

# US Business Mission to Moldova

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PRICEWATERHOUSECOOPERS 

# Agenda

Challenges You may face

Opportunities You find in Moldova

Alternatives of structuring Your business in Moldova

... instead of conclusion

## Challenges You may face

### Some areas of concern

- An underdeveloped infrastructure
- A relatively small population of around 3.5 million
  - an occupied labour force of around 1.3 million (37%)
- Still a formal-oriented approach of the tax authorities
- Limited VAT refund opportunities
- Limited commercial margins for certain goods and significant fines for non-compliance
- Restrictions on acquisition of agricultural land by foreign companies and individuals

## Why Moldova?

- Harmonisation of national legislation with EU standards
- Tax and customs framework close to the EU one
- 0% corporate income tax rate up to 2012! Still, not a tax haven country
- 10% corporate income tax rate expected from 2012
- Considerable network of operational DTTs / Investment Protection Agreements / Free trade arrangements (e.g. CIS, CEFTA, EU - ATP)
- EUR 1.9 billion assistance granted to Moldova for 2010 – 2013 (e.g. for road rehabilitation, energy sector, water supply)
- Positive talks on the MD-EU Association Agreement

## Opportunities You find in Moldova

### Why Moldova?

- No capital gains tax upon share deals between non-residents
- Non-binding tax ruling – Available. Binding tax ruling – expected
- Commentaries to the OECD Model Tax Convention – applicable
- IFRS reporting from 2011 (mandatory - for financial sector; optional – for others)
- Well skilled / multilingual workforce
- Relatively low employment costs (social contributions – employer 23%, employee 6% capped, medical contribution – employer 3.5%, employee 3.5%)
- Social security contributions – optional for expatriates
- Favourable visa regime, i.e. no entry visa for EU/CIS citizens, USA, Canada, Japan, Switzerland, Norway/Iceland

Opportunities You find in Moldova

## Why Moldova?

- Improvement of the legislation regulating entrepreneurial activity
- Starting a business – fast and easy to handle
- Limited liability company – the most widespread and easy to operate form of legal entity
- Branch of a foreign company – separate legal entity
- Privatisation of public property, public-private partnership – investment opportunities
- Real estate registration – efficient registration procedures. Public access to the Real Estate Register

## Alternatives on structuring Your business in Moldova

Holding jurisdictions	The Netherlands	Cyprus	Romania
CIT in <b>Moldova</b>	0%	0%	0%
WHT on dividends paid to <b>Holding jurisdiction</b>	0% *	5% *	10%
CIT on dividends received in <b>Holding jurisdictions</b>	0% *	0% *	16%
<b>Net revenue</b>	<b>100%</b>	<b>95%</b>	<b>84%</b>

*\* under certain conditions*

## Services business in Moldova

- Outsourcing of Group's support functions to Moldova (e.g. back-office)
- Relatively low employment costs
- Multilingual workforce
- No corporate taxation in Moldova of profits derived from such activities
- Distribution of dividends with reduced taxation (e.g. the Netherlands, Cyprus)
- Full deductibility of expenses at the level of Group's subsidiaries
- VAT refund available



## Manufacturing business in Moldova

- Attractive manufacturing location from a logistical / customs standpoint:
  - Customs duty free sourcing from CIS / CEFTA countries
  - Customs duty free access of Moldovan originating goods for EU markets (i.e. ATP available), CIS and CEFTA countries
  - Available customs / VAT opportunities (e.g. FEZ, IPR, BWH)
  - VAT refund available for exporters
  - Indirect tax exemptions for contributions in kind to the statutory capital
- Attractive investment opportunities through Free Economic Zones

## ... instead of conclusion

Moldova is an attractive place to invest due to:

- ✓ Logistical / customs advantages
- ✓ Manufacturing hub
- ✓ Legislation close to the EU one
- ✓ Applicability of internationally approved principles
- ✓ Investment structuring opportunities
- ✓ Favourable fiscal environment
- ✓ Relatively low employment costs
- ✓ Favourable visa regime
- ✓ Free profit/capital repatriation
- ✓ Proactive Government approach to attracting and protecting foreign investments

# Thank You!