Auditing set by the Ministry of Finance.

### Audit Opinions Issued under Moldovan Law

#### Censors Report

The law does not require any specific format for this report but its content must address specific issues.

Independent Auditors' Report on Statutory Financial Statements

The National Standard on Auditing 700 “Auditors” report on Financial Statements” suggests formats for the audit report as well as an audit reports guideline (in effect an adapted version of International Standard on Auditing number 700, “The Auditors Report on Financial Statements”).

### Securities Commission Requirements

Companies subject to regulations on securities are required to appoint auditors licensed by the National Commission for Securities Market (NCSM). These companies must submit an auditor's opinion to the NCSM at least once a year.



## Chapter 8

# Taxation of Corporations

- Standard corporate income tax rate is 15%.
- Fiscal year is calendar year for all entities.
- Quarterly/monthly system of tax reporting and payment

### 8.1 Background

The Tax Code of Moldova, the Law on Budget for the relevant financial year as well as the Law on social insurance and medical insurance funds are the main legislative acts regulating the taxation of both legal entities and individuals. The Tax Code establishes the general norms of taxation and the tax rates.

Taxes and duties are levied both at the state and local levels.

The state levies taxes, duties and contributions, including:

- Income Tax;
- VAT;
- Excise Taxes;
- Privatisation Tax;
- Customs Duties;
- Road Fund Fees.

Local taxes and duties include: real estate tax; tax on the use of natural resources; hotel accommodation duty; tax on advertising placement; duty for the right to perform local auctions and lotteries; parking fee etc.

The tax system can traditionally be grouped into direct and indirect taxes.

**Direct taxes:** income tax; privatisation tax; road tax; tax on immovable property; tax on the use of natural resources; other local taxes. Direct taxes are meant to be borne by the taxpayer paying them.

**Indirect taxes:** value-added tax; excise duties and customs duties. The indirect taxes are directed towards the consumption of goods and services. The consumer ultimately bears the tax, but businesses are responsible for the transfer of these taxes.

### 8.2 Corporate Income Tax System

#### General

Since 1 January 2006 the standard corporate income tax rate is 15%. This rate is applied to both Moldovan entities and foreign entities operating through a “permanent establishment” in Moldova.

The tax legislation for 2006 set forth the definition for “permanent establishment” and “representative office”.

However, the distinction between a representative office and those activities that do or do not constitute a “permanent establishment” is not very clear in the law and amendments are to be introduced.

#### Territoriality

Resident legal entities are taxed on their world-wide income. Foreign legal entities are taxed only on income derived from Moldovan sources or on income derived through activity performed by a permanent establishment.

### 8.3 Tax Exemptions

One of the main conditions that qualify companies for tax exemption is that they have no state budget liabilities, nor a delay in excess of 30 days to pay taxes declared or reassessed during a tax audit.

Set below are the main tax exemptions stipulated by the Moldovan Tax Code

#### Small Business Companies

The following are entitled to a three - year full income tax exemption:

- Companies with an average number of 19 employees and of which the aggregate turnover does not exceed MDL 3,000,000 (USD 225,709), regardless of the type of activity;
- Farming undertakings;
- Agricultural cooperatives that meet the legal requirements.

This exemption does not apply to:

- Business entities that hold a dominant market position;

- Business entities in which the combined stake of the shareholders (founders) who are not small business representatives exceeds 35%;
- Business entities that produce and import excisable goods;
- Fiduciary and insurance companies;
- Investment funds;
- Banks and other financial institutions;
- Business entities, which perform exchange activities and pawn-shops;
- Business entities, which perform gambling activities.

To be entitled to a tax exemption, business entities must submit an application to their territorial tax authorities.

At the end of the tax exemption period, business entities may benefit from a 35% reduction in standard income tax rates for another two fiscal years.

Business entities can only benefit once from a full tax exemption, as well as from the subsequent 35% reduction in the income rate.

## Investment tax incentives

1. Entities with registered capital upon establishment or following a capital increase exceeding USD 250,000 are entitled to a 50% corporate income tax exemption effective for a period of five years. This shall run starting from the fiscal period in which an agreement with the tax authorities was signed.
2. Entities with registered capital upon establishment or following a capital increase exceeding USD 2,000,000 are entitled to a 100% corporate income tax exemption effective for a period of three years. The exemption is effective starting from the fiscal period in which an agreement with the tax authorities was signed. In order to benefit from these exemptions the company shall meet the following conditions:
  - at least 80% of the calculated, but unpaid income tax, is invested in the development of its own production or in governmental programmes;
  - shall not have benefited from similar income tax exemption and/or of income tax exemptions for small business or free enterprise zones.
3. Enterprises for which the above income tax exemption period has expired are entitled to a further reduction in their taxable income by 50% of the initial value of the purchased long-term tangible assets (except for auto vehicles, office furniture and assets

used for general administrative needs), including those acquired under leasing agreements. The amount of this reduction cannot exceed the enterprise's taxable income.

To be eligible for this exemption, the entity shall observe during three consecutive fiscal periods following the period in which the exemption was granted, the following conditions:

- dividends shall not be calculated or distributed to the shareholders;
- the assets shall not be alienated;
- transmission of ownership or usage over the assets shall not be allowed.

4. Companies that are residents of the International Giurgiulesti port and which make capital investments of an amount equal to USD 5,000,000 are exempt from income tax for five consecutive years starting from the fiscal period in which the company reached the aforementioned figure and declared taxable income.

Residents that have made additional capital investments of an amount exceeding USD 5,000,000 are entitled to an additional income tax exemption for two consecutive years after the fiscal period in which the company invested the said amount and declared taxable income.

The income derived from port operations will be subject to income tax at the following rates: 25% of the standard income tax rate during the first 10 years following the tax period in which port residents registered taxable income and 50% of the standard income rate after the expiration of the first 10-year period.

## Free Entrepreneurial Zones (F.E.Z.)

The tax legislation provides for the following benefits for companies that are resident of an F.E.Z.:

- A 50% allowance from the standard corporate income tax rate for income derived from goods exported from the F.E.Z. outside the Republic of Moldova;
- A 75% allowance from the standard corporate income tax rate for income derived from sources others than export of goods;
- A 100% corporate income tax allowance for three years following a USD 1,000,000 investment within the F.E.Z.;
- A 100% corporate income tax allowance for five years following a USD 5,000,000 investment in the F.E.Z.

## IT companies

Business entities whose main activity is software development can receive exemption from income tax for a five-year period upon submitting an application to the tax authorities. To qualify for this tax incentive, the entity must not be in debt to the state budget and over 50% of its income must be generated by sales of its own manufactured software.

Furthermore, individuals who work at IT companies in positions specifically provided by the law and meet all other conditions established are exempt from salary income tax for a period of five consecutive years.

## Farming entities

Starting 1 January 2006, farming entities that perform activities specifically dealt with in the tax legislation are exempt from tax on income derived from the sale of own agricultural produce for a period of five consecutive years.

## 8.4 Taxable Base

The accounting income for the year is the basis of calculating a taxpayer's annual taxable income. The accounting income is increased or reduced for items specifically dealt with in the Tax Code.

### Certain non-taxable Sources of Income:

- In-kind contributions to a company's capital if the contribution results in at least 80% ownership of the registered share capital;
- Income of foreign or international organisations on the territory of Moldova if stipulated by special international agreements;
- Income derived from property or money received free of charge based on a Government decision.

### Interest, Royalties, Dividends and Service fees

Interest, royalties, dividends and service fees are included in a Company's gross income for accounting purposes and are subject to corporate income tax at the standard rate.

### Capital Gain and Losses

A capital gain derived from the sale, exchange and other disposition of capital assets is the difference

between the amount of the proceeds and the fiscal book value of the assets. 50% of the positive balance between capital gain and capital losses for a year are included in the taxable income and taxed at the regular income tax rate.

Capital losses can be carried forward to the next year in order to offset future capital gains.

### Deductible Expenses

- Depreciation of tangible assets in accordance with the rates provided by the Tax Code and within the limits expressly provided for in the Tax Code.
- Amortisation of intangible assets computed using the straight line method.
- Expenses incurred for charitable gifts and sponsorship (provided that such expenses do not exceed 10% of the taxable income).
- Research and development expenses supported or incurred during the current fiscal period and recorded in the Income Statement as current year expenses.
- Wastes, spoilage and exhalation expenses are deductible within the annual framework established by the company's director.
- Bad debts incurred while performing entrepreneurial activity.
- Repair expenses of the fixed assets (used according to the lease agreement within the limit established by the Tax Code, i.e. 10% of the rent amount).
- Expenses incurred for free transmission of money or property based on a Government decision.

### Interest Expenditure

Generally interest expenditure is fully deductible if incurred in connection with the company's business activity.

However, deduction of interest can be limited to the refinancing rate of the National Bank of Moldova for REPO transactions. This limitation is applied if tax authorities ascertain that the majority of shareholders (over 50%) are foreigners or other tax-exempted persons, and the main source of company's borrowed capital (over 50%) is financed by shareholders (loans or credits).

Interest limitation may also apply in cases when the borrowed funds are used in investment activity which is not company's ordinary activity.

## Other Expenses

Representation expenses, employee's business trip expenses and insurance expenses are deductible within the limits established by the Government.

Non-deductible expenses:

- Amount paid to related persons without approval of necessity;
- Amount paid to a holder (individual) of entrepreneurial patent;
- Other expenses that cannot be supported by documents as required by law;
- Expenses incurred by activities generating non-taxable income.

Income taxes due cannot be deducted from the amount of annual gross income of a company nor can fines or penalties on taxes and other compulsory payments due to the budget.

## Loss carry forward

Companies may carry forward corporate tax losses in equal instalments for three years following the year in which the losses were incurred.

## Deduction of Expenses by a Permanent Establishment

Deduction of expenses by non-resident persons who perform their activity on the territory of Moldova through a permanent establishment (PE) shall be allowable to the extent that they are directly related to the income subject to tax in Moldova, with the exceptions below.

## Limited Deductions

Management and other general administrative expenses are deductible within the limit of 10% of total salary expenses of a PE.

## Non-deductible expenses

- Royalty and other service fees are non-deductible if paid to the non-resident that generated the PE;
- Interest on loans granted by the non-resident company;
- Expenses that lack back up documentation.

## Tax Computations

Taxpayers are liable to pay income tax on their taxable income at the end of the fiscal year.

For all business entities, including the PE of non-residents, the fiscal year is the calendar year and the annual tax return must be filed and submitted to the Tax Office by 31 March of the following year.

In addition, legal entities, whose income tax liability for the previous year exceeded MDL 400 (USD 30), have to make interim tax payments on a quarterly basis (31 March, 30 June, 30 September and 31 December).

Agricultural entities and farms pay interim taxes twice a year (31 March and 31 December).

These interim payments are deductible upon computation of company's annual income tax.

An annual tax return has to be prepared on the basis of the annual income statement and submitted by 31 March of each year, following the fiscal year-end at 31 December.

Representative offices must also submit to the tax authorities by 31 March of the year following the reporting year special reports in the form approved by the Central Tax Authorities on the activity conducted during the year.

## Withholding tax on payments to residents

Each resident entity that makes payments in the form of interest, royalties, service fees as well as payments to individuals for lease, rent or usufruct of movable and immovable property must withhold and pay to the budget a WHT at the following rates:

- 15% of interest paid for the benefit of individuals (except for private entrepreneurs and farms) and royalty;
- 10% of individual's income derived from lease, rent, usufruct of movable and immovable property;
- 5% of payments for advertising, audit, management, marketing, consulting services, and services with respect to installation, repair and exploitation of computers, as well as other services related to information technologies.

Remittance of the tax withheld and submission of tax returns is made within one month, following the reporting month.



## Withholding tax on payments to non-residents

Under Moldovan domestic rules, non-resident beneficiaries, individuals and legal entities, are subject to withholding tax at the following rates:

- 10% of insurance premiums under the contracts on insurance and reinsurance concluded on the territory of Moldova;
- 15% of royalties;
- 10% of dividends; interest services and of income received from the sale of real estate located on the territory of Moldova, and other income provided by the Tax Code.

## Double Taxation Agreements

Appendix IX includes details of the Double Taxation Agreement signed by Moldova with other countries.

## 8.5 Other Taxes

### Tax on immovable property

Tax on immovable property is a local tax paid on real estate (land and/or constructions on it) by the proprietor or owner of material rights. Residents and non-residents, which own a real estate located on the territory of Moldova, have similar obligations.

### Tax on advertising placement

The suppliers of advertising services pay tax for advertising placement. This tax is included in

advertising services fee and paid by customers of the services through an invoice.

## Land Improvement Duty

Land improvement duty constitutes MDL 40 (USD 3) per year for each employee. Business entities pay this tax quarterly.

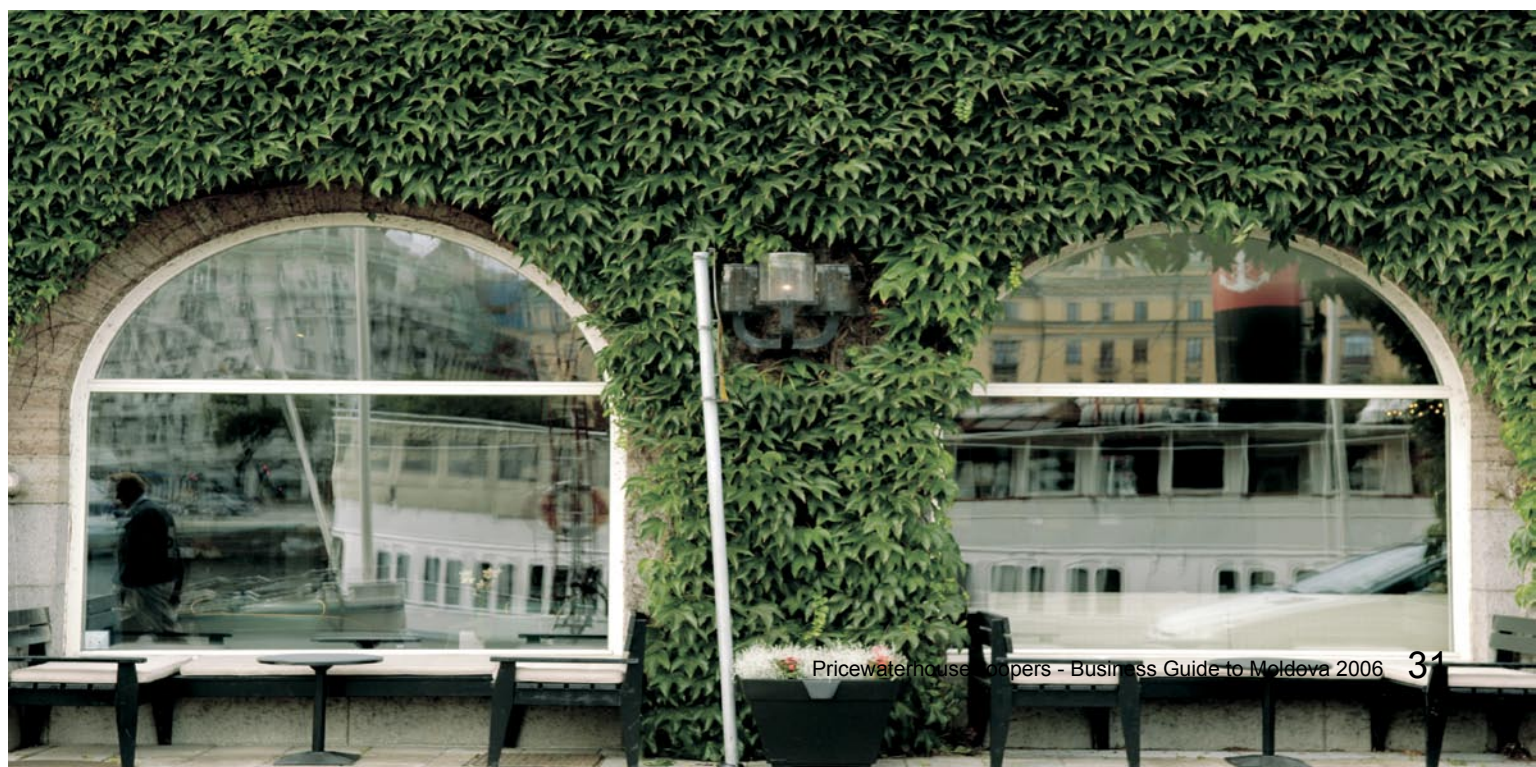
## Taxes on Natural Resources

A new title of the Tax Code "Taxes on natural resources" entered into force on 1 January 2006. It sets out the types of taxes for natural resources, the categories of taxpayers, the tax rates, the methods for applying and paying taxes, as well as the tax concessions granted when taxes are calculated and paid.

The title provides for the following taxes on natural resources:

- tax on water;
- tax on mineral exploration;
- tax on geological exploration;
- tax on mining operations;
- tax on usage of underground areas for the construction of underground structures not related to mining operations;
- tax on exploitation of underground structures within the performance of entrepreneurial activity, not related to mining operations;
- tax on standing wood.

The taxes are paid quarterly.









# Taxation of Individuals

- The minimum individual income tax rate is 8% and the maximum income tax rate is 20%
- Personal exemption for resident individuals has been increased to MDL 4,500 (USD 339) per year
- Gains from gambling activities are income tax exempt

## 9.1 Income Tax System

### General

Personal income tax is regulated by the Tax Code.

Resident individuals are taxed on their Moldovan sourced income and on financial and investment income derived from abroad.

Non-residents are taxed on income deriving from sources located in Moldova.

The income tax rates for individuals are differentiated and depend on the size of their annual taxable income.

Starting 1 January 2006 the Tax Code establishes the following progressive individual tax rates:

- 8% - for annual income up to MDL 16,200 (USD 1,219);
- 13% - for annual income that exceeds MDL 16,200 (USD 1,219) and up to MDL 21,000 (USD 1,580);
- 20% - for annual income that exceeds MDL 21,000 (USD 1,580).

Income tax is withheld from an employee's salary and paid by the employer at the same time as monthly salaries are paid. Payment is made through a bank payment order. The employer files monthly tax returns concerning the salaries paid and the related taxes withheld. A foreign individual on a local contract is in the same position as a Moldovan employee (unless employed with a certain international organisation).

In cases where a person has any other income except salary, he/she should file a tax return with the tax authorities before 31 March of the subsequent fiscal year.

### Territoriality and Residence

A person is considered resident of Moldova if one of following conditions is met:

- He/she has a permanent domicile address in Moldova, even if at the moment he/she is abroad for study, treatment or on a business trip;
- He/she is physically present in Moldova for a period exceeding 183 days during a fiscal year.

A person is considered a non-resident of Moldova if none of the above conditions are met or if:

- The person has status of diplomat or consul (or member of family);
- The person is an official of an international organisation established based on an interstate agreement to which Moldova is party, or is a member of the family of such official;
- The person is in the country solely for study or business trip;
- Person crosses territory of Moldova (transit).

## 9.2 Gross Income

The taxable income base (including benefits in kind) from all sources is reduced by the deductions and exemptions an individual is entitled to.

Individual's taxable income includes:

- Income from any professional or entrepreneurial activity;
- Income of shareholders of investment funds;
- Benefits in kind, payments received for personal services, provided in the form of salary, bonuses from employers, honorarium, commission fees etc.;
- Rental fees;
- Capital gains on sale, exchange or alienation of capital assets;
- Interests, royalty, annuity (except social security benefits and benefits received on the basis of interstate agreements);
- Investment or financial income from abroad (dividends, interests, royalty and rent payments received from non-residents);
- Sick payments from State Social Security Fund.



Non-taxable sources of personal income are:

- Benefits from insurance contracts;
- Compensation for health damage and other sick compensation on health insurance contracts;
- Alimony, scholarship;
- Dividends received by resident individuals, who do not perform entrepreneurial activity, from a resident business entity;
- Interest received on deposits placed in Moldovan banks, until 2010;
- Income of personnel of certain international organisations;
- Lottery winnings and others;
- Donated or inherited patrimony;
- Compensation for moral damage;
- Indemnity for professional disease;
- Gains from gambling activities;
- Gains from promotional campaigns where their value does not exceed MDL 450 (USD 34).

## Employee's Gross Income

Employee's gross income includes basic pay, overtime pay, supplementary pay, awards and bonuses, compensation for unused holiday or vacation time, and all other monetary or in kind benefits, as well as other services obtained without payment. Income from each item is defined as the total amount of revenues received, irrespective of the period in which it was generated.

## Capital Gains and Losses

Capital gains or losses derive from the sale of capital assets.

### Capital assets include:

- Securities used in business activity;
- Acknowledgments of debt;
- Private property not used in business activity, which is sold at a price that exceeds its fiscal value;
- Land;
- Option to purchase or sell capital assets.

The taxpayer is allowed to deduct capital losses only to the extent of capital gains.

The amount of taxable capital gain deriving from the sale of houses or apartments is reduced by MDL 10,000 (USD 752) for each year after 1997 during which the individual owned the asset and used it as his main residence.

## Taxation of Non-residents

Taxable income of a non-resident is taken into account only if it is received from sources located in Moldova. Expenses, losses and other payments directly related to the income are not deductible.

The salary of non-residents working in Moldova is subject to income tax at the same rates as that of Moldovan residents. Individuals, who are non-residents, are not entitled to personal exemptions, spouse exemption or dependant's exemption.

Salary of foreign personnel in certain international organisations and diplomatic offices are exempt from taxes when provided by appropriate arrangements.

The payments made to the benefit of non-resident individuals are subject to withholding tax in the following rates:

- 15% on royalties;
- 10% of insurance premiums under the contracts on insurance and reinsurance, concluded on the territory of Moldova;
- 10% on other incomes not specified in items above and established by Tax Code.

Appendix X provides the rates applicable to non-residents' income under Double Tax Treaties.

## Exemption and Deductions

Each resident taxpayer is allowed to claim a personal exemption of MDL 4,500 (USD 339) per year.

Deduction of personal and family expenses is prohibited.

## Tax Administration

The salary income tax is deducted by the employer and paid through a bank transfer within one month following the month in which the salary payment was made.

Annual tax returns must be filed with tax authorities personally (before 31 March of year following the fiscal year) if the taxpayer has various incomes in addition to salary.

The following persons are required to file an income tax return:

- Individual residents who have tax liabilities regarding payment of income tax;
- Individual residents who do not have tax payment liabilities, but derive income from sources other than wages and exceeding the amount of personal exemption of MDL 4,500 (USD 339) a year;
- Individual residents who do not have tax liabilities, but derive income from wages exceeding MDL 21,000 (USD 1,580) a year;
- Individual residents, who do not have tax liabilities, but derive income from wages and any other sources exceeding MDL 21,000 (USD 1,580) per year.

If salary is the only source of income, an employee does not need to file a tax return.

If income tax was calculated, withheld or paid incorrectly, the taxpayer has the right to submit to the tax authorities, within the established terms, a new tax return with accurate data. Any overpaid amount should be set off against debts on other taxes or reimbursed to the taxpayer. It also can be set off against future income tax.

## 9.3 Other Taxes

### Social Security Contributions

Contributions to the Social Fund are obligatory payments, but unlike taxes, they have an exact destination and are available for refund to the taxpayer in form of pensions, allowances, etc.

Employers must pay social security contributions in amount of 26% of the gross salary of their employees to the Social Security Fund.

Employees pay an individual contribution in amount of 2% of their gross salary (the percentage applies to a base capped at three times the average salary for respective year, i.e. MDL 5,100 (USD 384) for the year 2006). The social security contribution is deductible for income tax purposes for both the employer and the employee.

Resident persons of Moldova who are working abroad may conclude an individual contract with the National

House of Social Insurance of Moldova and pay an annual fixed social security contribution in the amount of MDL 2,013 (USD 151) for 2006.

It is not compulsory to pay social insurance contributions for foreign citizens working in Moldova within a foreign capital company.

Moldova has mutual agreements on pension security signed with the Russian Federation, the Republic of Belarus, Ukraine, Uzbekistan and Azerbaijan.

### Medical Insurance Contributions

The obligatory medical insurance contribution, computed as a percentage to wages and other forms of payment and remuneration, is established at the rate of 2% for each payer category (employers and employees).

The legislation provides also for an annual fixed amount of the medical insurance contribution paid by other category of taxpayers, which constitutes MDL 816 (USD 61) for 2006.





## Indirect Taxation

### Value Added Tax

- There are four rates of VAT: 20%, 8%, 5% and 0%;
- Several operations are subject to VAT exemption;
- Only VAT registered entities are entitled to deduct and to refund VAT;
- VAT payable on imported services is deductible;
- Stocks of material and capital equipment, the customs value of which exceeds MDL 1,000 (USD 75) per unit and which are imported in the country as fixed assets, representing a contribution to the formation or increase of the statutory capital are exempt from VAT.

### Customs Duty

- Customs duty varies between 0% and 35%, depending on the tariff classification of the goods subject to import;
- Generally, import-export transactions are not subject to licence;
- Stocks of material and capital equipment whose customs value exceeds MDL 1,000 (USD 75) per unit and which are imported to the country as fixed assets, representing a contribution to the formation or increase of the statutory capital, are exempt from customs duties.

### Rates of VAT

There are four rates of VAT: 20%, 8%, 5% and 0%.

The standard VAT rate is 20% of the taxable value of imported goods and services, as well as goods and services supplied on the internal market of Moldova.

Bakery and dairy products produced in Moldova and the import or supply on the territory of Moldova of sugar produced from sugar beet, as well as of drugs, are subject to the reduced VAT rate of 8%.

Natural and liquid gas produced in or imported in Moldova are subject to the 5% reduced VAT rate.

### The 0% rate is applied to:

- The export of goods and services;
- All kind of international transportation of passengers and commodities (including the expeditionary transportation);
- Electric and thermal power, and water supplied to the general population;
- Goods and services designed for the official use of diplomatic missions and other similar missions in Moldova, as well as for personal use by members of the diplomatic support staff and family members of the diplomatic staff;
- Goods and services imported and/or supplied to international organisations for the performance of technical assistance projects in accordance with the relevant treaties to which Moldova is a party;
- Construction of dwelling houses financed from mortgage credits;
- Goods and services delivered within the Free Economic Zones from outside the customs territory of Moldova, delivered from the Free Economic Zones outside the customs territory of Moldova, delivered from the Free Economic Zones to the remaining part of the customs territory of Moldova and delivered between the residents of different Free Economic Zones of Moldova to each other;
- Services rendered by businesses operating in the textile industry on the territory of Moldova within inward processing regime arrangements;
- Services rendered by organisations from the scientific and innovation sector which benefit from total corporate income tax exemption.

The supply of services is considered as exported if they are rendered by resident suppliers to non-resident beneficiaries and which place of supply is not deemed to be Moldova. The place of supply (residence of real estate, of supplier or of customer) depends on the nature of the services.

## 10.1 Value Added Tax (VAT)

### The Scope of VAT

VAT is an indirect state tax payable to the budget for the supply or import of goods and services to and within the territory of Moldova.

The Tax Code describes the supply of goods as the transfer of ownership of goods by selling, exchanging or the free (partly-paid) transfer of goods, including transfers of goods through financial leasing; supply of services is the activity of providing any services, including passing right for property through operational leasing and others (paid, partly-paid or free).

## VAT Exemptions

VAT exemptions are as follows:

- Food and non-food products for children;
- State property purchased as part of the privatisation process;
- Payable medical services, except for cosmetic services, medicine raw material and goods for medical use;
- Financial services;
- Commercial and intermediary transactions on the securities market;
- Insurance and reinsurance operations, except for intermediary services thereof;
- Postal services, including distribution of pensions, subsidies, requitals;
- Foreign aid goods imported as provided by the Government;
- Fixed assets, with the customs value exceeding USD 1,000 per unit, aimed as contributions in the share capital of economic agents;
- Gambling;
- Books and periodical issues (with the exception of advertising materials and those that are erotic in nature);
- Import of fiscal stamps for further marking of excisable goods;
- Income in form of interest received by the lessor based on financial leasing agreement;
- Services imported by organisations from the scientific and innovation sector which benefit from total corporate income tax exemption;
- Goods released on the customs territory under a transit, transformation under customs surveillance, bonded warehouse regimes, etc;
- Import of domestic goods within three years from their previous export, provided they have the same state;
- Goods placed under temporary admission customs regime and compensatory goods obtained from outward processing;
- Import of goods for non-commercial purposes, whose customs value does not exceed EUR 50 etc.

## Import VAT

VAT on imported goods should be paid during the customs clearance process and it is deductible for VAT purposes.

VAT on imported services should be paid no later than date of payment for imported services. Starting with 1 January 2005, VAT payable on imported services became deductible.

## VAT for Transit and Temporary Imported Goods

Goods temporarily imported into Moldova for processing or moved through Moldova under a transit regime are not subject to VAT, excise duties or customs duties. Entities involved in this type of operation must conclude arrangements with the Customs Office. The duration of the transit of goods through the territory of Moldova is set out by the customs authorities, but shall not exceed eight days from the moment they passed over the customs borders of Moldova.

## Input VAT Deduction

Under the current VAT legislation, input VAT incurred in relation to the acquisitions of goods and services may be deducted, provided they are incurred by a VAT-payer for performing VAT-able operations.

Input VAT incurred before registration for VAT purposes may be deducted, provided it relates to the acquisitions of fixed assets for agricultural purposes, construction and reconstruction of agricultural goods, etc.

Input VAT incurred for acquisitions destined for performing both VAT-able and VAT exempt operations is deducted on a pro-rata basis.

The pro-rata is computed monthly as a ratio between the revenues obtained from VAT-able operations and the total revenues, both amounts being computed less the payments in advance.

The final pro-rata is computed according to the same ratio above, but based on the yearly amounts. Related differences are recorded in the VAT return for December.

## VAT Refund

VAT-payers are entitled to refund VAT if they meet the following conditions:

- Goods or services delivered are subject to the reduced VAT rate (8%) or to the 0% VAT rate (e.g. export of goods/services);
- Related input VAT exceeds the output VAT for the relevant deliveries of goods or supplies of services.

VAT-payers are assigned different categories of trustworthiness (i.e. with one category from the three existing ones) depending on the specifics of the VAT refund procedure.



The VAT amount to be reimbursed is capped at 20% of the figure subject to the reduced / nil VAT rate. Generally, the term of reimbursement is 45 days from the date the claim is submitted to the tax authorities.

Leasing companies may also fall under VAT refund procedure, if the input VAT amount exceeds the output one within the financial/operational leasing agreements. The refundable difference is capped at 20%.

## Non-deductible Input VAT

VAT paid or due to be paid on acquisitions of goods/services used for performing VAT exempt operations may not be deducted or refunded. Related VAT amounts should be treated as expenses.

VAT paid for the acquisitions of goods/services that are not used for business purposes or on stolen goods, as well as on losses exceeding legally determined norms, is non-deductible and is treated as expense.

## VAT Administration

Any business, except for government bodies, non-profit organizations, public agencies, and holders of business patents, is liable to register with the local tax authorities as a VAT-payer, if during any 12 consecutive months it performs taxable supplies of goods/services exceeding the threshold of MDL 200,000 (USD 15,050).

Businesses benefiting from imported services in an amount that if added to the value of the supplies of goods/services performed during any 12 consecutive months exceeds the threshold of MDL 200,000 (USD 15,050) shall also register for VAT purposes.

Only businesses registered for VAT purposes are entitled to refund VAT as described above.

The supplier carrying out a taxable delivery must submit a VAT invoice to the buyer.

VAT-payers must fill in and submit a VAT return with the tax authorities for every tax period (until the end of month following the reporting month).

## 10.2 Customs Duties

### Overview

Moldova's legal framework in respect of customs regimes and customs tariffs is regulated by the

Customs Code, Law on Customs Tariff, International Agreements concluded by Moldova to date, as well as by other legal acts.

Generally, any kind of goods and means of transport may enter and leave the territory of Moldova without any restriction. There are limitations that are specifically provided by the legislation in force. They cover the cases of goods and means of transport crossing the border by breaching the state security, public order, environment, etc.

### Customs Duties

The Law on Customs Tariff establishes the list and size of the customs duty rates depending on the customs tariff classification of the goods. The maximum rate of customs duties on imported goods is 35% of the customs value of the goods. Customs duty is not levied on goods and items produced and imported from Romania and countries with which Moldova has signed agreements on setting up free trade zones, provided a certificate of origin is made available. However, Moldova has implemented safeguarding measures for certain products (e.g. beet sugar).



## Preferential Customs Treatment

The preferential customs treatment is granted by the provisions of the Moldovan legislation or by the international agreements to which Moldova is a party.

Under the Free Trade Agreements Moldova has concluded with other countries to date, the preferential treatment (i.e. exemption from customs duties) is granted upon import and/or export of goods with preferential origin, provided a certificate of origin is available.

Moldova has concluded to date Free Trade Agreements with several countries, namely: Romania, Belarus, Ukraine, Russian Federation, Azerbaijan, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, as well as with the countries of the Stability Pact for South-Eastern Europe (i.e. Albania, Bulgaria, Bosnia & Herzegovina, Croatia, Macedonia, Romania, Serbia and Montenegro).

The following exemptions from customs duty are also provided by the Moldovan customs legislation:

- National and foreign currency, as well as securities;
- Goods released in the customs territories as humanitarian aid;
- Goods imported by individuals for personal use not exceeding a set threshold;
- Periodical issues, books of educational, cultural, scientific nature, didactic materials for the pre-scholar, educational and remedial institutions;
- Stocks of material and capital equipment whose customs value exceeds MDL 1,000 per unit and which are imported to the country as fixed assets, representing a contribution to the formation or increase of the statutory capital are exempt from customs duties;
- The goods introduced into Moldova on the basis of an international leasing agreement and placed under the regime of temporary admission;
- Movable goods whose value does not exceed 1,000 MDL (USD 75), whose usefulness is more than one year and which are imported by legal entities performing leasing activity for the purpose of paying off liabilities derived from lease agreements concluded with Moldovan natural or legal entities;
- Goods imported for non-commercial purposes whose customs value does not exceed EUR 50, etc.

## Customs Regime for Individuals

Citizens of Moldova, as well as foreigners, are allowed to move in or out of Moldova any goods under a simplified customs regime, provided such goods will not

be used for business or commercial purposes.

The Customs Office of Moldova determines full or partial exemption from customs duties.

The Law Nr # 1569 dated 20 December 2002 regarding how individuals can import and export goods to/from the Republic of Moldova contains an index of personal belongings that are allowed across borders without the owners having to pay any customs duties.

## 10.3. Other Indirect Taxes

### Excise Duties

Excise duty is a state tax applied to specified consumer goods. A set list of goods (products) produced in Moldova or imported are subject to excise duties.

Subject to taxation with excise duties are:

- Any individual or business producing and (or) processing excisable goods on the territory of the Republic of Moldova;
- Any individual or entity importing excisable goods, unless there is no exemption provided.

Gambling activity has recently been removed from the list of excisable products.

Businesses or individuals performing the above-mentioned activities must possess excise certificates.

Excise duties on imported goods are computed and paid at the same time when customs duties are paid. Certain excise liable goods are subject to mandatory excise stamp marking.

Excise duty rates are set either as fixed amount per unit of goods or as a percentage of the value of goods. Combined excise duty rates are also provided under Moldovan legislation. The current excise duty rates provided for a range of goods are listed in Appendix X.

Excise liable goods, imported in Moldova as humanitarian or technical assistance, as established by the Government, as well as excise liable goods temporarily imported into (exported from) the country, or transiting the country, or released into customs warehouse, are not subject to excise taxes, except for the cigarettes with imported filter.



# Introduction to PricewaterhouseCoopers

## PricewaterhouseCoopers in Moldova

PricewaterhouseCoopers entered the Moldovan market in 1996 and was established as a legal branch of the Romanian firm. We have continuously expanded the scope of our services and currently offer a full range of professional services to both international and Moldovan enterprises. Overseen by ten partners and employing over 500 specialists and support staff, PricewaterhouseCoopers operates in Romania and Moldova from a network of four offices in Bucharest, Timisoara, Cluj-Napoca and Chisinau.

Our client base includes some of the largest Moldovan and multinational companies in Moldova. Our close interactions with economic and state bodies allow us to keep up with the fast changing environment in which businesses have to work in Moldova.

Service lines include:

- **Assurance Services:** external and internal audit, financial and accounting reviews and investigations; regulatory consulting; training courses;
- **Advisory Services:** the Moldovan Advisory Services practice, in cooperation with Romanian Advisory Services practice provides three types of services: Transactions Services, Crisis Management and Performance Improvement;
- **Tax and Legal Services:** all aspects of inbound investment into Moldova, corporate structuring of investments and trading activities, international tax planning, indirect taxation (customs and VAT), individual taxation and human resources advisory. Our lawyers are qualified to give advice on all significant areas of law, including corporate law, mergers and acquisitions, project finance and privatisation.

## Assurance Services

The Assurance Services practice comprises internationally trained Moldavians and foreign accountants. All Assurance Services staff is familiar with local and international accounting practices. As part of our long-term development strategy, PricewaterhouseCoopers Moldova requires its local auditors to obtain an internationally recognized professional qualification in accounting (UK ACCA) to enhance their understanding of International Financial Reporting Standards.

PricewaterhouseCoopers knowledge and experience gained over the period of reform in all of the former Eastern European countries, enables its specialists not only to advise on audit and non-audit matters, but also to put them in context and to advise on the likely impact that the pace and direction of economic and financial change will have on a commercial activity in Moldova.

As a result of a long-term presence PricewaterhouseCoopers Moldova has developed strong relationships with key contacts, including government ministries and leading professional organisations. These relationships enable the firm to be well placed to assist in resolving queries on accounting, reporting and related regulatory issues.

## Advisory Services

The Moldovan Advisory Services practice, in cooperation with Romanian Advisory Services practice provides three types of services:

**Transaction Services**  
**Crisis Management**  
**Performance Improvement**



## Transaction Services

Transaction Services refers to assistance with and executing all types of financial transactions, providing advice in mergers and acquisitions, privatisations, financial and operational due diligence, value advisory and business valuation including real estate and asset valuation, feasibility studies and business plans, market analysis, project finance (including Public-Private Partnership schemes), finance raising and post-deal services.

PricewaterhouseCoopers provides a full range of services to guide clients through complex business transactions, and supports companies through every aspect of a transaction, from identifying the appropriate acquisition or divestiture candidates to assisting with deal structuring and capital sourcing. A wide range of privatisation services including lead advisory, target identification, company profiles, analysis of privatisation options, and transaction support are available, as well as assistance and support for companies seeking new capital, or companies involved in an acquisition, divestiture, restructuring or shareholder buyout. Services in relation to transactions, such as identification and evaluation of a transaction through due diligence, structuring services, market analysis and post-deal services are provided.

Transactions department numbers over 4,700 experts worldwide and around 10 in Romania.

## Crisis Management

Crisis Management services refer to corporate recovery and turnaround, optimised exits, insolvency/liquidation, as well as dispute analysis and investigations. PricewaterhouseCoopers was Romania's first Big Four consulting firm to develop a dedicated team of professionals specialised in business recovery and insolvency. It advises on and implements a complete range of solutions for business recovery situations, corporate bankruptcy and implementation of large-scale turnarounds for underperforming corporations. The practice has extensive experience in the management of underperforming loan portfolios, as well as in divestment of the underperforming assets of a business (optimised exits) in order to extract or preserve the optimum value for shareholders.

Dispute analysis and investigations practice involves corporate investigations, fraud risk management, background research of entities, computer forensics and cyber crime investigations, as well as investigations on insolvency and bankruptcy, together with intellectual property

The Crisis Management network accounts for over 2,500 experts worldwide and around 10 in Romania.

## Performance Improvement

Performance Improvement department is a department within PricewaterhouseCoopers that is dedicated to helping clients improve their financial and operational performance. Our Group works closely with other advisory practices in the firm to assist clients in meeting their most pressing challenges. Performance Improvement department numbers over 7,000 experts in 90 countries and over 30 people in Romania, all of them having the knowledge of the local business environment.

The assistance we provide is targeted at strengthening management control, increasing operational effectiveness and thereby increasing shareholder value. We know from experience that improving performance requires companies to focus on four distinct aspects: business model, financial drivers, management system and value creation system.

In our experience, projects are judged a success when the expected business benefits are clearly defined up front and when the project is managed to demonstrate achievement of those business benefits. By employing this principle in our methodologies, the PwC Performance Improvement team strives to provide superior value to our clients

## Tax and Legal Advisory Services (TLS)

PricewaterhouseCoopers Moldova's tax advisory practice comprises international and local tax experts, and customs, VAT, individual taxation and human resources specialists. As the country's largest tax consulting department, we are specialized in all areas of tax, including:

### Corporate Taxation

The Team has extensive experience in advising clients based on Moldavian laws and their interpretation by tax authorities, as well as their interrelation with international regulations and treaties. PricewaterhouseCoopers specialists are highly qualified to advise on all aspects of inward investments in Moldova, and the structuring of those investments in terms of profit tax, withholding tax, dividend tax and local tax regulations. The team provides proactive

advice on international tax planning and structuring; mergers and restructuring, and undertakes company health checks and due diligence projects, and assistance with tax authorities (during tax inspections, and lodging of objections). Some of the members of the team are former employees of the Ministry of Finance, State Tax Service Headquarter.

### Indirect Taxation

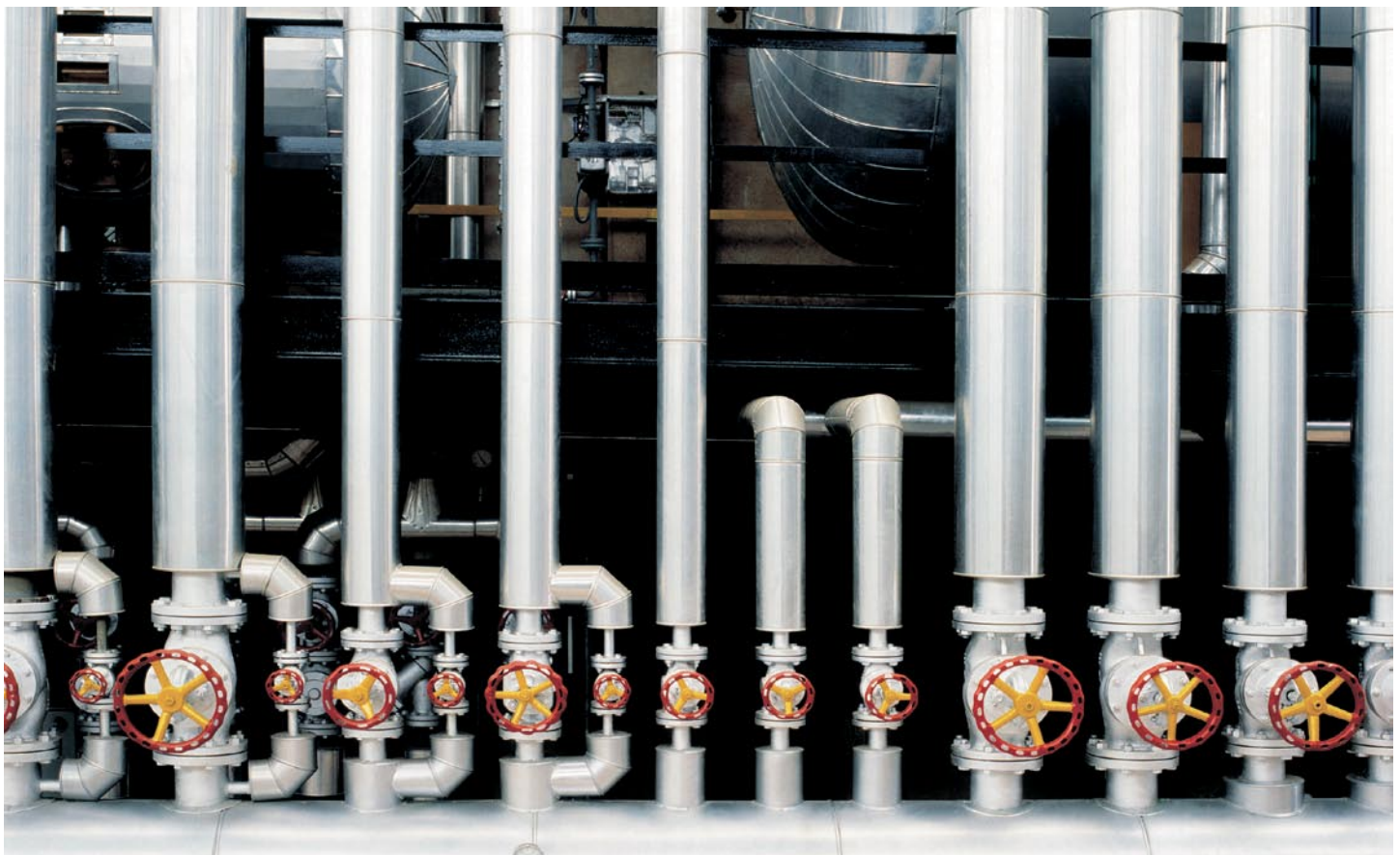
PricewaterhouseCoopers indirect tax specialists have extensive experience in resolving complex issues related to indirect taxes, customs procedures and foreign trade. Services available include VAT consultancy and tax reviews; VAT planning and efficiency schemes for domestic and cross-border operations; assistance with standard and fast VAT refund procedures; assistance during tax inspections; support and advice during appeals. Customs consulting includes tax planning for minimizing import duties; implementation of temporary customs regimes; authorized exporter status and simplified customs procedures implementation; use of bonded warehouses and customs-free trade zones; intellectual property rights; obtaining import/export licences; assistance during customs clearance and audits; support during customs litigation or complaints.

### Integrated Personnel Solutions Human Resource Consulting Services

Tax and Legal Services department offers Integrated Personnel Solutions, bringing together all of the professionals working in the human resource consulting arena - specialists in individual tax, payroll, benefits, assessment, education, equity, reward, staffing, regulatory, legal, and process management - offering clients irreproachable quality services. Services available includes individual advice, ranging from assistance with obtaining work and residence permits, to advice and assistance with all matters regarding Moldova's personal income taxation legislation; executive recruitment and selection; salary surveys; outplacement, and human resources audit.

### Legal Services

Legal Services are provided to multinational and local companies concerning the module of structuring their investments and activities in Moldova, in a multitude of areas such as: foreign investments, banking, securities and financing, privatisation, mergers and acquisitions, legal audit, corporate structures, competition, trade practices, intellectual property, and



# Appendices

	Tel. Number
The Government of Moldova	(+373 22) 25 01 01
The Ministry of Agriculture and Food Industry	(+373 22) 23 34 27
The Ministry of Culture and Tourism	(+373 22) 22 76 20
The Ministry of Defence	(+373 22) 79 91 56
The Ministry of Economy and Trade	(+373 22) 23 74 48
The Ministry of Education, Youth and Sport	(+373 22) 23 33 48
The Ministry of Environment and Natural Resources	(+373 22) 22 62 73
The Ministry of Finance	(+373 22) 23 35 75
The Ministry of Foreign Affairs and European Integration	(+373 22) 57 82 07
The Ministry of Health and Social Protection	(+373 22) 72 99 07
The Ministry of Industry and Infrastructure	(+373 22) 27 80 59
The Ministry of Informational Development	(+373 22) 22 80 98
The Ministry of Internal Affairs	(+373 22) 22 45 47
The Ministry of Justice	(+373 22) 23 47 74
The Ministry of Transport and Road Industry	(+373 22) 22 10 01
The Bureau of Interethnic Relations	(+373 22) 21 40 80
The National Bureau of Statistics	(+373 22) 73 37 74
The Standardisation and Metrology Service	(+373 22) 74 85 88
The Customs Service	(+373 22) 54 94 60
The Service of Frontier Troops	(+373 22) 25 96 40
The Agroindustrial Agency “Moldova-Vin”	(+373 22) 21 00 73
The Department of Penal Jurisdiction of the Ministry of Justice	(+373 22) 55 15 21
The National Bank of Moldova	(+373 22) 22 16 79



## Appendix II

## Bilateral Investment Treaties

Moldova has negotiated a series of treaties on protection on investment with a number of countries.

Investment protection agreements with the following countries are currently in force:

■ Romania	14.08.1992
■ China	06.11.1992
■ USA	21.04.1993
■ Turkey	14.02.1994
■ Germany	28.02.1994
■ Poland	15.11.1994
■ Hungary	19.04.1995
■ Finland	25.08.1995
■ Ukraine	29.08.1995
■ Netherlands	26.09.1995
■ Uzbekistan	21.11.1995
■ Switzerland	30.11.1995
■ UK	19.03.1996
■ Bulgaria	17.04.1996
■ Israel	22.06.1997
■ France	08.09.1997
■ Italy	19.09.1997
■ Azerbaijan	27.11.1997
■ Georgia	28.11.1997
■ Russian Federation	17.03.1998
■ Greece	23.03.1998
■ Czech Republic	12.05.1999
■ Republic of Byelorussia	28.05.1999
■ Lithuania	20.09.1999
■ Latvia	22.09.1999
■ Austria	05.06.2001
■ Croatia	05.12.2001
■ Kuwait	29.03.2002
■ Kyrgyzstan	07.11.2002
■ Tajikistan	05.11.2002
■ Slovenia	10.04.2003
■ Bosnia and Herzegovina	09.04.2003
■ Albania	11.06.2004

Bank		Tel. Number
■ Banca de Economii	bem@bem.md	(+373 22) 24 47 22
■ Banca Sociala	office@socbank.md	(+373 22) 22 14 81
■ BCR, Branch Chisinau	office@bcr.md	(+373 22) 22 05 49
■ Businessbank	bank@businessbank.md	(+373 22) 22 33 38
■ Comertbank	comertbank@mdl.net	(+373 22) 73 99 91
■ Energbank	office@energbank.com	(+373 22) 54 43 90
■ EuroCreditBank	info@ecb.md	(+373 22) 50 02 00
■ Eximbank	info@eximbank.com	(+373 22) 27 25 83
■ Fincombank	fincom@fcb.mldnet.com	(+373 22) 22 74 35
■ Investprivatbank	ipb@mdl.net	(+373 22) 27 43 86
■ Mobiasbank	info@mobiasbank.com	(+373 22) 27 92 69
■ Moldindconbank	info@moldindconbank.com	(+373 22) 54 64 11
■ Moldova – Agroindbank	aib@maib.md	(+373 22) 21 28 28
■ Universalbank	ub@mail.universalbank.md	(+373 22) 29 59 00
■ Victoriabank	office@victoriabank.md	(+373 22) 23 30 65
■ Unibank	welcome@unibank.md	(+373 22) 22 55 86

## Appendix IV

## Hotels and Restaurants

Hotels	Tel. Number
Chisinau***	(+373 22) 57 85 06
Codru ****	(+373 22) 20 81 02
Cosmos ***	(+373 22) 54 27 57
Dacia ****	(+373 22) 23 22 51
Dedeman ****	(+373 22) 20 12 01
Flowers Hotel ****	(+373 22) 27 67 03
Jazz Hotel ***	(+373 22) 21 26 26
Jolly Alon ****	(+373 22) 23 28 96
Luna Hotel ***	(+373 22) 23 35 23
Monte Nelly ****	(+373 22) 29 47 66
Nobil ****	(+373 22) 22 85 80
Villa Natali***	(+373 22) 23 36 63
VisPas Hotel ****	(+373 22) 24 21 29
Restaurants	Tel. Number
Alaverdy (Georgian food)	(+373 22) 44 50 82
Barracuda (Eastern European cuisine)	(+373 22) 20 21 02
Cactus (Moldo-Mexican cuisine)	(+373 22) 50 40 94
Coliseum (Italian food, Pizza)	(+373 22) 29 28 00
Dublin Irish Pub	(+373 22) 24 58 55
El Paso (original Mexican food)	(+373 22) 50 41 00
Equator (Moldo-American)	(+373 22) 20 20 20
Green Hills Nistru Cafe (Turkish-Moldovan)	(+373 22) 22 32 95
Green Hills Nistru Restaurant	(+373 22) 22 04 51
Hunting yard	(+373 22) 78 44 40
La Roma Club	(+373 22) 22 85 90
La Taifas (traditional Moldovan cuisine)	(+373 22) 22 76 92
Monte Cristo (Moldovan cuisine)	(+373 22) 23 53 99
Old City (Moldovan cuisine)	(+373 22) 22 50 63
Berlin (Beer Restaurant)	(+373 22) 75 25 80
Gambrinus	(+373 22) 27 44 50
Nori (Japanese)	(+373 22) 21 10 80
Robin Pub	(+373 22) 24 11 27
Passepartout	(+373 22) 27 94 82
Pani-Pit (European Food)	(+373 22) 24 01 27
Hutoroc (Ukrainian food)	(+373 22) 22 21 02
Ermak (Russian cuisine)	(+373 22) 22 49 31
Pizza House	(+373 22) 23 51 62
The Golden Stag	(+373 22) 33 77 45



During 1997-2004 the following accounting standards were introduced:

- NAS 1 "Accounting Policy",
- NAS 2 "Inventories",
- NAS 3 "Cost and consumption of an enterprise",
- NAS 4 "Accounting for small businesses",
- NAS 5 "Presentation of Financial Statements",
- NAS 6 "Accounting for agriculture",
- NAS 7 "Cash flow statement",
- NAS 8 "Net profit or loss for the period, fundamental errors and changes in accounting policies",
- NAS 9 "Accounting of scientific research and development activity charges",
- NAS 10 "Events after the balance sheet date",
- NAS 11 "Construction Contracts",
- NAS 12 "Income taxes",
- NAS 13 "Intangible assets",
- NAS 14 "Reporting Financial Information by Segment",
- NAS 16 "Property, Plant and Equipment",
- NAS 17 "Leasing",
- NAS 18 "Revenue",
- NAS 20 "Accounting for subsidies and disclosure of information on state assistance"
- NAS 21 "The effects of changing in foreign exchange rates",
- NAS 23 "Borrowing costs",
- NAS 24 "Disclosures of Related Parties",
- NAS 25 "Accounting for investments",
- NAS 26 "Accounting of pension plans"
- NAS 27 "Consolidated financial statements and accounting for investments in subsidiaries",
- NAS 28 "Accounting for associates",
- NAS 30 "Disclosures in the financial statements of banks",
- NAS 31 "Financial reporting of interests in joint ventures",
- NAS 36 "Disclosures in the financial reporting of Borrowings and Savings Associations",
- NAS 62 "Simple accounting system",
- NAS 63 "Disclosure of information in the financial statements of savings and borrowing associations and other similar institutions".

## Major Difference between the Practical Implementation of International Accounting Standards and National Accounting Standards

IAS Number and Description	NAS Number and Description	Difference between IAS and NAS
"Presentation of Financial Statements", effective July 1, 1998. Supersedes IAS1 "Disclosure of Accounting Policies", IAS5 "Information to be Disclosed in Financial Statement" and IAS13 "Presentation of Current Assets and Current Liabilities".	"Accounting Policies" based on IAS1 "Disclosure of Accounting Policies" 1994 revision	NAS 1 contains an additional section "Formation of accounting policies", which sets forth fundamental assumptions, principles and procedures for development of accounting policies at enterprise level.
"Inventories" IAS2, revised 1993, effective January 1, 1995	"Inventories", based on IAS2 1993 revision	NAS does not provide for application of LIFO. <i>Starting on March 9, 200 LIFO is allowed as well.</i> IAS allows LIFO as alternative treatment to FIFO and weighted average.
Superseded by IAS27 "Consolidated Financial Statement and Accounting for Investment in Subsidiaries" and IAS28 "Accounting for Investment in Associates"	"Composition of Costs and Expenses"	NAS contains an additional section on accounting for Low value and Short Life Items and their depreciation.  No comparable IAS exists. The purpose of NAS2 is to explain the composition of costs and expenses of an enterprise based on types of activities. In addition, the Standards set Forth criteria of expense measurement and recognition for financial accounting purpose.
Superseded by IAS1 "Presentation of Financial Statements" effective July 1998	"Presentation of Financial Statements", based on IAS% "Information to be disclosed in Financial Statements" and E53 "Presentation of Financial Statements"	Unlike IAS, NAS5 introduces strict forms of financial reporting, which are approved by the Ministry of Finance and are imperative for use by all enterprises. In addition, NAS5 states that accounting period is one quarter and not one year as envisioned by IAS.
Cash Flow Statements" IAS7, revised 1992, effective 1 January, 1994	"Cash Flow Statement", based on IAS7 1992 revision	NAS 7 recommends that only direct method by applied for Operating Activities section of Cash Flow Statement while IAS7 allows for both direct and indirect.
Construction Contracts" IAS11 revised 1993, effective 1 January, 1995	"Construction Contracts"	NAS 11 does not provide for an expected loss to be accrued immediately and included in the results of the reporting period.
"Income Taxes" IAS12, revised 1996, effective 1 January, 1998	"Accounting for Income Taxes", based on 1996 revision	IAS 12 is using Balance Sheet Liability Method. NAS 12 is using Income Statement Method.
Superseded by IAS1 "Presentation of Financial Statements" effective 1 July, 1998	"Accounting for Income Taxes", based on Exposure Draft E50	NAS 13 was developed on the basis of Exposure Draft E 50 and does not differ from it. With publication of IAS38 it is planned to make changes to NAS13 accordingly.
"Property, Plant and Equipment" IAS16, revised 1998	"Accounting for Long Term Tangible Assets", based on IAS16 1993 revision	NAS16 has an additional section on Natural resources. NAS16 does not envision the decrease of carrying amount of fixed assets by the amount of government grants.

<b>Class I. Long – term Assets</b>	
111-113	Intangible Assets
121-126	Long-term Tangible Assets
131-135	Long-term Financial Assets
41-142	Other Long-term Assets
<b>Class II. Current Assets</b>	
211-217	Inventories
221-229	Short-term Receivables
231-233	Short-term Investment
241-246	Cash
251-252	Other Current Assets
<b>Class III. Owner's Equity</b>	
311-314	Statutory and Additional Capital
321-323	Reserves
331-334	Retained Earnings (Deficit)
341-342	Non-Owners Equity
<b>Class IV. Long-term Financial Liabilities</b>	
411-414	Long-term Financial Liabilities
421-426	Long-term Accrued Liabilities
<b>Class V. Short-term Liabilities</b>	
511-516	Short-term Financial Liabilities
521-523	Short-term Trade Liabilities
531-534	Short-term Accrued Liabilities
535	VAT an Excise Tax Accrued
536	Non-budgetary Liabilities
537	Liabilities to Founders and Other Co-founders
538	Provisions for Future Expenses and Payments
539	Other short term liabilities
<b>Class VI. Revenues</b>	
611-612	Operating Income
621-623	Non-Operating Income
<b>Class VII. Expenses</b>	
711-714	Expenses of Operating Activity
721-723	Non Operating Expenses
731	Tax Expense (Income)
<b>Class VIII. Managerial Accounting</b>	
811-813	Manufacturing Cost
821	Trade Mark-up
822	Return and Allowance on Goods Sold
846	Revenue from retail sale of goods



## Appendix VII

## Chart of Accounts

Class IX. Off-balance Accounts	
911-912	Leased Long-term Assets
921-924	Tangible Assets That Do Not Belong to The Enterprise
931-934	Securities That Do Not Belong to The Enterprise
941-947	Conventional Liabilities and Payments
951-953	Other Assets and Liabilities recorded on Off-Balance Accounts

- 110. Glossary of Terms used in National Standards on Auditing
- 120. Conceptual Framework of National Standards on Auditing
- 200. Objective and General Principles Governing an Audit of F/S
- 210. Terms of Audit Engagements
- 220. Quality Control for Audit Work
- 230. Documentation
- 240. Fraud and Error
- 250. Consideration of Laws and Regulations in an Audit of F/S
- 260. Communications of Audit Matters With Those Charged With Governance
- 300. Planning
- 310. Knowledge of the Business
- 320. Audit Materiality
- 400. Risk Assessments and Internal Control
- 401. Auditing in a Computer Information Systems Environment
- 402. Audit Considerations Relating to Entities Using Service Organisations
- 500. Audit Evidence
- 501. Audit Evidence – Additional Considerations for Specific Items
- 505. External Confirmations
- 510. Initial Engagements- Opening Balances
- 520. Analytical Procedures
- 530. Audit Sampling and Other Selective Testing Procedures
- 540. Audit of Accounting Estimates
- 550. Related Parties
- 560. Subsequent Events
- 570. Going Concern
- 580. Management Representations
- 600. Using the Work of Another Auditor
- 610. Considering the Work of Internal Auditing
- 620. Using the Work of an Expert
- 700. The Auditor's Report on F/S
- 710. Comparatives
- 720. Other Information in Documents Containing Audited F/S
- 800. The Auditor's Report on Special Purpose Audit Engagements
- 810. The Examination of Prospective Financial Information
- 910. Engagements to Review F/S
- 920. Engagements to Perform Agreed-Upon Procedures Regarding Financial Information
- 930. Engagements to Compile Financial Information

## Appendix IX

## Double Taxation Treaties to which Moldova is a Party\*

State	Dividends	Interest	Royalties
Albania	5 / 10	5	10
Armenia	5 / 15	10	10
Austria	5 / 15	5	5
Azerbaijan	8 / 15	10	10
Byelorussia	15	10	15
Belgium	15	15	0
Bosnia & Herzegovina	5 / 10	10	10
Bulgaria	5 / 15	10	10
Canada	5 / 15	10	10
China	5 / 10	10	10
Czech Republic	5 / 15	5	10
Estonia	10	10	10
Germany	15	5	0
Greece	5 / 15	10	8
Hungary	5 / 15	10	0
Japan	15	10	0 / 10
Kazakhstan	10 / 15	10	10
Latvia	10	10	10
Lithuania	10	10	10
Netherlands	5 / 15	5	2
Poland	5 / 15	10	10
Romania	10	10	10 / 15
Russian Federation	10	0	10
Switzerland	5 / 15	10	0
Turkey	10 / 15	10	10
Tajikistan	5 / 10	5	10
Ukraine	5 / 15	10	10
Uzbekistan	5 / 15	10	15

\* This list includes only the double tax treaties which are currently applicable



No	Products of Groups of Products	Units	Excise Rate
1	Red caviar	MDL	20 %
2	Sturgeon caviar (black caviar) and caviar substitutes from grain of roe of other fish	MDL	25 %
3	Coffee, roast and non roast , with caffeine and decaffeinated; coffee-substitutes in any proportion	MDL	10 %
4	Malt Beer	Litre	1.00 MDL
5	Sparkling wines	MDL	10%, but not less then 2.50 MDL /litre
6	Champagne	MDL	10%, but not less then 2.50 MDL /litre
7	Natural alcoholic drinks in empties till 2 litre - with alcohol contained till 13% - with alcohol contained over 13%	MDL	10%, but not less then 1.25 MDL /litre 10%, but not less then 1.5 MDL /litre
8	Soft drinks	MDL	10%, but not less then 0.15 MDL /litre
9	Cigarettes -with filter -with out filter	1000 pieces 1000 pieces	8.7 MDL 3.7 MDL
10	Other cigars, cigarillos, and cigarettes containing tobacco substitutes	1000 pieces	6.2 MDL
11	Cigars, cigars with cut tops and cigarillos (thin cigars)	1000 pieces	1240 MDL
12	Diesel oil	Ton	MOL 500
13	Premium, Regular and Normal fuel	Ton	MOL 1200
14	Precious jewellery or jewellery from plated and non-plated metals	MDL	10 %
15	Perfumes	MDL	10%
16	Fur clothes (mint, polar fox, fox, sable)	MDL	25 %
17	Video recording devices or video reproducing devices connected or connected with video tuner	A piece	10 Euro

18	Tape recorders, radio tape recorders, auto tape recorders, audio players	MDL	15 %
19	Video cameras and frame imaging and other recording video cameras	A piece	30 Euro
20	Automobiles with internal combustion engine and spark ignition:		
	- with working capacity of engine not more than 1000 cc	cubic cm	0.30 Euro
	- with working capacity more than 1000 cc, but not more than 1500 cc	cubic cm	0.40 Euro
	- with working capacity more than 1500 cc, but not more than 2000 cc	cubic cm	0.60 Euro
	- with working capacity more than 2000 cc, but not more than 3000 cc	cubic cm	1.00 Euro
	- with working capacity of 3000 cc	cubic cm	1.60 Euro
	Automobiles with internal combustion engine of compression ignition (diesel or half-diesel)		
	-with working capacity of engine not more than 1500 cc	cubic cm	0.40 Euro
	-with working capacity more than 1500 cc, but not more than 2500 cc	cubic cm	1.00 Euro
	-with working capacity more than 2500 cc	cubic cm	1.60 Euro
21	License for gambling business	price	25%
22	Mixtures of aromatic compounds used as feedstock; other preparation on basis of aromatic compound used for the production of beverages	Litre of absolute alcohol	0.09 MDL/% ab.alcohol/litre
23	Stamping foil	Litre of absolute alcohol	0.09 MDL/% ab.alcohol/litre
24	Pearl essence	Litre of absolute alcohol	0.09 MDL/% ab.alcohol/litre
25	Fluid and slurred pigments used for the production of dyes	Litre of absolute alcohol	0.09 MDL/% ab.alcohol/litre
26	Dye and dye-stuffs destined for retail sale	Litre of absolute alcohol	0.09 MDL/% ab.alcohol/litre





**Notes**



Your worlds



Our people\*

\*connectedthinking

PRICEWATERHOUSECOOPERS 