

Preferential tax regimes for investments in the Republic of Moldova

Introduction

Today, the Republic of Moldova is one of the most attractive destinations for investments in Eastern Europe, offering preferential tax regimes for investors. At present, fiscal facilities offered for residents of the Free Economic Zones (FEZ), Giurgiulesti International Free Port, IT parks and the Citizenship Program through Investments represent the main incentives.

In addition, Moldova has the advantage of being a bridge between East and West, as it is a signatory to the Association Agreement with the European Union (incl. DCFTA since 2014) and a member of the Community of Independent States. Moldova is also a Member of the World Trade Organization and a signatory to the Central European Free Trade Agreement. It has a Free Trade Agreement with Turkey and has 48 operational tax treaties in place, which safeguard against double taxation with other jurisdictions.

The main facilities

Seven free economic zones were created by Law No. 440 of 27 July 2001: "Expo-Bussines-Chisinau", "Ungheni-Bussines",

"Balti", "Otaci-Bussines", "Taraclia", "Valkanes", and "Tvardita".

Investing in these areas brings the following tax privileges: no VAT and excise duties are levied; the corporate tax rate is 6% instead of 12% as a general rule, with exemptions applied on income tax for exporting goods and services; the corporate tax rate for income derived from activities other than exporting goods and services is 9%; income tax exemption for between 3 and 5 years if an investment is made of between USD 1 and 5 million; 10-year state warranty in the case of a change in legislation, while this period may be extended to 20 years under certain conditions; dividends may be freely transferred outside of Moldovan territory, subject to meeting tax liabilities; special visa and work permits can be issued to foreign workers of FEZ residents. Investments in the territory of the FEZ benefit from state legal protection.

The Giurgiulesti International Free Port (GIFP), a Danube port with a unique location and a multimodal transport infrastructure, also enjoys a preferential regime. In the first 10 years of the activity of the GIFP resident, a 75% reduction in corporate income tax is applicable in Moldova, 3% instead of 12% in general, plus the tax is reduced by 50% for the remaining period until 2030. All transactions in GIFP are exempted from customs duties, excise duties and VAT, in-

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cluding transactions between residents and for the provision of goods and services outside GIFFP to residents.

In recent years, particular attention has been paid to the development of the IT sector in Moldova. Law No. 77 dated 21 April 2016, on information technology parks, provides tax incentives for this purpose. The main provision worth highlighting is the single tax of 7% on revenues. This tax includes: corporate income tax, personal income tax, immovable property tax, medical and social contributions, and local taxes.

Further, Moldova Citizenship by Investment (MCBI) is a new program. Introduced last year, the program allows an individual, in a period of about 90 days, to become a citizen of Moldova in exchange for making an investment starting from EUR 100,000. This means visa-free access to 122 destinations, including Europe's Schengen Area and the possibility to transfer citizenship to future generations.

One option to gain Moldovan citizenship under the MCBI program is to invest in real estate. The investment must be worth at least EUR 250,000 in one or more real estate properties that must be maintained for a minimum of 5 years. This seems to be an excellent opportunity to buy agricultural land in Moldova, some of the richest in Europe, at very good prices for this region, ownership of which can only be transferred to Moldovan residents.

Summary

Currently, Moldova has one of the most favorable tax regimes in the region. The preferential regimes presented above represent a fertile environment for foreign investments. Moldova's geographical position, its cheap labour force and access to the largest international markets all represent a substantial advantage for export-oriented businesses, in an increasingly competitive economic world.

For more information

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