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Country Profile: Moldova

The Facts

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| Location | Eastern Europe, northeast of Romania |
| Languages | Official – Moldovan Spoken – Russian and Gagauz |
| Nationality | Moldovan |
| Religions | Eastern Orthodox – 98% Others – 2% |
| Government | Republic |
| Head of Government | Prime Minister |
| Legislature | Unicameral Parliament |
| Constitutional Document | Constitution of the Republic of Moldova |
| Economy | The Moldovan economy is dominated by the agricultural sector and downstream processing industries. After achieving independence, Moldova took steps toward converting to a market economy and launched an ambitious privatization program. Exports include foodstuffs, textiles, and machinery, etc. Moldova imports all of its oil, coal, and natural gas, as well as machinery, chemicals, and automobiles. The principal trading partners are Russia, Ukraine, and Romania. |
| Currency | Moldovan Leu (MDL) |
| GDP (2012) | Total – MDL 90.14 billion Per capita – MDL 25,372 Real GDP growth – 0.3% |
| Population | 3,619,900 (approx.) |
| Percentage of population | Moldovan/Romanian – 78.2% Ukrainian – 8.4% Russian – 5.8% Gagauz – 4.4% Others – 3.2% |
| Area | 33,851 km ² |
| Time zone | EET (UCT +2) EEST (UCT +3) |
| Public Holidays | 14 |
| Climate | Moderate winters, warm summers |



Sources: Central Intelligence Agency, International Monetary Fund, Fact Monster

Moldova

The Republic of Moldova is one of the six Eastern Partnership countries, located along the Eastern borders of Romania and sharing many linguistic similarities with the latter. Moldova enjoys a favorable climate and good farmland but has no major mineral deposits. As a result, the economy depends heavily on agriculture, featuring fruits, vegetables, wine, and tobacco.

In the past few years, Moldova has developed into a stable, growing economy by pursuing incremental reforms and strengthening partnerships. Government incentives, such as free economic zones, tax facilities for exporters, as well as growing internal consumer markets created a unique combination of advantages and attracted multinational companies operating in such areas as financial services, building and construction, engineering, processing industries, energy, wholesale and retail trade, information technologies, telecommunications and media.

The Moldova Business Climate

The below are the top reasons to invest in Moldova:

- **Strategic location:** Moldova is situated between Romania and Ukraine. Thus, beginning with 2007, Moldova will neighbor the EU. At the same time, Moldova is part of the CIS. Most of Moldovan population speaks both Romanian and Russian languages, thus making economic connections with the neighboring countries easier due to low language barriers. Despite the communist party being at the power in Moldova, the government is pursuing the goal of eventually joining the EU. Reforms are being initiated and carried out to converge to the EU standards in the field of economic development, social guarantees and others.
- **Attractive operating cost:** With Moldova being a low-cost country, living costs are relatively low. Foreign experts can be deployed to Moldova for a fraction of costs typical for US or Western Europe. At the same time, supporting local personnel is even cheaper.
- **Access to the Black Sea through Giurgiulesti International Free Port:** Giurgiulesti International Free Port is situated on the River Danube in the South of Moldova. The Port serves its client as:
 1. the only direct sea/river-borne transshipment and distribution point to and from the Republic of Moldova
 2. a regional logistics hub on the border of the EU with access to road, rail, river, sea, and
 3. an excellent location for business development, because of its strategic location, tri-modal transport infrastructure, low cost environment and a unique customs and tax regime
- **Moldova is party to international trade agreements and systems:** Moldova is a member of WTO. Being a member of the CIS, Moldova also benefits from free trade agreements with the CIS countries. Moldova also benefits from the EU GSP Plus system (source: Generalised System of Preferences Plus), and from the free trade agreements signed with the South-East European states. Moldova is also expected to join the CEFTA (Central European Free Trade Agreement) soon (source: Moldpres news agency).
- **Ongoing privatization process:** Since gaining independence in 1991, Moldova has been moving away from the centrally-planned economy type to a free one. This process has been characterized by the privatization of many of the formerly state-owned companies, properties, and land. The privatization of state-owned assets is still ongoing.
- **Stable economy:** Moldova has exhibited a stabilized economic condition. Its real GDP has been growing steadily since recovering the Russian economic crisis of 1998, and even the ban by Russian authorities to export Moldovan wines to Russia has not crippled the economic growth, although somewhat slowed it down. Real GDP growth rates, Moldova. The exchange rate of the Moldovan Leu, the national currency of Moldova, against the US Dollar has oscillated mainly between 10-13 MDL during the past 10 years.

- **Competitive labor force:** The average wage rate is very low in Moldova. Almost 13% of Moldova's population above the age of 20 has a university degree, while the literacy rate is close to 100%.
- **Openness to foreign investment:** Foreign investment is welcomed by Moldovan authorities. A number of foreign companies have been operating successfully in Moldova. Among them are Lafarge, Sudzucker, Union Fenosa, Metro Cash & Carry and others. Moldova's Index of Economic Freedom, as measured by the Heritage Foundation, compares well with its neighbors. Thus, the Index value for 2006 was 3.10 (on a 1 to 5 scale, with 1 being the best), compared to 3.19 for Romania, 3.24 for Ukraine, 4.11 for Belarus and 3.50 for Russia (source: the Heritage Foundation, www.heritage.org). At the same time, some reforms take place to improve the business climate in the country, and while some might argue that these reforms are too insignificant, they nonetheless show the desire of the authorities for positive change.
- **Logistical, transport and communication infrastructure:** The transport infrastructure linking Moldova with Romania and Ukraine includes highways and railroads. Highways are being repaired, albeit slowly. Recently, a new eastward railroad route was launched to enter Ukraine circumventing the Transnistria region, greatly reducing the risk of road blocks. Chisinau also has an international Airport. On October 26, 2006, a port was opened on the Danube river, which is expected to be open to passenger and freight transit within the next two years (until then it will be used for oil imports - the primary purpose of its construction). Telecommunications are also advancing at a fast pace. The government has set a target to provide access to telephone for every household in the country and is actively pursuing this target through the currently state-owned Moldtelecom company. Broadband Internet is available from a number of providers in Chisinau, and Moldtelecom provides access to ADSL services in other parts of Moldova. The price of Internet has gone down considerably in the recent years, making it affordable to the general population and enterprises.

Setting up a Business in Moldova

The State Chamber of Registration is the authority, which, by means of its territorial offices, enters into the State Register the legal entities and private entrepreneurs, founded on the territory of the Republic of Moldova, except of those who, according to the legislation, have to register with other public authorities. The Chamber is responsible for the below:

- State registration of the legal entities and private entrepreneurs
- Keeping the State Register
- Issuance of the extracts from the State Register
- Offering legal assistance and other services related to the state registration of the legal entities and private entrepreneurs
- Participation in the elaboration of the legal framework in the domain of state registration of the legal entities and private entrepreneurs
- Contribution or participation in researches, evaluations and review papers referring to the state registration
- Publication the Official Gazette of the State Chamber of Registration

Registration of a legal entity (company) in the Republic of Moldova consists of the following stages:

- Verification of name availability, name reservation
- Identification of activity fields in compliance with CAEM-3 – Classification of Economic Activities in Moldova.
- Signing of a pre-agreement or receiving of a letter of guarantee from a leaseholder on leasing an office to register the legal address of a new legal entity at that physical address
- Filing of a set of documents with the State Registration Chamber where an officer of the Chamber will fix the date and time for you to appear before the registrar where the authentication of the constituent documents will take place. This procedure takes place with the presence of founders or persons authorized to present their interests in
- Opening of a temporary bank account and deposit of the subscribed social capital in that account. The minimum social capital for a Limited Liability Company makes up MDL 5,400; for a Joint-Stock Company – MDL 20,000;



- Presentation at the registrar of the State Registration Chamber for authentication of the constituent documents and issue of the registration certificate, constituent documents and the company's seal. This procedure takes place with the presence of founders or persons authorized to present their interests in registering of a legal entity in Moldova
- Making record of a new registered entity with the public authorities – may also take place on the basis of a simple power of attorney from the manager of the established company
- Notary's attestation of the specimen signature to be presented with the bank, signing of agreement on bank account – takes place with personal participation of the manager who will have the right of the first signature and, in case of the second signature, with the personal presence a person with the right of the signature No.2 (chief accountant, as a rule)
- Bank account activation – the company's bank account becomes operational after the bank receives evidence on registration of the bank account from the sector tax authority. The bank should receive the confirmation within up to 30 days. As a rule, this term makes up 7 days
- Making record of the legal entity with the National Bureau of Statistics, the National Office of Social Insurance, and the National Health Insurance Company

The following set of documents is to be presented with the State Registration Chamber to register the legal entity:

- Identity cards of founders or their representative(s) authorized by a power of attorney in compliance with the law, as well as ID of the manager of the legal entity
- Excerpt from the national register of the country of origin of a foreign legal entity, in case of establishment of a foreign company. This should be an original or in copy attested by a notary, translated into the state language and legalized by consular offices of the Republic of Moldova abroad
- Constituent documents of the foreign legal entity, in case of a founder of a foreign company, articles of association and registration certificate. This should be an original or in copy attested by a notary, translated into the state language and legalized by consular offices of the Republic of Moldova abroad
- Criminal record of a foreign national to be assigned as manager – they present two criminal records, one issued by the competent authorities of the country of origin and the other issued in the Republic of Moldova. This should be an original or in copy attested by a notary, translated into the state language and legalized by consular offices of the Republic of Moldova abroad
- Decision of associates (competent body) on establishment of a legal entity or representative office in the Republic of Moldova
- Evidence of paid registration fee

Company registration costs amount to about EUR 50. Company registration costs includes state registration fee collected for document processing and seal cost. Social capital costs are also to be incurred and represent the minimum value of assets to be possessed by the company expressed in a fixed amount or, as required and if provided for by the articles of association, in kind, according to an independent evaluation.

In case of a well-prepared set of documents, the duration of registration constitutes 1 day (urgent treatment) or 5 days (regular treatment). Taking into consideration that state registration of companies includes opening of a bank account, registration as a taxpayer with the State Tax Authority, the National Bureau of Statistics, the National Health Insurance Company, the National Office of Social Insurance, etc., it will take about 10 days for the registered company to become fully functional.

Types of Business Structures in Moldova

Foreign investment is allowed in almost all branches of the Moldovan economy. Certain activities may be conducted only by Moldovan state owned companies, including production and sale of narcotics and poisonous substances, production of weapons, production and sale of military equipment and explosives, as well as certain types of medical assistance. Foreign investors may establish new companies or acquire shares in existing companies. Companies may be organized in the following legal forms:

- **Sole Proprietorship:** A sole proprietorship is formed on the basis of the property of an individual or his family. This form of doing business entails unlimited liability for sole proprietors and deems the property of the business to be the owners' joint property.
- **General (Full Liability) Partnership:** A general (full liability) partnership is considered to be an entity created by no less than 2 and no more than 20 legal and/or natural persons, which joined their assets for the purpose of practicing joint business activity under a common brand name. All partners of a general partnership bear unlimited joint and several liability for the obligations of the partnership.
- **Limited Liability Partnership:** A limited liability partnership is an entity created by no less than 2 and no more than 20 legal and/or natural persons who joined their assets for the purpose of practicing joint business activity under a common brand name. A limited liability partnership requires at least one full partner and one limited partner. Full partners bear unlimited joint and several liability for the obligations of the partnership, while limited partners bear liability for the obligations of the partnership only to the extent of the value of their contribution (share) in the registered capital of the partnership.
- **Limited Liability Company:** A limited liability company is considered to be a business entity with a registered capital of at least 300 minimal wages established by law as of the date of state registration of the company (i.e. MDL 5,400 or about USD 415) divided into shares (contributions), the value of which is determined by the constituent documents of the company. The number of participants (natural and/or legal persons) in a limited liability company may not exceed 50. A limited liability company may also be created by a single natural or legal person. As a legal entity, a limited liability company bears liability for its obligations only to the extent of the value of its assets. The participants in a limited liability company bear liability to the extent of the value of their contributions in the registered capital of the company. The participants which have not made their contribution in full bear liability for the obligations of the company to the extent of the value of their contributions including the unpaid part of their contribution.
- **Joint Stock Company:** A joint stock company is a business entity, whose registered capital is completely divided into shares of stock and whose obligations are secured by the assets of the company. The shareholders of a joint stock company may be natural and legal persons from Moldova and abroad, stateless persons as well as foreign states and international organizations. A joint stock company may also be created by one legal or natural person only. Current legislation provides open and closed joint stock companies. A joint stock company is considered to be open if its shareholders have the power to alienate their shares to third persons without any restrictions. An open joint stock company may exercise public placement and sale of its shares and other securities among the unlimited circle of persons. The law does not limit the number of shareholders in an open joint stock company. A joint stock company is considered to be closed if its shareholders or the company itself have a preferential right to purchase the shares being alienated by shareholders of the company. A closed joint stock company may not carry out public placement and sale of its shares and other securities among the unlimited circle of persons. A closed joint stock company shall have no more than 50 shareholders. The registered capital of an open joint stock company shall constitute no less than MDL 20,000 (about USD 1,538), while the registered capital of a closed joint stock company – no less than MDL 10,000 (about USD 769). Shareholders bear responsibility for the obligations of the joint stock company to the extent of the value of their shares.
- **Lease Enterprises:** Lease enterprises are considered to be legal entities created by the personnel of state and municipal enterprises or their structural subdivisions for the purpose of practicing joint business activity under a common brand name. Participants in a lease enterprise shall bear liability for the obligations of the company to the extent of the value of their share in the assets of the enterprise.



- **Branch and Representative Office (Establishment) of Enterprise:** The Moldovan law permits enterprises to establish their branches and representative offices (establishments). Branches and representative offices (establishments) are not considered to be legal entities, except for those created by foreign enterprises. Enterprise shall bear liability for the obligations of their branches and representative offices (establishments), while the latter shall bear liability for the obligations of the respective enterprise. Branches and representative offices (establishments) must be indicated in the constituent documents of the enterprise.

Taxation

The below are the two common taxes for doing business in Moldova:

- **Income tax:** Any natural and legal person, other than partnership, who derive income in the fiscal year from Moldovan sources as well as legal persons gaining income from any foreign sources and individuals who derive investment or financial income from sources located outside of Moldova. The taxable base is generally the gross income (including tax benefits) derived by the taxpayer from all sources, reduced by deductions and excluding income exempt for tax purposes. Individuals, including peasant (farm) enterprises and sole proprietorships, are subject to income tax at the following rates:
 1. 10 percent of gross yearly taxable income between MDL 12,180 and MDL 16,200
 2. 15 percent of gross yearly taxable income between MDL 16,201 and MDL 21,000 and
 3. 22 percent of gross taxable income that exceeds MDL 21,000
 4. legal persons pay income tax at the rate of 20 percent
- **Value added tax (VAT):** The VAT is a state tax and a form of collection to the budget of part of the value of delivered goods and provided services that are subject to taxation in Moldova, as well as part of taxable goods and services imported to Moldova. There is a standard rate in the amount of 20% of the taxable value of imported goods and services as well as supplies made in Moldova and zero rate for certain eligible supplies of goods (services). In addition, there are reduced rates in the following:
 1. 8% for bread and bakery products, milk and dairy products delivered in Moldova, except for food products destined for children and not subject to VAT
 2. 5% for natural and liquefied gas, both imported to and delivered in Moldova

Investment Incentives in Moldova

According to Moldovan legislation, enterprises registered in Moldova benefit from tax incentives towards investments:

- Enterprises whose registered capital exceeds USD 250,000 are entitled to 50% exemption of corporate tax payment for a period of 5 consecutive years.
- Enterprises whose registered capital exceeds USD 2,000,000 are entitled to 100% exemption of corporate tax payment for a period of 3 consecutive years.

At least 80% of the exempted corporate tax must be invested each year in the development of the enterprises' own production or government programs for economic development. Enterprises, including those with foreign participation, whose corporate tax exemptions have expired are entitled to a reduction in their taxable income of 50% of the initial value of purchased long-term material assets including those acquired under lease agreements. The structure of extended tax incentives which will be offered to investors from 1st January 2007 will be as follows:

- Enterprises whose registered capital exceeds USD 250,000 are entitled to 50% exemption of corporate tax payment for a period of 5 consecutive years on the condition that at least 80% of the exempted corporate tax is invested each year in the development of the enterprises' own production or government programs for economic development
- Enterprises whose registered capital exceeds USD 2,000,000 are entitled to 100% exemption of corporate tax payment for a period of 3 consecutive years on the condition that at least 80% of the exempted corporate tax is invested each year in the development of the enterprises' own production or government programs for economic development
- Enterprises whose registered capital exceeds USD 5,000,000 are entitled to 100% exemption of corporate tax payment for a period of 3 consecutive years on the condition that at least 50% of the exempted corporate tax is invested each year in the development of the enterprises' own production or government programs for economic development
- Enterprises whose registered capital exceeds USD 10,000,000 are entitled to 100% exemption of corporate tax payment for a period of 3 consecutive years on the condition that least 25% of the exempted corporate tax is invested each year in the development of the enterprises' own production or government programs for economic development
- Enterprises whose registered capital exceeds USD 20,000,000 are entitled to 100% exemption of corporate tax payment for a period of 4 consecutive years on the condition that at least 10% of the exempted corporate tax is invested each year in the development of the enterprises' own production or government programs for economic development
- Enterprises whose registered capital exceeds USD 50,000,000 are entitled to 100% exemption of corporate tax payment for a period of 4 consecutive years.

Immediately after the expiry of the corporate tax exemption period the enterprises which have met the conditions have the right to benefit from 100% exemption of corporate tax payment for a further 3 consecutive years on the condition that foundation capital is increased or a further capital investment of over USD 10,000,000 is made. Additional incentives as below:

- Enterprises that are resident in the international port of Giurgiulesti Port that make capital investment of over USD 5,000,000 are exempt from income tax for 5 consecutive years. Enterprises that make additional capital investments of over USD 5,000,000 are exempt from income tax for a further 2 consecutive years.
- IT enterprises whose income is over 50% derived from the sale of their own developed software are exempt from income tax for a period of 5 years.

Immigration and Visa Requirements

Foreign citizens and stateless persons who want to engage in employment in the Republic of Moldova must obtain a work permit from the National Agency for Employment of the Ministry of Economy. To grant the right to work, the employer or its legal representative shall submit to the National Agency for Employment the following documents:

- Demarche of the company/organization/institution to the National Agency for Employment
- Questionnaire-application of the immigrant worker
- Copy of favorable opinion issued by the National Agency for Employment

- Copies of constituent documents of the company/organization/institution (certificate of registration of the company, a recent extract from the State Register of enterprises, the State Register of non-governmental organizations, or work authorization/license, if applicable)
- Documents confirming the activity of the company (certificate from the Tax Inspectorate on the lack of arrears to the national public budget, a copy of the financial report for the last period of management under the law in force)
- Individual employment contract, in the original
- National identity card of the foreign citizen or the identification card of the stateless person, with mentions relating to the crossing of the state border and its copy
- Copy of the study document or other document confirming the qualification of the specialist invited to work, translated in the Moldovan language, legalized or with apostil
- Standard medical certificate and the medical certificate confirming the absence of HIV/AIDS in the original
- Document confirming the provision with rental space for the period requested (the owner's declaration/rental agreement/sale-purchase contract)
- Color photograph, 50x60 mm, on white background
- Criminal record from the country of origin, translated in the Moldovan language, legalized or with apostil

Foreign citizens who plan to stay in Moldova for more than 90 days have to obtain from the Office of Migration and Asylum the certificate of immigration. For this, the foreign citizen or stateless person shall submit to the Office of Migration and Asylum (Boulevard Stefan cel Mare 124, Chisinau), the following documents:

- Medical certificate on state of health and medical test results for HIV/AIDS, in original
- Copy of the passport and passport Annex containing the visa with valid term
- Copy of the identification card of the spouse
- Copy of the marriage or divorce certificates
- Argued opinion of the National Agency for Employment (for those who come to work)
- Copy of the employment contract for immigrants who come to work
- Authenticated notarized consent of the person granting the housing
- Copy of the study document
- 3 photos, 5x6 mm
- Receipt confirming the payment of the state fee

Banking Requirements

Documents necessary to open a corporate current account in Moldova:

- Application to open an account
- Copy of the registration certificate of the company issued by the State Registration Chamber attached to the Ministry of Justice of the Republic of Moldova, or other notarized documents which confirm state registration according to the legislation in force
- Notarized copy of the incorporation document (charter, regulation, establishment contract etc.)
- Notarized copy of the attribution of the fiscal code
- Certificate of fiscal registration (presented separately for every account)
- Signatures specimen and notarized sample of the seal (in duplicate)
- Extract from the State Commercial register which confirms an authorized person to manage the company issued by the State Registration Chamber or regional bodies of the State Registration Chamber.

Non-resident legal entities, in the event of lacking the registration certificate of the company issued by the State Registration Chamber attached to the Ministry of Justice of the Republic of Moldova or other documents which confirm state registration according to the legislation in force, it is possible to present copy of extract from the commercial register of the country with regard to registration of the company as legal entity.

Reference

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