Moving forward requires expertise

M(o)ore Stephens KSC News – Romania and Moldova

We are committed to expertise excellence so we provide monthly publication that keeps you up to date with the latest developments in tax. The alert is compiled by our tax specialists and you can find below a summary of the latest tax legislation changes that can impact you and your business, allowing you to be able to react in an appropriate and timely manner.

December 2016 – Republic of Moldova tax news

Wealth tax – New income tax in the Tax Code

Based on the Law No. 138 of 06.17.2016, there have been approved a series of amendments to legal acts, including the Tax Code. With the implementation from 01.01.2017, in the tax legislation appears a new title - Title VI - Wealth tax, which is meant to help improve tax equity, avoiding deviation from taxation of acquired assets and lead to fiscal accountability.

Thus, individuals who own real estate (one or more) for housing (excluding land) in Moldova, which have a larger area than 120 sq. m, with an estimated value assessed by the competent territorial cadastral body exceeding 1.5 million will pay wealth tax.

The method of repayment of funds received following the realization of the buildings, land and selling of shareholding:

On August 8th, 2016, the Ministry of Finance informed that by the Order No. 98 of July 19, 2016 (Official Gazette nr.232-244 / 1224 of 07/29/2016) has been amended the Order on the method of payment and evidence of payments to the national budget through the treasury system of the Ministry of Finance during the year 2016, No. 180 of October 12, 2015.

Thus, the funds from the realization of buildings, the funds from realization of land and from the sale of the shareholding as result of privatization, collected to the state budget, shall be refunded by the Ministry of Finance based on payment documents’ schedule completed by the Public Property Agency with information related to its competence, according to the request submitted by the beneficiary to the Public Property Agency, attaching supporting documents. The funds listed above, collected to the local budget, shall be refunded by local authorities, to whose budgets thereof have been collected.

Rent, Leasing,Usufruct of Real Estate
Granting into use and / or possession of the real estate (citizens-citizens)

• 10% of the contract value

Modification of vat regime related to some economic operations (copyright, solid biofuel)

• Article 103 para. (1) pt.7

Services related to operations of licensing and issuance of patents (excluding brokerage and those related to the import of goods specified in Article 11 para. (1) letter d) of Law No. 1380-XIII of 20 November 1997 on customs tariff related to objects of industrial property, as well as objects of copyright and related rights;

Exempt ➔ Taxable supplies

• Article 104 lett.b 1)

The wood biomass, embrace and fruits intended for production of thermal energy and hot water.

0% Rate ➔ 8% Rate
Income tax on individuals

- The tax threshold was increased as follows:
  - VI<29640:7% ➔ VI<31140:7%
  - And, respectively, from
  - VI>29640:18% ➔ VI>31140:18%.

- Personal annual exemption became 10 620, compared to 10 128 for 2016.
- Major personal annual exemption became 15 840, compared to 15 060 for 2016.
- Annual exemption for dependents became 2 256, compared to 2 340 for 2016.

Capital growths

- Exemption of income from the alienation of the basic dwelling/residence
- Defining the criteria for determining the basic dwelling/residence
- Review of the types of capital assets
- Establishing the method to determine and confirm the value basis

Taxation regime related to income from the lease of agricultural land

- 7% - final withholding.

The citizen is exempt from including the income from the lease of agricultural land in the gross income when filling the tax return.

The tax regime on income from agricultural production delivery by citizens

The sale of agricultural production

- 3% of the income

Fiscal period

"transitional fiscal period" between the end of the current fiscal period and the first day of the new fiscal period, in case of application of a new fiscal period.

Anticipated individualized tax solution (AITS)

According to the latest changes, it was introduced a new article which regulates the right of individuals or legal entities to request an anticipated tax solution for individual issues, against an issuing fee.

AITS Concept

- Beneficiaries: Legal entities;
- Issuing body: STS;
- Cost: 1 500 EUR / 3 000 EUR;
- It is mandatory for bodies with tax administration competence;
- In case of amending the concerned legislation, AITS lapses.

AITS Advantages

- Stability and predictability;
- Confidence in the correct application of tax laws;
- Reducing the conflicts between businesses and authorities;
- Tax risk management.

Recording of the economic operations in the general electronic register of fiscal invoices

At Article 118¹ General electronic register of fiscal invoices, at paragraph (1) the word "released" is replaced by the word "accepted" and the word "supplier" is replaced by the word "buyer (beneficiary)" and the text "where the total taxable value of the VAT taxable supply exceeds the amount of 100,000 lei" is excluded.

Previously, in accordance with art. 118¹ of the Fiscal Code, the obligation to record fiscal invoices in the General electronic register of fiscal invoices, in the form and manner established by the Main State Tax Inspectorate, belonged to providers subject to VAT taxation, if the total taxable value of the VAT taxable supply exceeded the amount of 100,000 lei.

After latest modifications, this obligation passes to the buyer / beneficiary. Likewise, disappears the threshold of 100,000 lei to be overcome for invoice registration in the Register, previously stipulated in Art. 118¹.

Fiscal invoice registration period

Paragraph (1)¹ of the same article regulates a new period for the mandatory invoice registering in the general electronic register. Previous term of „10 working days from the date of issue” extends till the „10th of the month following the month in which the delivery documented by the respective fiscal invoice took place”.

Extension of facilities in IT sector until 2020

Increase of excise duty rates

A project was implemented on a gradual increase, until 2019, of the excise duty rates for the following products:

- Petroleum products;
- Tobacco product;
- Alcoholic products.

Cancelation of excise duty for a certain category of goods

- Sound recording devices;
- Video recording or reproducing devices;
- Other video recording or reproducing devices;
- Reception devices for radio-broadcasting.

Local taxes

- Introduction of a threshold system for local taxes;

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- Assigning right to local authorities to issue notices of payment for persons engaged in entrepreneurial activities;
- Broadening the tax base fee for commercial units and/or service (for example: financial institutions’ activity, activities in the field of accounting and financial audit, consulting activities for businesses and management, activities of dental care, activities of electronic communication cable networks, satellite electronic communications activities, etc.).

**Tax on real estate**

- Real estate tax rate increases, for goods with destination other than housing, from 0.1% to 0.4%;
- Increase the maximum rate taxation ranges for real estate intended for housing from 0.3%, to 0.4%;
- Review of exemptions related to taxes on real estate.

**Other measures**

- Applying the same rules for taxation of income from sports betting revenues, such as from promotional campaigns and/or lotteries;
- Annulment of the right of economic agents to deduct for fiscal purposes the donations performed if the favor of trade unions and employers’ organizations (5% of taxable income) according to article 36 para. (1) of the Fiscal Code;
- The introduction of the final withholding tax in the amount of 10% of the personal income from the sale of goods through consignment trade units;
- Modification of the criteria for assigning of the resident status, namely, the revision of the term of a person's stay in Moldova, from “at least 183 days during the fiscal year” to “any 12 consecutive moths”;
- Application of the same indicator for the computation of the employer’s facility granted by the employer, as in case of deduction of interest related expenses, incurred under the loan agreement by the economic agents in benefit of individuals and legal entities;
- Reflection in the Fiscal Code of the way of exclusion from passing into account and reporting as costs or expenses of the VAT amount, in case of changing the tax regime for the delivery of goods (services) from taxable in exempt from VAT;
- Decrease of the excise duty rate till EUR 2,5 for vehicles with an engine capacity of 3000 cm³ (petrol) and an engine capacity of 2500 cm³ (diesel), compared to those set for 2016 in the amount of EUR 3.72;
- Exception to the exemption of excise duties on ethylic alcohol use by subjects of taxation performing economic activity both in the perfumery and cosmetics industry and in the production and marketing of alcoholic products, etc.
Based on the Government Emergency Ordinance 84/2016, it has been approved a series of amendments to legal acts, including the Tax Code.

It is introduced a simplified VAT regime for farmers

The special regime means that no VAT will be collected for sales and not VAT will be deducted for acquisitions. Instead, fixed compensation (1% for 2017, 4% for 2018 and 8% for 2019) will be received by farmers.

It is introduced an indefinite extension of the non profit taxation for reinvested profits in technological equipment.

The rules on VAT deduction in situations where the VAT code is cancelled ex officio are changed.

Beneficiaries have the right to deduct VAT after re-registration for VAT purposes of the supplier who had previously the VAT registration code cancelled.

When registering for VAT purposes according to art. 316 par. (12) of the supplier / provider, beneficiaries who have purchased goods and / or services during the period in which the supplier / provider had its VAT registration code cancelled, are exercising the right to deduct VAT on purchases in question, based on invoices issued by the supplier / provider under par. (6) by the registration of the tax in the first tax return stipulated in art. 323 submitted after the registration of the supplier / provider or, where appropriate, in a subsequent return.

It is eliminated the Register of Intracommunity Operators. The new legal norm specifically stated that "it shall be no longer justified the restricting of economic operators to the access to a valid VAT code for intra-community transactions, through recording in the Register of Intracommunity Operators, given that there are now other levers, more effective, to prevent tax evasion, including as regards intracommunity operations.

Microenterprises with a registered capital of at least 45,000 lei are able to choose to pay the corporation tax, the ceiling being decreased from a previous provision mentioning 25,000 EUR.

Existing microenterprises that have subscribed a capital of at least 45,000 lei may choose to apply the provisions of Title II starting with the 1st of January 2017 or with the first quarter during which this condition is met. The option is final, provided that the value of the capital is maintained for the entire period of the legal entity existence.

If this condition is not met, the legal entity applies the provision of the present title, starting with the fiscal year following that during which the value of the capital is less than 45,000 lei.

As regards the remuneration paid day labourers, it is specified that these amounts are not included in the monthly calculation base of social insurance contributions.

Taxable persons who have opted for a fiscal year different from the calendar year may return to the calendar or fiscal year. Until now this situation was not encompassed in any legislation so it was not applied.

A new category of deductible expenses is introduced as the costs incurred for the organization of professional and technic education, according to legal regulations in the field of national education. Fixed assets held and used for the organization of this type of education and other investments can be depreciated.

Starting January 1, 2017 Health insurance contribution will be capped at 5 times the gross average salary. Thus, for income received starting on 1 January 2017, the monthly calculation base of social insurance contributions for health cannot be higher than the value of 5 times the average gross salary in force in the year for which it is established contribution. For revenues derived from January 1, 2017 persons who obtain income from intellectual property, income from investments and income from other sources will also have to pay social health insurance contribution for such income, no matter if they realized or not other income.

Until now this was not an obligation if salaries or assimilated income was obtained additionally.

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