

# Amendments to tax legislation and other normative acts

7 September 2018

## In brief

Laws significantly amending the tax legislation and other normative acts have been published.

## In detail

### Income Tax

A 12% flat rate for personal income tax has been introduced for individuals, individual entrepreneurs and family doctors practicing independent professional activity.

Annual allowances have been increased as follows:

- Personal allowance is MDL 24,000;
- Major personal allowance is MDL 30,000;
- Major personal allowance transferred to spouse is MDL 18,000;
- Allowance for dependents is MDL 3,000, except for people with disabilities, for whom the allowance is MDL 18,000.

Personal income tax due by taxi drivers is set at MDL 500 per month for salary income not exceeding MDL 10,000. Monthly salary income exceeding MDL 10,000 is taxed under the general rules.

The withholding tax rate applied to interest paid to resident individuals is set at 12%.

The final withholding tax rate on income from gambling and promotional campaigns is set at 12%.

The amount of capital gains recognised for tax purposes has been reduced to 20% of the difference between the sale proceeds and the asset basis value.

Two separate fiscal periods have been introduced for determining the personal income tax due by resident individuals for 2018, as follows:

- Period I: 1 January – 30 September 2018;
- Period II: 1 October – 31 December 2018.

### Value Added Tax (VAT)

The VAT rate for accommodation and catering services (with some exceptions) provided by entities with only these operational activities has been reduced to 10%.

### Social Security Contributions (SSC)

SSC rates due by employers have been reduced as follows:

- From 23% to 18% for employers in the private sector, higher education and medical institutions;

- From 33% to 26% at the level of employers for employees working in special conditions;
- From 23% to 18% applied to two forecasted national average monthly salaries for employers whose main activity is software development;
- From 22% to 18% for employers in agriculture, with the 12% paid by the employer and the 6% by the state budget;
- Employers providing transportation services under a taxi regime have to pay on a monthly basis an amount equal to 1/12 of the annual fixed SSC established for the respective year for each taxi driver.

### Health Insurance Contributions (HIC)

Employers providing transportation services under a taxi regime have to pay on a monthly basis an amount equal to 1/12 of the fixed amount established for the respective year for each taxi driver.

### Tax administration - new terms and rules for sanctioning

The fines have been adjusted for some fiscal infringements,

including those related to the calculation and payment of taxes, SSC and HIC. The most important of those changes are as follows:

- Hindering a tax inspection is subject to a fine of between MDL 4,000 to MDL 6,000;
- Infringement of rules regarding the use of cash machines, cash terminals and currency exchange terminals are subject to a fine of between MDL 5,000 to MDL 15,000;
- Utilisation of blanks with special regime other than those permitted by legislation is subject to a fine of between 25% to 30% from the transaction amount;
- Not issuing a VAT invoice upon sale of pledged goods will be subject to a fine of between 25% to 30% of the transaction amount;
- Reducing taxes, SSC and HIC by presenting tax returns containing incorrect data is subject to a fine of between 20% to 30% of the reduced amount;
- Evasion of payment of taxes, SSC and HIC is subject to a fine of between 80% and 100% of the related amount;
- Infringement of rules concerning the filling in and submission of tax returns is subject to a fine of between MDL 200 to MDL 400 for each tax

return, but no more than MDL 2,000 (in the case of individuals not performing entrepreneurial activity);

- Infringement of rules concerning the filling in and submission of tax returns, by legal persons, is subject to a fine of between MDL 500 to MDL 1,000 for each tax return, but no more than MDL 10,000.

### **Repatriation of money**

As of 17 August 2018, the deadline for repatriation of money concerning cross-border transactions has been extended up to three years, irrespective the contract / transaction type.

Failure to meet the repatriation deadline is subject to a fine in an amount of 0.05% of the non-repatriated amounts for each calendar day of delay, but not more than 18%.

### **Voluntary declaration and fiscal stimulation**

Authorities responsible for tax administration will not perform tax inspections for the periods preceding 1 January 2018, with some exceptions (e.g. VAT refund, cross tax inspections).

Late-payment interest and fines accumulated by 17 August 2018 for late-payment of taxes, SSC, HIC and other related compulsory liabilities will be cancelled if the related taxes, SSC and HIC are paid before 20 December 2018.

Between 17 August 2018 and 1 January 2019, individuals can voluntarily declare goods / money not previously declared or declared at a reduced value. Voluntary declaration covers money, real estate, securities, shares and means of transport. When voluntarily declaring goods / money, individuals will pay a 3% tax calculated based on the amount of goods / money declared. Moldovan resident individuals, such as public officials, people convicted, suspected or accused of offences related to the activities of banks undergoing winding up processes and in criminal cases related to money laundering or related offences, are not subject to voluntary declaration.

### **Fines for tax evasion**

Civil and criminal legislation has been amended in respect of the fines and penalties applicable for tax evasion.

*[Source: Law no. 178 dated 26 July 2018 amending certain legislative acts, Law on voluntary declaration and fiscal stimulation no. 180 dated 26 July 2018, Law no. 179 dated 26 July 2018 amending certain legislative acts Monitorul Oficial no. 309-320 (6704-6715) dated 17 August 2018]*

### **The takeaway**

The above-mentioned amendments enter into force on 1 October 2018, with some exceptions.

## Let's talk

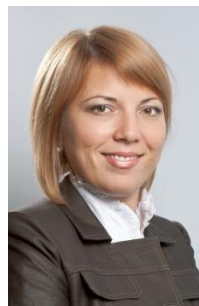
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