

## Tax regime for IT park residents

16 August 2017

### *In brief*

The Parliament of the Republic of Moldova recently approved the amendments and supplements to the Tax Code, Law no. 1585 dated 27 February 1998 on compulsory health insurance ("Law 1585"), Law no. 1593 dated 26 December 2002 on the amount, manner and terms of payment of compulsory health insurance contributions ("Law 1593"), Law no. 489 dated 8 July 1999 on the public social security system ("Law 489"), Law no. 289 dated 22 July 2004 on sick leave allowances and other social security benefits ("Law 289").

The amendments are aimed at bringing these legislative acts in line with the provisions of Law no. 77 dated 21 April 2016 on information technology parks and providing a functional mechanism for the application of single tax due by the residents of such parks ("IT parks").

### *In detail*

**The Tax Code** has been completed with Title X "Other Tax Regimes", which contains a chapter dedicated to the tax regime of IT park residents.

According to it:

**Subjects** to the single tax are the residents of IT parks which meet all the conditions stipulated in the Law on IT parks.

In this regard, the "main activity" is that which generates 70% or more of sales revenue.

**The object** of the single tax is income obtained from the sale of products, the provision of services and the execution of works, registered monthly in the balance sheets.

The minimum amount of the single tax is determined in accordance with the number of employees in that month and the forecasted national average monthly salary for that year.

**The single tax rate** is set at the level of 7% of sales revenue, but not less than the established minimum amount per employee (i.e. 30% of the forecasted national average monthly salary).

**The fiscal period** for the single tax is the calendar month.

#### **The single tax includes:**

- corporate income tax;
- personal income tax;
- social security contributions due by employees and employers;
- health insurance contributions due by employees and employers;
- local taxes;
- tax on immovable property;
- tax for the use of roads by vehicles registered in the country.

Other taxes and duties are not included in the single tax and, consequently, are due in the generally established manner.

#### **The calculation, reporting and payment of the single tax**

The single tax is to be calculated and reported by the twenty-fifth of the month following the reporting one.

The same deadline is set for the payment of the single tax to the state budget.

In addition, IT park residents have to submit on an annual basis:

- the informative note on salary payments made to employees - by 25 January of the following year;
- information on salary payments made to employees - by 1 March of the year following that in which the payments were made.

IT park residents will not have reporting liabilities for taxes included in the single tax. Other tax obligations will be reported in the generally established manner.

**The administration of the single tax** is the responsibility of the State Tax Service.

#### **Other provisions**

The new Tax Code title also contains:

- provisions on the transition from the standard to the special tax regime and vice versa;
- restrictions on the application of exemptions by employees;
- consequences of non-compliance with the special tax regime.

#### **The main amendments to social and medical insurance** include:

- Explicit specification of the lack of obligations for IT

park residents related to social security and health insurance contributions due by employees and employers;

- General rules on the refund of amounts representing social security benefits, whose source of funding is the state social security budget, paid by IT park residents;
- Exclusion of the obligation to present the BASS and MEDO8 returns, while maintaining the obligation to submit the REV declarations and the Form 2-03/l.

*[Source: Law no. 145 dated 14 July 2017 on the amendment and supplement of some legislative acts, Official*

*Monitor no. 277-288 (6200-6211) dated 4 August 2017]*

#### **The takeaway**

Amendments to tax legislation, as well as mandatory social security and health insurance legislation, have been adopted to provide a functional mechanism for applying the single tax due by IT park residents.

The respective provisions are applicable as of 4 August 2017.

## Let's talk

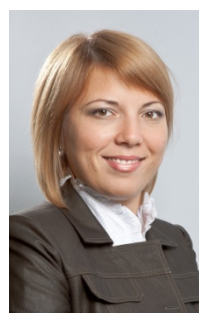
For a deeper discussion of how this new legislation might affect your business, please contact:



Mihaela Mitroi  
Partner  
[mihaela.mitroi@ro.pwc.com](mailto:mihaela.mitroi@ro.pwc.com)



Ionut Sas  
Partner  
[ionut.sas@ro.pwc.com](mailto:ionut.sas@ro.pwc.com)



Tatiana Stavinschi  
Senior Manager  
[tatiana.stavinschi@ro.pwc.com](mailto:tatiana.stavinschi@ro.pwc.com)

PricewaterhouseCoopers Moldova  
37, Maria Cibotari Street  
Chisinau, Republic of Moldova  
Tel:+ (373 22) 25 17 00  
Fax:+ (373 22) 23 81 20

This Tax & Legal Alert is produced by PwC Moldova Tax and Legal Department.

**Legal Disclaimer:** The material contained in this alert is provided for general information purposes only and does not contain a comprehensive analysis of each item described. Before taking (or not taking) any action, readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.

© 2017 PwC. All rights reserved. "PricewaterhouseCoopers" and "PwC" refer to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL). Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm's professional judgment or bind another member firm or PwCIL in any way.