



**REPORT**  
**ON MONITORING**  
**THE IMPLEMENTATION**  
**OF *THE NATIONAL***  
***BUSINESS AGENDA***  
**2012-2013**

**BUSINESS PRIORITIES**  
**IN THE TAX AND CUSTOMS FIELD**  
*(The third edition)*

July 2014



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**THIS REPORT IS A PRODUCT OF THE NATIONAL BUSINESS AGENDA, FACILITATED BY IDIS "VIITORUL", WITH THE CIPE (CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE) SUPPORT.**



The National Business Agenda represents a common platform of over 30 of the most representative business associations and chambers of commerce and industry (CCI) from Moldova aiming to influence the policies and practices of public authorities in the development of business activity through their active and transparent participation at all stages of the public-private dialogue (PPD).



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## ■ Abbreviations

RIA – Regulatory Impact Analysis

NBA – National Business Agenda

CCI – Chamber of Commerce and Industry

TC – Tax Code

NCP – National Councils for Participation

CC – Customs Code

RMC – Roadmap for improving the competitiveness of RM

RMB – Roadmap for Government actions to eliminate critical constraints in the way of business

GD – Government Decision

MSTI – Main State Tax Inspectorate

ME – Ministry of Economy

MF – Ministry of Finance

MTRI – Ministry of Transport and Road Infrastructure

PG – Program of the Government

AP – Government Action Plan

RM – Republic of Moldova

AIS – Automated Information Service

STS – State Tax Service

CS – Customs Service

ICT – Information and Communication Technology

EU – European Union

## ■ Introduction

The report on monitoring the implementation of the 2012-2013 National Business Agenda (NBA) priorities (hereinafter Report) is the third edition developed within the NBA network. It seeks to certify progress in implementing these priorities during September 2013 - July 2014.

We remind you that the 2012-2013 NBA issue was launched in November 2011 as a result of the efforts of the working group to formulate NBA priorities and was created by representatives of business associations members of the network. This group came up with solutions to improve the conditions of doing business in the fields of tax and customs policy and administration. These areas were primary because they reflect the interests of all member associations. In addition, sector agendas for were developed each of the four business sectors represented by the member associations (for the ICT, transport, agribusiness and construction sectors).

Starting with the NBA objectives as a platform for business associations, the report on monitoring the implementation of the 2012-2013 NBA priorities refers to influencing decision making in the field of regulation of business in Moldova through active involvement and transparent dialogue with the authorities. More specifically, it aims to monitor the result of the advocacy efforts of the network, measured by the number of proposals submitted by members of the network, that are found in the policy documents of the state authorities and through their impact on business.

Thus, the Report is the basic tool for measuring progress in eliminating a large number of constraints and barriers to entrepreneurship. While during the monitoring process we kept track of which and how many of the solutions proposed by the NBA came to be reflected in public policy documents, in rating and drawing the conclusions of this report the crucial factor was whether or not the actions in these policy documents had an impact on the quality of the business environment in the target areas.

However, based on the NBA objective taken into account in the monitoring process (influencing decision making in the regulation of business activity through active involvement and transparent public-private dialogue), the Report also makes a summary of the tools and methods used by the NBA in the public-private dialogue and comes with recommendations on increasing transparency in decision making and quality of public-private dialogue.

## ■ The purpose and objectives of the monitoring

By monitoring the implementation of the 2012-2013 NBA priorities, as in previous reports, we pursued the following objectives:

- Analysis of the convergence of the NBA priorities and the authorities' agenda by comparing the 2012-2013 NBA priorities with the provisions of public policy documents;
- Establishing the level of achievement of the 2012-2013 National Business Agenda priorities and monitoring the progress of their implementation;
- Identifying barriers to the implementation of business priorities and proposing solutions to overcome them;
- Formulating conclusions and recommendations for a more active promotion of business priorities within the public-private dialogue through the results certified.



# ■ Methodology of monitoring the implementation of NBA 2012-2013

The methodology used was based on the traditional arsenal of tools used by the NBA network to identify progress in implementing platform priorities. Among these are:

- 1. Meetings of the working group** to monitor the implementation of NBA 2012-2013 priorities. The working group consists of representatives of the member associations of NBA and CCI, which are delegated by voluntary associations or CCI.
- 2. The report on monitoring the implementation of the NBA 2012-2013 priorities**, the evaluation report of the implementation of NBA 2012-2013 priorities, which monitored and evaluated the progress of implementation of NBA priorities in October 2012 and September 2013.
- 3. Interviews with representatives of business associations and authorities.** Team IDIS / NBA met with leaders and representatives of business associations and representatives of public authorities. These meetings sought proof of progress in implementing each of the 2012-2013 NBA priorities for each of the target areas and to identify concrete actions and measures taken by the authorities
- 4. Questioning NBA member associations** and companies members of the associations that are part of NBA. In order to monitor the implementation of the 2012-2013 NBA priorities detailed questionnaires were developed and sent to all NBA members by which they marked the results of the priorities identified in the areas of tax and customs. The questionnaire included four different degrees of implementation of the solutions proposed by NBA ("implemented", "partially implemented / in progress", "no changes" and "the situation has worsened"), with the proposal to comment / justify the rating given.
- 5. Analysis of programs, plans, activity reports, and other authorities' policy documents** that are relevant to NBA priorities. Among reviewed documents are:
  - Program of the Government for 2013-2014;
  - Government Action Plan for 2014;
  - Roadmap for Government actions to eliminate critical constraints in the way of business 2013-2014, approved by Government Decision 765 of 09.25.2013;
  - Report on the implementation of the actions set for the third quarter of 2013 in the Roadmap for Government actions to eliminate critical constraints in the way of business 2013-2014;
  - Report on the implementation of the Roadmap for Government actions to eliminate critical constraints in the way of business 2013-2014 (as of February 1, 2014);
  - Roadmap for improving the competitiveness of Moldova, approved by Government Decision no. 4 of 01.14.2014;
  - Development Plan of the State Tax Service for 2011-2015;
  - Activity Report of the State Tax Service for 2012 and 2013;

- Strategic Development Program of the Customs Service for 2012-2014;
- Report on the work of the Ministry of Economy in 2013.

**6. NBA Monthly Bulletin of legislative changes**, which tracked the changes of the legal framework for areas monitored by the network.

**7. Intervention reports on the budgetary and fiscal policy for 2014** and the evaluation of budgetary and fiscal policy for 2013, launched by NBA representatives within NPC.

**8. Monitoring sites of ministries, agencies and other relevant state authorities** for the areas of interest of the NBA.

**9. Examining other sources of information** (news agencies, websites of business associations, non-governmental and professional organizations working in the areas monitored by NBA).

As with previous reports, the priority for identifying progress in implementing the NBA 2012-2013 priorities were marks and ratings provided by representatives of the NBA within the questionnaire and interviews. In cases where the ratings of NBA representatives were substantially different, information obtained from the authorities was taken into consideration.

## ■ Transparency in decision making

**Private sector involvement in decision making** is to improve the quality of decisions taken by public authorities. Effective and mutually advantageous communication between public authorities and business in the participatory process of policy making determines the level and quality of public - private dialogue.

**The main instruments** through which businesses can participate in decision making are:

- Consulting the review of draft decisions;
- Mechanisms of cooperation and partnership between public authorities and business institutionalized at the central and local levels.

**National Business Agenda (NBA)**, through its network of supporters - business associations, Chambers of Commerce and Industry (CCI) and business communities in Moldova - aims to actively participate in public-private dialogue (PPD) in order to improve the economic policy framework and facilitate entrepreneurship development. To this end, NBA regularly comes forth with proposals and recommendations in the process of public consultations as part of the decision making process. In this context, the tools used by NBA were:

- **The intervention report on the budgetary-fiscal and customs policy for 2014** has been prepared in the context of public consultations by experts and members of NBA, who formulated several opinions and comments on the proposed amendments and additions to the budgetary-fiscal and customs policy for 2014, which have a potentially large impact on the quality of the business environment. According to the report, the amendments proposed are largely in line with punitive policies and do not provide for the simplification of economic activities. These findings and conclusions were added to The NBA Position statement and discussed at the press conference on the budgetary-fiscal and customs policy for 2014 supported by members of the National Business Agenda. Also, through the working group "Economy, finance and entrepreneurial environment" of the NPC, the report reached the authors of the project - Ministry of Finance.
- **NBA representatives supported applying VAT of 8% in agriculture** in the study "Comparative analysis of mechanisms of VAT taxation of agricultural products." In this context, members of the National Business Agenda discussed VAT rates in agriculture with the international consultant of the Government, expressing arguments in this regard.
- **NBA issued an opinion on the project Financial Inspection Strategic Development Program for 2014-2016**, subject to public consultations by the Ministry of Finance. In this context, NBA members objected to extending the powers of the Financial Inspection control over the private sector.
- **NBA recommendations and proposals to the draft Law on amending and supplementing the Law on transparency in decision-making** aim at establishing a longer period legally required for consultations on a draft decision, establishing a detailed mechanism of accountability for non-transparency in decision making and regulating institutionalized mechanisms of cooperation and partnership between public authorities and civil society at the central and local levels.
- At the announcement of the Ministry of Justice, **the NBA has submitted its proposals on amending and supplementing the Regulation on procedures to ensure transparency in decision making and development.**

In light of the recommendations and proposals made, NBA opts for the full complex review of laws governing the transparency of decision making in order to recover conceptual problems that hamper the business environment in dialogue with state authorities.

- **NBA is represented in various advisory councils and working groups** of public authorities through NBA experts and members of the National Business Agenda. In the case of business regulation, including locally, these mechanisms must become the platforms for dialogue and communication between businesses and public authorities. Nevertheless, advisory boards and/or working groups created by the government are largely inoperative or formal and a number of public authorities, particularly local authorities, have not even created such mechanisms .
- **Public hearings** are a new tool through which businesses can contribute to the definition and adoption of public policies. In this respect, the NBA held a public hearing „*Tax fines and penalties - an incentive for voluntary compliance or a barrier for entrepreneurs in Moldova?*“. This debate and public consultation event aimed at providing a forum for debates and public expression for all parties interested in submitting their views on the problems of the tax penalties imposed on businesses. Finally, a report summary was publicly presented, which included conclusions and recommendations on improving the system of penalizing businesses for tax offenses.

## ■ Recommendations for increasing the quality of the public-private dialogue and transparency in decision making

1. Legal compliance on decision making by public authorities and their developing their institutional capacity to achieve the legal requirements for transparency in decision making;
2. Eliminating bureaucracy and political interests in the activity and transparency of decisions of public authorities;
3. Establishing a legal mechanism for the government to not promote or examine draft decisions which were not subject to transparency as well as those that lack a regulatory impact analysis;
4. Establish legal mechanisms of individual accountability for violations of laws and failure to comply with transparency requirements;
5. The full complex review of laws governing the transparency of decision making, including transparency of parliamentary decisions, in order to eliminate ambiguities and contradictions, improve the consultation and dialogue mechanism between business and authorities, so that it does not turn into a formality;
6. Strengthening dialogue and consultation platforms for business in decision making through the establishment, development and operation of institutionalized mechanisms of cooperation and partnership between public authorities and the business at the central and local levels. This requirement follows from the provisions of the association agreement between Moldova and the European Union.

## ■ Summary: The degree of implementation of the 2012-2013 NBA priorities in the fields of tax and customs

As mentioned in previous reports, the reference point for determining progress in implementing the 2012-2013 NBA priorities is the period of formulation of these priorities (October-November 2011). In the report on monitoring the implementation of the 2012-2013 National Business Agenda (NBA) priorities, launched in October 2012, we mentioned that of the 13 general NBA priorities, only about three were partially implemented. For the other seven the situation did not change, and on three priorities - the situation worsened. Also then we mentioned that the main reason is the poor quality of public-private dialogue: the frequent cases of non-compliance by the authorities with the law on decisional transparency, refusing or ignoring public calls for talks with business associations and civil society, and especially the enormous PG that exists between the two agendas: the agenda of the authorities and the one of the business environment. For example, out of the 13 priorities of the NBA 2012-2013 in the fields of tax and customs, only some actions for as few as three of them were found in the Government Action Plan for 2011-2014.

After nearly a year, in the September 2013 report we noted more pronounced progress regarding approaching the two agendas. Thus, 13 activities planned for the nine NBA 2012-2013 priorities, and one priority of the NBA 2010 were found in the new Program of the Government (2013-2014). We note that it was the first time when such a large number of proposals from NBA came to be included in policy documents, giving us hope for an improvement in the quality of public-private dialogue. In terms of practical results, out of the 13 general priorities of the NBA 2012-2013 five were then labeled as "Partially implemented / in progress", for seven of them there were no changes, while only one was labeled as "the situation has worsened." However, due to the short period since the launch of the Program of the Government 2013-2014 (May 2013), it was not then possible to determine the full impact of corresponding NBA priorities included in the Program.

Thus, this report has captured the assessments of NBA members on the practical impact of the activities of PG 2013-2014 and actions of the Government Action Plan (PA) for 2014 on the quality of the business environment in monitored fields to a greater extent compared to those related to the degree of convergence of the 2012-2013 NBA and policy documents released by authorities. To facilitate the monitoring, for each of the solutions proposed by the NBA and appropriate activities / actions listed in different policy documents, this report includes: Program of the Government 2013-2014, Government Action Plan for 2014, Roadmap for improving the competitiveness of Moldova and the Roadmap for Government actions to eliminate critical constraints in the way of business from 2013 to 2014. However, the results of the monitoring effort were hampered by lack of information, at least at the public level, on the implementation of the activities and actions of PG 2012-2013 and PA 2014 respectively (although as early as in May 2014 we were informed that until the end of that month a report on the implementation of PG 2012-2013 would be released, but it has not appeared by the time this report was completed). However, these documents were the main documents covered by the current monitoring, since, as mentioned above, they have been mostly "inspired" (for the area of tax and customs) by NBA 2012-2013

priorities. In the absence of public information regarding the degree of achievement of these activities and actions, we had to rely on the assessments of NBA members as well as on information from other reports which we referred to in the section above.

Thus, measured as practical impact felt in the business, not just at the level of convergence between the two agendas (the authorities and business), the progress in implementing the NBA 2012-2013 priorities documented in this report is slightly higher compared to previous periods (October 2012-September 2013). Of the 13 general priorities of the NBA 2012 - 2013, eight were considered “partially implemented / in progress”, for other four there have been no changes, while in the case of one, as in the previous report, the situation has worsened. The situation on detailed practical solutions is as follows:

Rating given	% of proposed concrete solutions for NBA priorities labeled with the corresponding rating		
	July 2014	September 2013	October 2012
Implemented	0%	0%	0%
Partially implemented/in progress	51%	28%	24%
No changes	46%	64%	61%
The situation has worsened	3%	8%	14%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

As in previous years, none of the individual solutions proposed by NBA 2012-2013 could be considered “implemented”. However, the number of those labeled as “Partially implemented / in progress” increased from 24% and 28% in previous periods, to 51% at present (20 individual solutions). Accordingly, the number of proposed solutions marked with “no changes” has decreased from 61% and 64% in October 2012 and September 2013 respectively, to 46% (18 individual solutions). In the case of only one solution the rating given by NBA representatives was “The situation has worsened”. This is the proposal to reduce the number and size of tax penalties applied to business.

Although during the reference period we recorded reductions in the size of fines (as those for ticketless travel of passengers and for receipt of cash in the absence of a cash machine), overall we are witnessing an increase of “punitive” policies for business through an increasing number of other fines, as well as the introduction of new ones. The negative feeling about the regression on these priorities is enhanced by the often arbitrary nature of enforcement of penalties and lack of causation between the intention of committing a tax offense and the sanction imposed, as well as the lack of connection between the injury directly caused to the state budget and the size of the penalty.

The solutions in relation to which we have certified some progress include allowing the deduction for tax purposes of expenses for transportation, meals and training employees, as well as their tax exemption within the limit set with VAT rates, excluding them from the category of facilities provided by the employer to employees with all the fiscal consequences arising from this. From our point of view, these changes represent a step toward normality, albeit one still quite small, as these thresholds, the method of determining such expenditures and their composition still limits many companies in their ability to deduct them for tax purposes and not to be taxed with VAT for natural expenses of creating normal and appropriate work conditions for employees.

The importation of some categories of agricultural machinery was also exempt from VAT, as well as fixed assets included in the capital of companies, although the latter is actually a return to the provisions of 1-2 years ago and not a genuine breakthrough. However, these facilities represent only a small fraction of those that are necessary and required by business in order to stimulate the production of goods and provision of services and, hence, create favorable conditions for business development in Moldova.

Some progress has been made concerning the optimization of the tax reporting system. However, this refers only to electronic reporting systems made available to businesses and not to the simplification of the reporting system itself or the removal of conflicting and unclear provisions from the tax legislation. These turn this process into a costly and time and effort consuming one, as well as permeable to different abuses and interpretations on the part of bodies with control functions.

Regarding simplifying procedures for conducting export there has also been some progress, but this is insufficient to talk about a radical change in the issues raised by the 2012-2013 NBA in relation to these situations. We are talking about the exclusion of cases of application of domestic normative acts by the Customs Service; improving control procedures by improving the technical basis and implementation of modern customs clearance technologies and practices; exclusion of practices of reducing the period of transit; adjustment of the transit term for different categories of transport.

Below is a summary of the 2012-2013 Agenda, with the respective ratings given to each of the 13 NBA general priorities determined as a result of monitoring their implementation. This summary is followed by a detailed table for concrete solutions proposed by NBA 2012-2013, corresponding to the 13 general priorities. This table is followed, in turn, by detailed comments for each individual solution with the explanation of the mark given for the implementation of each solution.

## ■ Summary of the National Business Agenda 2012-2013

Field	Priorities	Degree of implementation
<i>Tax Field</i>	1. Optimization of procedures for mandatory reporting of business to public authorities, increasing the efficiency and speed of the process and implementing effective information systems in the field of tax prosecution, including an electronic governance mechanism. Improving the quality of tax administration laws and eliminating the possibility of their arbitrary interpretation.	<i>Partially implemented/in progress</i>
	2. Applying the presumption of innocence for the business environment in relation to control bodies.	<i>No changes</i>
	3. Exclusion of exaggerated penalties for cases of unintentional infringement in the lack of direct damage to the state. Introducing a balance between the sizes of the damage caused, and the one of the penalty applied.	<i>The situation has worsened</i>
	4. Offering companies the possibility to register as VAT payers immediately after registration, without any capping conditions.	<i>No changes</i>
	5. Stimulating the import of new technology (including the import of software products), by reducing the tax burden..	<i>No changes</i>
	6. Stimulating the level of professional development of factory employees by allowing for the deduction of taxable income for educational and staff training expenses.	<i>Partially implemented/in progress</i>
	7. Reducing taxes for activities vital for sales stimulation (marketing, advertising and promotion, etc.) and for creating adequate work conditions for employees	<i>No changes</i>



Field	Priorities	Degree of implementation
<i>Customs Field</i>	8. Increasing the transparency of the Customs Service activity and the predictability of customs procedures and fees.	<i>Partially implemented/in progress</i>
	9. Simplifying the procedures and reducing the number of documents required for export.	<i>Partially implemented/in progress</i>
	10. VAT exemption for the import of production machines and equipment. VAT exemption for the import of spare parts for repairs covered by warranty.	<i>Partially implemented/in progress</i>
	11. Applying the maximum transit term provided by the customs legislation automatically, modifications being allowed only in exceptional cases after a written explanation.	<i>Partially implemented/in progress</i>
	12. Ensuring the transparency of the way in which the goods' customs value is calculated. Transferring the responsibility to demonstrate the incorrectness of the customs value from the declaring party to the customs officials.	<i>Partially implemented/in progress</i>
	13. International recognition of certificates of conformity issued by countries with which Moldova has signed mutual recognition agreements.	<i>Partially implemented/in progress</i>

## ■ National Business Agenda 2012-2013 with details on specific solutions

	NBA Priorities	Suggested solutions	Degree of implementation
<i>Tax Field</i>	1. Continuous optimization of the procedures of mandatory reporting of the business to public authorities, increasing the efficiency and speed of the process and implementing efficient informational systems in tax collection, including the e-government mechanism. Increasing the quality of normative acts in the sphere of tax administration and eliminating the possibility of their arbitrary interpretation.	- Ensuring a functional interaction between different information systems of state bodies	<i>No changes</i>
		- Presenting most reports in electronic format	<i>In progress</i>
		- Developing an official commentary on the Tax Code by the Parliament	<i>No changes</i>
		- Accomplishing the inventory of all the normative acts in the fiscal administration sphere and bringing them into conformity with legal provisions	<i>No changes</i>

	NBA Priorities	Suggested solutions	Degree of implementation
Tax Field	2. Applying the presumption of innocence for the business environment in relation to control bodies (Tax Inspectorate)	- Eliminating the plan regarding budget collections from fines and penalties	<i>No changes</i>
		- Clear delimitation of the functions and prerogatives of the bodies empowered with tax control functions	<i>No changes</i>
		- Establishing a mechanism of personal and institutional responsibility for public servants;	<i>No changes</i>
		- Establishing a norm according to which the guilt of the economic agent is determined exclusively by the court	<i>No changes</i>
		- Establishing a norm according to which the burden of probation is received by the fiscal body	<i>No changes</i>
	3. Exclusion of exaggerated penalties when the intention to break the law or direct damage to the state was not proven. Introducing a balance between the size of the damage and the one of the penalties	- Reducing the number of penalties (or the value of the penalties applied)	<i>The situation has worsened</i>
		- Introducing a norm which establishes the cause and effect connection between the intention and the penalty applied, as well as the balance between the size of the damage and that of the penalty	<i>No changes</i>
		- Introducing a norm regarding applying penalties only by the court	<i>No changes</i>
	4. Offering companies the possibility to register as VAT payers immediately after the registration, without capping conditions	- Eliminating the capping conditions for voluntary registration as a VAT payer	<i>No changes</i>
	5. Stimulating the import of new technologies, including software, by reducing the tax burden	- Treating new technology as goods and deducting the income tax at source for their import	<i>No changes</i>
		- Eliminating from the category of royalty in the Tax Code of the remuneration for purchases of software for the exclusive operation of that software, as well as remuneration for the acquisition of the entire copyright over software	<i>No changes</i>
	6. Stimulating the growth of the level of professional development of enterprise workers by deducting the expenses for professional development from the tax base	- Inclusion in the Tax Code of the norms regarding deductibility of educational and professional development expenses.	<i>Partially implemented</i>
		- Eliminating actual provisions regarding the taxation of individuals for expenses born by the employer	<i>Partially implemented</i>

	NBA Priorities	Suggested solutions	Degree of implementation
<i>Tax Field</i>	7. Reducing the tax burden for vital sales stimulation activities (marketing, advertising, sales promotion etc.) and creating adequate conditions for enterprise workers	- Eliminating VAT for expenses for sales promotion (art. 99 and 95, line (2, let. C), TC);	<i>No changes</i>
		- Eliminating VAT for expenses for creating adequate work conditions (art. 99, TC);	<i>Partially implemented</i>
		- Granting the right to decide which expenses are necessary and ordinary exclusively to the economic agent (change to art. 24 (par. 1) TC)	<i>No changes</i>
		- Inclusion in the Tax Code of the norm regarding the deductibility of expenses for creating ordinary work conditions	<i>Partially implemented</i>
<i>Customs Field</i>	8. Increasing the transparency of the activity of the Customs Service and the predictability of customs procedures so that economic agents can individually predict the sums that are to be paid for import-export procedures, the documents that they will have to present and the duration and order of procedures..	- Inventory of the acts that regulate customs procedures (implementing the Guillotine for normative and sub-normative acts that regulate customs procedures);	<i>Partially implemented</i>
		- Bringing these acts to a quality that would allow businesses to plan the size of customs payments, the time required for import and export procedures, the set of documents required, etc. independently and in advance.	<i>Partially implemented</i>
	9. Simplifying the procedure and reducing the amount of paperwork necessary for export	- Reducing the amount of paperwork and simplifying procedures needed for export;	<i>Partially implemented</i>
		- Improving control procedures by simplifying and harmonizing them, as well as by improving the technical basis and by implementing modern scanning and control technologies	<i>Partially implemented</i>
		- Improving coordination between the various control services, transport services, etc., on both sides of the border	<i>Partially implemented</i>
		- Implementing the one stop shop and repeated use of documents and data previously submitted by businesses to the Customs Service and other institutions through an interconnected network	<i>Partially implemented</i>
- Adopting detailed and clear normative regulations to provide the list of goods subject to simplified customs procedures, and regulate clear and detailed simplified customs procedures to be applied	<i>Partially implemented</i>		

	NBA Priorities	Suggested solutions	Degree of implementation
Customs Field		- Transferring custom controls from the border to internal and destination checkpoints, in order to reduce pressure on the border	<i>Partially implemented</i>
	10. Exempting VAT for the import of production equipment and machines. All the equipment and machines used in the process of production and service should be considered technical equipment and treated as such from the point of view of import VAT exemption. VAT exemption for the import of spare parts for repairs covered by warranty.	- Eliminating VAT for the import of equipment and machines used for production (services)	<i>Partially implemented</i>
		- Eliminating VAT and customs tax for the import of spare parts for repairs covered by warranty.	<i>No changes</i>
	11. Applying the maximum transit time provided by the customs legislation, changes being made only under extraordinary circumstances and a written notice.	- Exclusion of practices of unauthorized modification of the period of transit by Customs officers for the purposes of lowering it	<i>Partially implemented</i>
		- Adjusting the transit period for different categories of transport, taking into account the mode / modes of transportation and realities imposed by the state of infrastructure	<i>Partially implemented</i>
		Changing art. 42 of the Customs Code, par. 2, which will read as follows: "transit time is up to 8 days after crossing the customs border. It can be reduced by customs only in exceptional circumstances, by a reasoned decision issued to the person benefitting from the transit.	<i>No changes</i>
	12. Ensuring the transparency of the way in which the customs value of goods is calculated. Transferring the burden of proving the incorrectly stated customs value of goods from the declarant to the customs authority	- The way in which the method of determining the customs value is selected, the actual calculation procedures should be transparent, clear and available to the operator, so that it can calculate customs value individually and in advance	<i>Partially implemented</i>

	NBA Priorities	Suggested solutions	Degree of implementation
<i>Customs Field</i>		- Ensuring compliance with the current Customs Code regarding the customs value of goods: application of the «transaction value" method only, based on documentary evidence. In case of disagreement of the Customs Service with the documentarily confirmed value of the goods, the burden of demonstrating shall be assumed by that body, not by economic agent	<i>Partially implemented</i>
	13. Recognition of international certificates of conformity emitted by the states with which the Republic of Moldova has signed mutual recognition agreements	- Accession of the Republic of Moldova to international treaties for recognition of certificates of conformity as a full member, and mutual recognition of these certificates in the country	<i>Partially implemented</i>
		- Establishing applicable mechanisms of certification in cases where standardization organizations do not have the necessary test equipment and qualified personnel to perform certification	<i>No changes</i>
		- Adequate terms and practices for the standardized procedures and Eliminating the sanctions for goods storage during the period of certification	<i>Partially implemented</i>

# ■ Comments: The implementation of the 2012-2013 NBA priorities

## PRIORITY 1.

**Continuous optimization of the procedures of mandatory reporting of the business to public authorities, increasing the efficiency and speed of the process and implementing efficient informational systems in tax collection, including the e-government mechanism. Increasing the quality of normative acts in the sphere of tax administration and eliminating the possibility of their arbitrary interpretation.**

***SOLUTION 1: Ensuring a functional interaction between different information systems of state bodies and implementing electronic reporting mechanisms***

### Provisions of public policies corresponding to the respective solution and their deadlines

Program of the Government for 2013-2014 (PG 2013-2014)	Government Action Plan for 2014 (AP 2014)	Roadmap for Government action to eliminate critical constraints in the way of business (RMB) 2013-2014	Roadmap for improving the competitiveness of (RMC)
Simplification of tax administration through the introduction of information technologies, "one stop shops", more active involvement of the banking system and relevant financial instruments of payments well as strengthening institutional capacities of customs and tax bodies	<p>89. General implementation of the tax declaration system by using information technology (e-statements) so that at least 60% of tax returns are filed via the Internet – 4th quarter of 2014.</p> <p>94. Designing an Integrated Information System of the State Tax Service – 1st quarter of 2014</p> <p>99. Simplification of the system of tax and statistical reporting for small and medium enterprises and other legal forms – 2nd quarter of, 2014</p>	<p>7.3. Introducing the obligation of the taxpayer to register with the fiscal body only if the state identification number does not represent the tax code – 4th quarter 2013.</p> <p>17.1. Widespread implementation of e-Reporting – 4th quarter of 2014</p> <p>21.1. Optimization the mechanism for submitting tax declarations (reports) and, of tax payments and the time related to payment of taxes – 4th quarter of 2014</p> <p>21.2. Improving the procedure for the refund of VAT and excise, and returns for surpluses of tax payments – 4th quarter of 2014</p> <p>21.3. Developing the "one account of the taxpayer" mechanism – 4th quarter of 2014</p>	<p>Improving the mechanism of granting information and the cooperation with public institutions to exchange information about taxpayers permanently and continuously – 2nd quarter of 2014</p> <p>Developing new software for the functional activity of the State Tax Service, which allows efficient tax administration, simplification of tax reporting, upgrading services provided to taxpayers, and thus, raising their satisfaction – 2nd quarter of 2014</p>

**Rationale for the given mark - (no changes):** NBA representatives did not note any substantial progress on simplifying and streamlining the reporting system and businesses' interaction with public authorities. This is despite the fact that there are several provisions of policy documents aiming to reduce the time, money and effort for business. Although the law has excluded the procedure of registering with the Territorial Tax Inspectorate, National Social Insurance House (NSIH) and the National Health

Insurance Company (NHIC) and the amendments to the Tax Code established the obligation of the taxpayer to register with the tax authority only if the state identification number does not represent tax code, in practice, those who open new businesses are forced to go to register with both the Tax Inspectorate (even if the state identification number represents the tax code) and the NSIH and NHIC. In addition, such operations have set registration deadlines, and there are sanctions and fines for exceeding them.

In terms of progress we can only mention improvement of the situation concerning the launch of several electronic reporting services. Thus, in early 2013 two electronic reporting systems to the National Health Insurance Company and the National House of Social Insurance were put into circulation: e-NHIC and e-NSIH. These are accessible via the unified portal of public services: [www.servicii.gov.md](http://www.servicii.gov.md) or via the "e-Report" Informational System [www.raportare.md](http://www.raportare.md). In the fourth quarter of 2013, 4937 economic agents submitted the declarations of ensured individuals via the Internet, using the e-Reporting system. Also, from January 1, 2013, all operators in the country, payers of VAT, submit tax reports only through the reporting service of electronic tax returns.

One of the positive changes, long awaited by business, is the introduction of the concept of the "e-invoice" electronic tax invoice at the end of 2013 in FC, at art. 93 item 16. "E-Invoice" will replace the current mechanism for issuing and filing invoices with one based on information technologies. This year started with the "Pilot" stage, which will last six months, then continue with the "experiment" stage, and nationwide use of the "e-invoice" will begin with the "Industrial" stage on January 1, 2015. In late May 2014, 826 taxpayers were already using e-invoice service.

At the same time, the State Tax Service launched on March 31, 2014, the AIS service "The current account of the taxpayer". This is an online tool for viewing data relating to taxes and tax liabilities of taxpayers, each user having access to their own current updated account. This service is for both businesses and individuals. In addition to this possibility, the service also offers the opportunity to view the data on the absence or existence of arrears to the State Budget. Statistics show that the number of companies who visited the AIS "The current account of the taxpayer" is growing and amounts to approx. 7500 businesses.

During 2014, the government has also set the goal to launch a range of electronic services for business: electronic registry of state controls (partially functional since July 2014) E-permits for transportation (scheduled for July 2014) e-permits for water use (July 2014), the electronic clearance service has already been launched in the pilot phase. The digitization of other services is also expected this year, such as the e-NAFS, regarding the management of supervision of import-export in ensuring sanitary and phytosanitary requirements; an information system for recording transactions of sale of real estate, e-procurement, creating the "e-Permits for the conduct of trade based on the one-stop shop principle" information system.

Concerning the simplification of the tax and statistical reporting system for small and medium enterprises and other legal forms, NBA representatives point out that the unified reports set for small enterprises do not simplify the procedures for their preparation. So far the procedure for determining depreciation for tax purposes, which is actually a feature imposed by the state and is a complicated, unclear procedure, and an opportunity for corruption, is not simplified. At the same time, the simplification of taxation of small and medium enterprises through the introduction of Chapter 7<sup>1</sup> of Title II of the Tax Code and 3% taxation of the operating income of enterprises was made through rules of extremely low quality, so that normal taxation of many enterprises was made impossible, while this tax simplification excluded small businesses and exaggerated the taxation of other businesses with significant sales volume. The changes made to the fiscal policy for 2014, by which the time for reporting and paying taxes and fees was changed from the last day of the month to the 25th of the following month of administration, are viewed as negative by business as this will cause essential inconvenience in the calculation, reporting and payment of taxes. This will cause, in turn, increased fines and penalties and will reduce voluntary payments of taxes and budget fees.

***SOLUTION 2: Development of an official comment (interpretation) to the Tax Code and its adoption by Parliament. This document will describe the interpretation of the Tax Code in detail so that it does not allow arbitrary interpretation.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
-	-	-	-

**Rationale for the given mark - (no changes):** We have not identified any actions relating to this priority in any public policy document. However, the Ministry of Finance, in the fiscal policy objectives for 2015-2017, aims to have a new tax system, adapted to the new realities, in 2017. Until then, it admits that the current legislation will continue to be harmonized with the EU Association Agreement requirements. At the same time, one of the new elements in the fiscal policy objectives for 2015-2017 is that in 2017 the new Tax Code “based on new concepts concerning the tax system” will be already implemented. Previously, the head of State Tax Inspectorate, Ion Prisăcaru spoke about the need for a new Code. “The first three chapters of the Tax Code were developed 15 years ago and, objectively, it is necessary to update and adapt them to new socio-economic realities,” said STI head at the end of 2013. According to Prisăcaru, “over the years, it was necessary that the Tax Code be interpreted or explained on several occasions and, therefore, a comprehensive review of the document is necessary, to eliminate all unclear points. The head of the STI assured that the development of the new code will be in collaboration with NGOs and business representatives, to avoid any misunderstandings and gaps. However, as we have given ratings based on realities and not the good intentions of the authorities, the appreciation given to that solution is “No changes”.

***SOLUTION 3: Inventory of all normative acts subordinated to the law, including Government Decisions, orders, instructions, regulations, letters, etc., on taxation and tax administration and bringing them into full compliance with the laws.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
Inventory of all normative acts subordinated to the law, including Government Decisions, orders, instructions, regulations, letters, etc., on taxation and tax administration and bringing them into full compliance with the laws.	84. Developing amendments to the legislation in order to establish penalties proportionate to the risks and damage. Yearly analysis of sanctions – 4th quarter  84. Prompt publication of all departmental normative acts which relate to customs matters or affect the sale, distribution, transportation, insurance, storage, inspection, exposure, processing, mixed use or other uses of goods. Publication will be made in time, to enable operators to prepare for compliance with their terms – 4th quarter	20.1. Revising the concept of applying penalties and fiscal fines and their size in order to reflect the real damage caused – 2nd quarter, 2014	Yearly analysis of the impact of tax policy and tax policy documents on business – 1st quarter annually

**Rationale for the given mark - (no changes):** Although in the Program of the Government for the years 2013-2014 this priority is worded exactly as it was proposed by NBA 2012-2013, both the Government Action Plan for 2014 and the Roadmap for Government actions to eliminate critical constraints in the way of business (RMB) for the years 2013-2014, we find actions that do not exactly correspond to the respective priority. We will refer to these actions somewhat lower, as in our view they



meet other priorities formulated by NBA. Also in the RMB, concerning "Tax policy and administration", we find the action of "Ensuring the elaboration of regulatory impact analysis for all normative acts regulating business activity in the field of taxation" which, once adopted and enforced, would have the potential to eliminate problems related to this priority mentioned by NBA. To achieve this action, by Law no. 324 of 23.12.2013 amending and supplementing certain legislative acts (budgetary and fiscal policy for 2014), art. 3 of the Tax Code was supplemented by paragraph (3<sup>1</sup>) as follows: "When drafting legislative and normative acts on taxation that regulate entrepreneurial activity, the Government draws up a document of regulatory impact analysis. In the case of legislative initiatives submitted by MPs, the document of regulatory impact analysis will be prepared by the Government in the approval process, according to a methodology approved by the former." However, representatives of NBA still note many cases when documents prepared by the Ministry of Finance in the field of fiscal policies are not accompanied by RIA.

## PRIORITY 2.

### Applying the presumption of innocence for the business environment in relation to control bodies

**SOLUTION 1: Clear delimitation of the functions and prerogatives of the bodies empowered with tax control functions and eliminating legislative gaps that allow public servants to interpret normative acts arbitrarily. Establishing a norm according to which the guilt of the economic agent is determined exclusively by the court. Switching the burden of probation from the agent to the fiscal body.**

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
Providing appropriate interventions (of tax authorities) under the regulatory framework of business and fair and equal treatment of all businesses.	105. Development and implementation of annual programs of taxpayer compliance – 4th quarter	20.2. Drafting and approving the methodology for planning fiscal controls based exclusively on the level of risk – 2nd quarter, 2014	Conducting tax audits based on a risk assessment system – 4th quarter, 2014
Changing tax laws to improve relations between tax authorities and businesses	91. Reducing the number of tax audits conducted – 4th quarter		Regulating the procedure for controls and limiting their number – 4th quarter, 2014
Strengthening fiscal discipline and eliminating the impunity which undermines the free competition and puts honest economic agents and individuals who honor tax obligations as required by law to a disadvantage			Implementing the concepts of "advance tax ruling" and "tax consultant" in the tax law – 4th quarter, 2014

**Rationale for the given mark - (no changes):** We remind that in 2013 Law no. 131 of 18.06.2012 on state control over business activity came into force, regulating the activity of control bodies and the way of conducting economic controls. In line with this, the State Register of Controls was created. On July 21, 2014, the first five institutions authorized with control functions were integrated with the State Register of Controls: The Chamber of Licensing; National Health Insurance Company; National Tourism Agency; National Agency "Auto Transport", IMSP Republican Narcology Dispensary. Until September 1, 2014, another 16 authorities empowered with control functions are to be integrated in the Register: National Social Insurance House; State Supervision Service of Public Health; Inspectorate of pharmaceuticals and medical devices within the Medicines Agency; National Agency for Food Safety; State Environmental Inspectorate; State Construction Inspection; State Inspectorate for Supervision of Alcohol Production; Consumer Protection Agency; Civil Aviation Authority; State Energy Inspectorate; State Labor Inspectorate; State Inspectorate for Surveillance Geodesic and Regime subordinated to Land Relations and Cadastre Agency; Civil Protection and Emergencies; The Main State Inspectorate for

Technical Supervision of Dangerous Industrial Objects; Competition Council; Ministry of Informational Technologies and Communication. The State Register of Controls is a unique online platform of the bodies charged with control functions that automates the planning of controls and keeping track of planned and unexpected controls and automates their publication. Within 48 hours of the inspection, the basic information of control must be disclosed on the <https://controale.gov.md> portal.

As mentioned in the previous report, the Law on state control over business activity has no an effect on tax and customs controls and state authorities with control functions in these areas will not be integrated with The State Register of Controls. Thus, the business environment is still not protected in any way from abusive controls on the part of officials in the field of tax and customs, although the biggest complaints of the business representatives regarding the state controls are related to controls from tax authorities. Although in accordance with the above policy documents (especially RMB 2013-2014), risk criteria of controls by the tax authorities were developed, these criteria were not made public. According to NBA members, those criteria should be made public for businesses to know whether or not they are in the risk zone. Otherwise, relations between state authorities and business cannot be improved. Moreover, business is worried that because of that the controls can be used as a mechanism for economic pressure on political grounds, of removing competitors for reasons of corruption, etc.

Regarding reducing the number of tax audits conducted, STI reported that in 2013 the number of tax audits increased by 17% and the planned ones that used the method of total verification was reduced by 52%. We note that the Government's Action Plan is to reduce the number of planned inspections conducted by 2-3% annually. Similarly, we would like to draw attention to the fact that it is not enough just to reduce the weight of fiscal controls as required by AP, but it is necessary to change the methods for controls and improve their quality, to raise the professionalism of tax officials, create an attractive legal framework for increasing voluntary payments of taxes.

***SOLUTION 2: Implementing a mechanism for personal and institutional responsibility of civil servants and public institutions towards actions taken.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
-	-	15.1. Establishing a mechanism for sanctioning civil servants and heads of public authorities for failure to comply with the regulatory framework governing business activity – 2nd quarter of 2014	Changing the relevant legislation to introduce provisions on institutional and / or personal liability for faulty tax administration– 3rd quarter of 2014  Strengthening the personal responsibility of customs officers for the decisions taken in customs – 2nd quarter of 2014

**Rationale for the given mark - (no changes):** So far, responsibilities of state officials, including the tax and customs, whose actions related to their controls are detrimental to the image of financial and businesses, have not been established. However, RMC and RMB provide for the establishment of a mechanism for institutional and / or personal accountability for poor fiscal management by the end of the second quarter of 2014. Since at the launch of this report the reports on the implementation of RMB and RMC actions for the second quarter of 2014 were not yet available, we do not have information on the degree of implementation of these actions. Until then, STI and customs inspectors, in their control and in assessing possible violations of tax, still ignore the norms of legislative acts, including those of the Tax Code (Article 11) by which all doubts in applying the tax law must be interpreted for the benefit of taxpayers. Moreover, at the moment, MSTI and the Ministry of Finance, contrary to law,

assume the exclusive right of interpretation of tax rules. There are still certified cases of replacing the practices of norms of the law (Tax Code) with the rules of sub-normative acts - Government Decisions, letters of Ministry of Finance and MSTI. However, it should be mentioned that for the first time in 20 years the relationship between the tax authorities and business, an order was publicly released (nr.1983 of 10/01/2013) which provides that tax inspectors do not impose fines in on economic agents relation to income tax from operating activities if the legislation is unclear. However, in other cases of contradictory and unclear legislation, MSTI works by its own rules, which often do not meet the law. For example, MSTI publicly spread information about how tax examinations were performed in 2013, with recommendations for tax inspectors to carry out inspections in the future on the same principles. These include a number of cases when MSTI has assumed the right to treat the tax laws and regulations regarding financial records as a last resort, penalizing operators, despite the fact that they operated in accordance with accounting standards (e.g., catering businesses are penalized when they establish production costs based on the standards, but not based on the MSTI interpretation of how these costs should be formed). Similarly, firms are punished if they allow deductions for tax purposes based on tax rules while MSTI does not allow these tax deductions or limits them unreasonably - this is about expenditure in the first years of activity, the expenditure for staff training, vaccination of employees food and transportation, etc. - which leads to unjustified increase of penalties, taxes, and a distrust for state institutions. NBA representatives reiterate the position that neither MSTI, nor the Ministry of Finance are, or should be, empowered to decide whether a company needs certain expenses or not. This is especially true since these authorities cannot be objective in such cases, because they are directly involved in raising budget revenues. Only economic agents can decide what kind of expenses are necessary and usual for their entrepreneurial activities.

***SOLUTION 3: Exclusion of the practice of planning state budget revenues from fines and other financial penalties.***

<b>Provisions of public policies corresponding to respective solutions and their deadlines</b>			
<b>PG 2013-2014</b>	<b>AP 2014</b>	<b>RMB 2013-2014</b>	<b>RMC</b>
Exclusion from the state budget policy of the article on budget revenues from fines and other sanctions for business for failure to comply with tax and customs legislation, both at the level of budget forecasts and the level of budgetary plans.	-	-	-

**Rationale for the given mark - (no changes):** As in previous years, revenues from fines and penalties applied to economic agents were also part of budget plans in 2013. Thus, during the last year we also found a distortion of the function of fines - from the role of education for the purpose of tax discipline, fines have become an important tool to supplement budget revenues, despite the fact that this leads to increased distrust towards state and fosters an unfriendly and unattractive business climate, the opposite of the objectives expressed by the policies of public authorities in the field. It is necessary, however, to note that the practice of planning revenue from fines and other financial penalties was excluded from the budget for 2014. However, in practice, business finds the same trends from fiscal authorities to fine and penalize operators in order to refill the state budget revenues, which shows that at the level of planning this practice has not been excluded, but "hidden" in the chapters of the budget law or other policy documents of the fiscal budget. This is the result of lack of transparency in the budgetary and fiscal policy for 2014, which was adopted in emergency mode at the end of 2013, without genuine public consultation and without a detailed and substantial examination of the law.

**PRIORITY 3.**

**Exclusion of exaggerated penalties when the intention to break the law or direct damage to the state was not proven. Introducing a balance between the size of the damage and the one of the penalties**

***SOLUTION 1: Exemption from fines and penalties if the found violations were made unintentionally and did not result in direct harm to the state. Determining the size of the penalty according to the seriousness of the infringement and the damage directly caused to the budget. Application of sanctions by the court only.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
Inventory of all normative and sub-normative acts from the fiscal administration area and bringing them into conformity with the laws.	84. Drafting amendments to the legislation in order to establish penalties commensurate with the risks and damage. Yearly analysis of sanctions – 4th quarter	15.2. Annual Review of sanctions for failure to comply with the regulatory framework governing business activity – 2nd quarter of 2014  20.1. Reviewing the concept of applying penalties and fiscal fines and their size in order to reflect the real damage caused – 2nd quarter of 2014	Developing mechanisms of exclusion of biased attitude of tax authorities during tax control – first quarter of 2014  Carrying tax controls based on perceived risk, mainly oriented towards prevention and counseling and not the revenue from fines – 1st quarter, 2014

**Rationale for the given mark - (the situation has worsened):** Despite numerous provisions of public policy documents, which apparently meet the respective priority of NBA, in practice, NBA members attest that has worsened the situation. This is despite the fact that in April of this year, the Parliament adopted a bill that included a number of adjustments to fiscal policy for 2014. Among the amendments, the document provide for the reduction of the fine for traveling of passengers without tickets from 10 thousand to 3 thousand lei. At the same time, fines for receipt of cash in the absence of a cash register machine were reduced from 10,000 to 7000 lei. Moreover, on May 9 this year, Law no. 64 of 11.04.2014 was published amending and supplementing certain acts which provide for the reduction of the fines related to non-use of cash register machines/ cash payment terminals. Thus, the fine for conducting cash receipts without a cash register machine (CRM), conducting cash receipts without issuing cash receipt tickets issued by CRM, using damaged cash register machines, using cash payment terminals without issuing the document / receipt, was reduced from 7,000 lei to 5,000 lei. The fine for performing cash receipts without a cash register machine, the use of a defective cash register or payment terminal, which consists in the non-activation of fiscal memory or inability to identify installed software, using CRM that is not sealed, recorded by the tax authority, was reduced from 10,000 to 7,000 lei.

Although following repeated demarches of the civil society, including the NBA, certain types of fines were reduced, they remain high for most businesses, especially for those in the small business category. The most important, however, is that the tax sanctions enforcement system further ignores the amount of the damage caused on human technical, or otherwise unintentional grounds, the poor quality of legislation and / or tax administration, which would be the basis of breaches detected. Thus, reducing only a few fines, as has been done, does not solve the problem of fines and penalties for of tax violations in any way. This requires the review of the entire system of applying tax fines, correlation of the size of the fines and penalties with the direct damage caused to the state budget, depending on whether there was an intention to admit to the offense. It is also necessary to set fines taking into account the quality of fiscal rules and fiscal management, which could have caused the tax offense. On June 10, 2014, the NBA released the first public hearing on "Tax fines and penalties - an incentive for voluntary compliance or a barrier for entrepreneurs in Moldova?". The summary report of interviews with the proposals of witnesses, conclusions and recommendations of the Committee of Experts is available on the NBA web page: [http://www.business.viitorul.org/img/files/1403607801\\_y8t4c5z0ie\\_SINTEZA.pdf](http://www.business.viitorul.org/img/files/1403607801_y8t4c5z0ie_SINTEZA.pdf)

Also, according to head of STS, Ion Prisăcaru “Applying tax sanctions must be preceded by voluntary tax compliance activities, where the taxpayer will first be informed of the violations committed and be required to repair them.”<sup>1</sup>. So far, however, we find a huge discrepancy between the statements and intentions of the authorities, on the one hand, and the actual situation regarding tax fines applied to business, on the other hand.

#### PRIORITY 4.

**Offering companies the possibility to register as VAT payers immediately after the registration, without capping conditions.**

**SOLUTION 1:** *Economic subjects should have the opportunity to register for VAT voluntarily and at any time without additional conditions and only upon request made to the territorial tax inspectorates.*

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
-	-	-	-

**Rationale for the given mark - (no changes):** We have not identified any actions planned in relation to this priority in any of the policy documents of the authorities. However, the draft GD regarding amending and supplementing certain acts in related to the realization of tax, customs and budget policy for 2015 and improving tax, customs and budget laws (budgetary and fiscal policy for 2015) that was released for public consultations in June 2014, proposed that economic agents are to be given the opportunity to voluntarily register as VAT payers, regardless of the value of supplies of goods and services performed. In other words, it is proposed to cancel the current cap of 100,000 lei turnover required for voluntary registration of a company as a VAT payer. The authors argue that the measure will stimulate economic activity and enable the “integration of small businesses in the VAT system”, which is precisely what NBA has been supporting and promoting for more than three years. Since this proposal is still at the design stage and it is not known whether it will ultimately be found in the law, and in what variation, we did not take it into account when granting marks for the progress of the solution .

#### PRIORITY 5.

**Stimulating the import of new technologies, including software, by treating it as goods and deducting the income tax at source for their import**

**SOLUTION 1:** *Treating new technology as goods and deducting the income tax at source for their import.*

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
Optimizing and reducing customs duties on imports of raw materials, auxiliary materials and technological equipment and increasing them for imported finished products which are directly competitive with the local ones. Examining the possibilities of stimulating the refurbishment of enterprises by improving the mechanisms for applying VAT.	108. Optimizing and reducing customs duties on imports of raw materials, auxiliary materials and technological equipment and increasing them for imported finished products which are directly competitive with the local ones– 4th quarter	-	-

<sup>1</sup> <http://www.contabilsef.md/newsview.php?l=ro&idc=13&id=9485>

**Rationale for the given mark - (no changes):** No practical progress was made on this solution, although the Program of the Government for 2013-2014 and the Government Action Plan for 2014 provide for a series of actions that could lead to the achievement of the priority concerned. Among these actions are "Optimizing and reducing customs duties on imports of raw materials, auxiliary materials and technological equipment and increasing them for imported finished products which are directly competitive with the local ones" and "Examining the possibilities of stimulating the refurbishment of enterprises by improving the mechanisms for applying VAT". These actions will continue to be monitored in order to determine any progress in their implementation.

***SOLUTION 2: Eliminating from the category of royalty in the Tax Code of the remuneration for purchases of software for the exclusive operation of that software, as well as remuneration for the acquisition of the entire copyright over software.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
-	-	-	-

**Rationale for the given mark - (no changes):** No planned actions and/or progress was noted regarding this solution.

#### **PRIORITY 6.**

##### **Deducting the expenses for professional development from the tax base**

***SOLUTION 1: Inclusion in the Tax Code of the norms regarding deductibility of educational and professional development expenses and eliminating actual provisions regarding the taxation of individuals for expenses born by the employer.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
Defining a "social package" (food, transportation, etc.) to be allowed as deductions for tax purposes and not considered as facility for employees	112. Defining a "social package" (food, transportation, etc.) to be allowed as deductions for tax purposes and not considered as facility for employees – 4th quarter	-	-

**Rationale for the given mark - (Partially implemented):** With the entry into force of the fiscal and budgetary policy for 2014 (Law 324 of 12/23/2013), art. 24 of TC was supplemented with a new paragraph (19), which allows the deduction of expenses incurred by the employer for transportation, food and professional studies of the employee. Later, the Government Decision no. 144 of 02.26.2014, which was published in the Official Gazette dated 28.02.2014, approved the Regulation regarding the amount and criteria for establishing the costs incurred and determined by the employer for transportation, food and professional studies of the employee. This regulation establishes the regime related to income tax, mandatory social state security contributions and compulsory insurance premiums for healthcare, for costs incurred by the employer for transportation, food and professional studies of the employee. Regarding expenditures for the education of employees, the Regulation allows the employer to deduct expenses for professional studies / professional development, borne by the employer, based on the need for such studies / development for the category and the specific activity of employees. In this

case, the costs incurred shall not be considered as rewards and incentives provided by the employer and will not involve any tax liability. Apparently, these provisions meet the solutions proposed by NBA in this chapter. However, the "necessity for studies and development" is still left to the discretion of the tax authorities, so that, in practice, they are still the ones to decide whether those costs are necessary for companies or not. For this reason, NBA members did not indicate this solution as implemented. The practical way of applying these provisions is to be monitored and assessed further in the monitoring and evaluation documents of NBA.

#### **PRIORITY 7.**

**Reducing the tax burden for vital sales stimulation activities (marketing, advertising, sales promotion etc.) and creating adequate conditions for enterprise workers**

***SOLUTION 1: Eliminating VAT for expenses for sales promotion, marketing, advertising, etc. by amending art. 99 of the Tax Code and eliminating art. 95 par. (2) c).***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
-	-	-	-

**Rationale for the given mark - (no changes):** No improvement has been registered. Furthermore, the costs of sales promotion, marketing and advertising are taxed with VAT under Art. 99 and art. 95 par. (2) c) of the Tax Code. Thus, the costs in question are taxed twice: once at the time of delivery of goods or services, which are already included in the purchase price, and a second time in accordance with art. 99 and art. 95 par. (2) c) of the Tax Code.

***SOLUTION 2: Eliminating VAT for expenses for creating adequate work conditions for employees by amending art. 99 of the Tax Code.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
Defining a "social package" (food, transportation, etc.) to be allowed as deductions for tax purposes and not considered as facility for employees	112. Defining a "social package" (food, transportation, etc.) to be allowed as deductions for tax purposes and not considered as facility for employees – 4th quarter	-	Changing the tax legislation to include deductions from taxable income for production needs (training / VET, travel expenses, food, etc.) – first quarter, 2014

**Rationale for the given mark - (partially implemented):** With the entry into force of amendments to the Tax Code and the Regulation on the amount and criteria for establishing costs incurred and determined by the employer for transportation, food and education of employees, to which we referred above (GD no. 144 of 02.26.2014), only expenses incurred by the employer for transportation, food and education of employees were excluded from VAT taxable expenses, according to art. 24, par. 19 TC, and in the amount established by the Regulation. Regarding expenditures for the education of employees, their amount and composition remain at the discretion of the tax authorities. On the expenditure for food and transportation of employees - see below the comments for justifying the mark for implementing the solution 4 of this priority. Other possible expenses to improve the working conditions of employees (possibly by vaccination, providing tea or coffee for employees, etc.) are still not subject to tax deduction and exemption from VAT, according to current TC (art. 24 and 99).

***SOLUTION 3: Changing art. 24 (par. 1) of the Tax Code, introducing the rule that the company has the exclusive right to decide which expenses are necessary and ordinary for its entrepreneurial work.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
-	-	-	-

**Rationale for the given mark - (no changes):** No progress has been registered. Companies are still deprived of the right to decide which expenses are necessary and customary for their work (art. 24 (par. 1) of the Tax Code).

***SOLUTION 4: Allowing the deduction of expenses to create normal working conditions from the viewpoint of the company and according to labor law.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
Defining a "social package" (food, transportation, etc.) to be allowed as deductions for tax purposes and not considered as facility for employees	112. Defining a "social package" (food, transportation, etc.) to be allowed as deductions for tax purposes and not considered as facility for employees – 4th quarter	-	-

**Rationale for the given mark - (partially implemented):** As indicated above, at the end of 2013 changes were made to the art. 24 (par. 19) of TC, which allow the deduction of expenses for food, transportation and professional education of employees as prescribed by the Government, and Government Decision 144 of 02.26.2014 was published on 26/02/2014, approving the Regulation regarding the amount and criteria for establishing costs incurred and determined by the employer for transportation, food and of the employee professional studies. According to this Regulation, the employer shall be entitled to deduct expenses incurred for organized transportation of the employees within the maximum limit of the average cap of 25 lei (excluding VAT) per employee for each day worked by carried employees. Amounts that fall within this limit will not be considered as rewards and incentives provided by the employer and will not involve any tax liability for employees. In case this sum is exceeded, only amounts that exceed it will be considered as rewards and incentives provided by the employer to employees.

Regarding the food expenses of employees, The Regulation establishes that the employer will be entitled to deduct expenses for organized feeding of employees, noting that the average gross wage will equal or exceed  $\frac{3}{4}$  of the amount of the average monthly wage in the economy projected for each year (for 2014 it is established in the amount of 4225 lei). The maximum limit allowed for deduction was set at 35 lei (excluding VAT) per employee for each day actually worked by the employee. Sums up to 35 lei excluding VAT will not be considered as rewards and incentives provided by the employer from the perspective of the employee and the employer and, respectively, will not involve any tax liability for employees.

As with expenditures for education and training of employees, NBA members could not appreciate this solution to be fully implemented because said Regulation limits the ability of companies to deduct the actual expenses incurred for transportation and food for employees. The limit in the amount of 25 and 35 lei is too small and does not cover actual costs incurred by the company for such purposes. In addition, this method of allowing for the deduction of costs for transport and food for employees has complicated tax records and increased fiscal risks for companies (risk of penalty and abusive controls).



**PRIORITY 8.**

**Increasing the transparency of the activity of the Customs Service and the predictability of customs procedures so that economic agents can individually predict the sums that are to be paid for import-export procedures, the documents that they will have to present and the duration and order of procedures.**

***SOLUTION 1: Inventory of all internal regulations of the Customs Service related to import-export procedures and displaying them on the Customs Service web site.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
Adoption of provisions which stipulate the impossibility of applying internal normative acts from the area of customs, which were not publicly disclosed as required by law	-	<p>22.1. Developing a regulatory impact analysis for all regulations issued by the Customs Service which have an impact on business activity, and presenting it for review to the Working Group for regulating business activity (except those that regulate internal customs and have no impact on business activity) – 3rd quarter, 2013</p> <p>22.2. Publication these normative acts of the Customs Service in the Official Gazette of the Republic of Moldova – 3rd quarter, 2013</p> <p>25.1. Ensuring the development of regulatory impact analysis for all normative acts regulating business activity in customs – 4th quarter, 2013</p>	<p>Developing the study on identifying overlaps, gaps and consistency of customs legislation with national law in order to create a sufficient legal basis for the automation and computerization of customs procedures – 4th quarter, 2014</p> <p>Developing an assessment study for trade facilitation needs and priorities and identifying and removing constraints to business (Trade Facilitation Self - Assessment Study) – 4th quarter, 2014</p> <p>Review of the Customs Service normative acts and orders in order to bring them in line with WTO commitments, DCFTA and the Association Agreement with EU 3rd quarter, 2014</p> <p>Providing a mechanism for the consultation of normative acts of the Customs Service with business – quarters 1-4, 2014</p>

**Rationale for the given mark - (partially implemented):** Recent amendments to the Customs Code, approved by Law no. 324 of 23.12.2013 (budgetary and fiscal policy for 2014), provide for the establishment of regulatory impact analysis in drafting legislative and normative acts in the area of customs which regulate entrepreneurial activity. These are to ensure the implementation of the provisions of PG 2013-2014 for „Adoption of provisions which stipulate the impossibility of applying internal normative acts from the area of customs, which were not publicly disclosed as required by law”, which was inspired by NBA 2012-2013 priorities. RMB provides for „Developing a regulatory impact analysis for all regulations issued by the Customs Service which have an impact on business activity, and presenting it for review to the Working Group for regulating business activity”, „Publication these normative acts of the Customs Service

in the Official Gazette of the Republic of Moldova" and „Ensuring the development of regulatory impact analysis for all normative acts regulating business activity in customs". In accordance with these provisions, in 2013 CS initiated the review of all internal regulations. As a result, 10 CS orders published in the Official Gazette (OG) and 12 other orders and circulars that were not published in the Official Gazette were repealed, and the process of reviewing is to be continued. Similarly, internal customs office orders with an impact on economic agents were abolished, the regulatory process of import / export was centralized and the application of CS orders was standardized for all customs offices. Since 2012, the CS publishes all internal norms / orders impacting business and draft laws / Orders are accompanied by RIA and submitted to the RIA Working Group, Advisory Board of the CS, EUBAM, BRITE, EUHLPAM.

**SOLUTION 2: Bringing these acts to a quality that would allow economic agents to plan independently and in advance the amount of customs payments, the time required for import and export procedures, the set of documents required, etc. based on them.**

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
-	-	-	Adjusting the data set and documents required of economic operators to ensure efficient data sharing, cost reduction and clearance times, to EU standards – 2nd quarter of 2014

**Rationale for the given mark - (partially implemented):** In the previous monitoring report we also mentioned that according to CS Order No. 80-A from 28.02.2012, businesses can obtain the Customs decision on the correct classification of goods, which has been applied compulsorily by customs over six years from issue date of the Customs Decision. The website of CS <http://www.customs.gov.md/index.php?id=3485> displays the list of prior pricing decisions on the classification of goods. Also, on its website CS published orders on the classification of certain goods, enabling the determination of the correct code and, respectively, the rate of customs duty: <http://www.customs.gov.md/index.php?id=3673>. A similar procedure for decisions concerning the origin of goods was introduced by CS Order 525-A from 12.07.2012 regarding the approval of the Instruction on the procedure for requesting and issuing mandatory information on the origin of goods.

Similarly, in order to improve the procedures for determining the customs value the Official Gazette of 12.27.2013 published Government Decision no. 1043 of 12.23.2013 amending and supplementing the Regulation on the declaration of customs value of goods imported in Moldova. According to GD the Regulation has imposed changes on the requirements for the confirmation of the customs value. Thus, to confirm the customs value of imported goods, the declarant shall submit the following documents to the customs authority:

1. The contract related to the import transaction and additional agreements (if they have been signed);
2. The invoice, or in the case of conditional value transactions - proforma invoice;
3. Banking payment documents, or other payment documents in the case of prior payment;
4. Transport documents which accompanied the goods: CMR (international waybill), TIR booklet, transit declaration (T1), Air bill (freight), bill of lading, Waybill for the international carriage of goods by railway;

5. Contract (order) granting transportation services or shipping invoice if required under the conditions of delivery;
6. Insurance policy or contract of insurance of goods, if they were provided either under the terms of delivery, or at the initiative of the declarant.

At the same time, the Regulation stipulates that if the customs authority finds proven differences between the data contained in the acts listed above, or if the Integrated Customs Information System identifies the risk of understatement (by comparing the customs value of the goods to be assessed with the customs value of identical or similar goods), par. (2) Article 7 of Law no. 1380-XIII of 20 November 1997 regarding the Customs Tariff, the customs body requests in writing only non-cumulative presentation of the documents related to the transaction of import of those goods that can justify the customs value announced:

1. Any agreement between the seller and buyer which affects the customs value of goods;
2. Contracts with third parties relating to indirect transactions;
3. Commercial correspondence conducted to conclude and negotiate the price if it has been conducted;
4. Invoices for settlement by third parties for the benefit of the seller, if they result from contracts or other documents;
5. Accounting documents of the buyer, such as transfers of funds by the exporter or seller either for information on commissions, profit, or general expenses by applying the deductive method and computed value;
6. Documents relating to the ownership of the companies involved in the transaction, to exclude a possible relationship of interdependence between the seller and the buyer for the purposes of article 11 par. (6) of the Law No. 1380-XIII of 20 November 1997 concerning the customs tariff;
7. The contract under which the intellectual property right is assigned;
8. Certified copy of the export declaration;
9. Document for payment of transportation expenses;
10. Catalogs, price offers (price lists) of producing / vendor companies;
11. Certificate of origin, certificate of quality issued by the manufacturer;
12. Loading list.

If the declarant does not have any additional documents from those requested by the customs body, this fact shall be recorded in the written request. In all cases the declarant, on his own initiative, is entitled to present other documents in order to confirm the customs value announced. In practice, however, according to business representatives interviewed, those changes have not changed the situation for the better in terms of predictability of customs procedures and payments for the import-export operations.

#### **PRIORITY 9.**

#### **Simplifying the procedures and reducing the number of documents required for export.**

***SOLUTION 1: Reducing the amount of paperwork and simplifying procedures needed for export***

**Provisions of public policies corresponding to respective solutions and their deadlines**

PG 2013-2014	AP 2014	RMB 2013-2014	RMC
The introduction of international norms and standards in customs to reduce the duration and costs incurred by traders for clearance of goods.	<p>101. The introduction of simplified procedures for customs clearance, according to the model applied in the European Union (incomplete, regular and simplified declaration procedure)– 2nd quarter</p> <p>101. Developing the program "authorized economic operator" by implementing simplified customs procedures – 4th quarter</p>	<p>23.2. Reducing the share of physical checks of goods on import / export – 3rd quarter, 2013</p> <p>27.2. The introduction of simplified procedures for customs clearance, according to the model applied in the European Union (incomplete, regular and simplified declaration procedure) – 1st quarter, 2014</p> <p>28.4. Description of the procedure for submission of simplified, regular and incomplete declarations, of cases and conditions for their acceptance by customs – 1st quarter, 2014</p>	<p>Evaluating the set of permissive documents required for export (in the sanitary, phytosanitary, veterinary fields) and developing recommendations for their optimization – 2nd quarter, 2014</p> <p>Reducing the number of documents required for customs clearance for export – 4th quarter, 2014</p> <p>Reducing the time for customs control by optimizing customs procedures on checking the customs declaration documents related to goods and means of transport – 4th quarter, 2014</p> <p>Reducing the share of physical customs control from the total number of inspections and application of customs corridors selectivity based on the principles of risk assessment – 1st quarter, 2014</p> <p>Development and implementation of the Authorized Economic Operator / AEO program in accordance with the EU model – 2nd quarter, 2014</p>

**Rationale for the given mark - (partially implemented):** At the legislative level, the provisions regarding the simplification of customs procedures, to which PG 2013-2014, AP and RMB refer, were included in the budgetary, tax and customs policy for 2014 and the development of normative acts necessary for the application of these procedures has been initiated. Concerning the reduction of the share of physical controls of goods at import/export, according to the information of the Customs Service, during the month of December 2013, the share of customs declarations directed for physical controls has reached 19.3% for import and 9.79% for export, with a decrease of 9.29% for import and 3.46% for export compared to the same period of 2012.

Also, we remind that on January 1, 2013 the Regulation on simplified customs procedures came into force. According to it, economic agents who cumulatively meet the requirements specified in the Regulations can benefit from simplifications according to four categories: 1) low risk trader; 2) economic agent with local clearance; 3) trusted economic agent; 4) reliable carrier. Information on the package of amenities offered by the Regulation on simplifying clearance procedures and conditions for granting the respective status for businesses can be found on a separate "Simplified Procedure" page on the web page of the Customs Service: <http://customs.gov.md/index.php?id=3621>. The Regulation provides for a maximum of 60 days for granting the status which allows to benefit from simplified customs procedures.

***SOLUTION 2: Improving control procedures by simplifying and harmonizing them, as well as improving the technical basis and by implementing modern and scan control technologies.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
The introduction of international norms and standards in customs to reduce the actual duration and costs for customs clearance incurred by economic agents	-	23.3. Improving the mechanisms for customs valuation of goods and customs procedures applied in the process of clearance of goods, in order to align them with applicable international norms– 3rd quarter, 2013  23.1. Developing a risk-based approach to customs control – 3rd quarter, 2013	Implementing the concept of electronic customs clearance for export. Developing regulations on electronic clearance of exported goods – 1st quarter, 2014  Developing and implementing the concept of electronic customs clearance for import. Developing regulations on electronic customs clearance of imported goods – 4th quarter, 2014

**Rationale for the given mark - (partially implemented):** Actions corresponding to this solution have been found in RMB 2013-2014: „Improving the mechanisms for customs valuation of goods and customs procedures applied in the process of clearance of goods, in order to align them with applicable international norms” and „Developing a risk-based approach to customs control”. To achieve the first, according to the Government Decision no. 1043 of 12.23.2013 amending and supplementing the Regulation on the declaration of customs value of goods introduced in Moldova, EU rules and procedures were transposed within the national regulatory framework. To achieve the second, CS developed and submitted for approval the draft Agreement between the Customs Service and every institution (ministries, services, etc.) that builds, manages and processes information in the field. In each institution there have also been people named responsible for determining the transmission of information.

In addition, in November 2013 the electronic export procedure E-customs was launched. In this respect, a section on the electronic export was created on the Customs Service website - <http://customs.gov.md/ecustoms/>, which describes the stages, benefits and stages of the procedure. In early April 2014, 30 exporters were already using the electronic customs clearance service.

On 12.14.2013 the Government approved the implementation of electronic customs procedures for goods imported into the Republic of Moldova. In May 2014, the draft law was approved by Parliament. With its entry into force, businesses will get the opportunity to choose which procedure to follow - the electronic or the paper-based one. According to the Customs Service about 324,000 customs import declarations are filed annually, for which two simultaneous procedures were compulsory - the electronic and paper-based one. With the implementation of the electronic import, economic agents will communicate with the customs exclusively through the information system and will deliver not only the customs declaration, but also other documents needed for clearance only in electronic format.

***SOLUTION 3: Improving the coordination between various control services, transport, etc., on both sides of the border.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
-	-	29.1. Enhancing cooperation with neighboring countries in order to extend crossing points of the state border with joint control for smooth freight traffic, as a result of the development of the state "one stop shop" control system– 4th quarter, 2014	-

**Rationale for the given mark - (partially implemented):** Concerning this NBA priority, RMB provides for „*Enhancing cooperation with neighboring countries in order to extend crossing points of the state border with joint control for smooth freight traffic, as a result of the development of the state “one stop shop” control system*”. To achieve this, the project for the reconstruction of the state border crossing point with joint control Palanca - Maiaki - Udobnoe is under examination in order to be financed from EU funds. On November 22, 2013 the European Commission approved the decision to finance the construction of SBCP Palanca - Maiaki - Udobnoe in order to achieve joint control in Moldova. Also the development of the control system “one stop shop” started with the selection of the pilot point, Border Crossing Point “Tudora”. A working group was formed to identify solutions to remove impediments to the realization of this concept. Also, as mentioned in previous reports, from January 2012 the online monitoring system of the traffic of vehicles at border crossings is implemented on the website of CS. The service provides information on the number of means of transport at the checkpoint and online streaming video.

**SOLUTION 4: Implementing the one stop shop and repeated use of documents and data previously submitted by businesses to the Customs Service and other institutions through an interconnected network.**

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
-	101. Implementing the "Multy agency" module of interaction with authorities involved in the control of goods crossing the border, based on IS ASYCUDA World – 2nd quarter	29.2. Improving and developing the "FRONTIERA" Informational System, through which information is exchanged on-line between the authorities involved in the control of goods and the means of transport at the border, according to the "single window", "shoulder to shoulder" and "one stop shop " principles, aimed at reducing the time of control – 4th quarter, 2014  28.2. Exposing the mechanism of control systems for imports and exports, applying electronic interfaces of customs bodies and holders of clearance procedures – 1st quarter, 2014	Creating an inter-institutional connection through an electronic single window, by implementing the " Multy agency" module of interaction of authorities involved in the control of goods crossing the border, based on the information system ASYCUDA World– 2nd quarter 2014

**Rationale for the given mark - (partially implemented):** Concerning this NBA priority the following actions were found in AP 2014: „*Implementing the “Multy agency” module of interaction with authorities involved in the control of goods crossing the border, based on IS ASYCUDA World*” and RMB 2013-2014: „*Improving and developing the “FRONTIERA” Informational System, through which information is exchanged on-line between the authorities involved in the control of goods and the means of transport at the border, according to the “single window”, “shoulder to shoulder” and “one stop shop “ principles, aimed at reducing the time of control*” and „*Exposing the mechanism of control systems for imports and exports, applying electronic interfaces of customs bodies and holders of clearance procedures*”.

Regarding the action of AP 2014, the „ Multi Agency” module is currently under implementation, to facilitate the interaction of public agencies in the process of customs clearance. The module will allow the integration of veterinary and phytosanitary services and certificates issued by them. In this direction talks with public authorities were initiated on their participation in this mechanism, developing the electronic procedure, adjusting certificates, licenses and permits for the use, development of rules of

interaction and the implementation of the module. The mechanism of interaction between the Customs Service and NAFS was tested.

Regarding the IS "Frontiera" a tender book for improving this Informational System was developed, to facilitate the exchange of information between the Customs Service, the Border Police and SE "Registru". This system allows Customs Service representatives to view the information on persons and vehicles crossing the state border online, with the introduction of this information in the system by Border Police officers. This system was implemented in every ground state border crossing, resulting in the decrease of the verification period by both services.

To achieve action no. 28.2 of RMB 2013-2014 Government Decision no. 904 of 11/13/2013 was approved and published in the Official Gazette of the Republic of Moldova „Approving the Regulation on the procedure of customs clearance of electronics goods for export“; the mechanism of the application of digital signature for filing the customs declaration electronically was developed; and the formation of the workstation was initiated, tests were conducted on the application of digital signatures.

Also, as we mentioned in the previous report, the creation of a common database of the Customs Service and STS was initiated (ensuring the interaction of information of CS and STS systems) according to the practices of EU Member States, which will include "trader profiles" with information about the operations, the situation on the budget revenues, controls, facilities, granted for each economic agent. This database will provide access to STS information managed by CS on export operations in order to refund the VAT (currently to confirm the export paper-based documents are issued for each transaction). Also, this database will provide access to STS information managed by CS on the use of imported goods with customs and tax facilities according to destination and will provide the mechanism of transmission of information relevant for risk analysis from STS to CS.

***SOLUTION 5: The adoption of normative regulations that provide a detailed and clear list of goods to be subject to simplified customs procedures and regulate clear and detailed simplified customs procedures to be applied.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
The introduction of international norms and standards in customs to reduce the duration and actual costs incurred by economic agents for customs clearance	101. The introduction of simplified procedures for customs clearance, according to the model applied in the European Union (incomplete, regular and simplified declaration procedure)– 2nd quarter  101. Developing the program "authorized economic operator" by implementing simplified customs procedures – 4 <sup>th</sup> quarter	27.2. The introduction of simplified procedures for customs clearance, according to the model applied in the European Union (incomplete, regular and simplified declaration procedure) – tr. I, 2014  28.4. Description of the procedure for submission of simplified, regular and incomplete declarations, of cases and conditions for their acceptance by customs – 1st quarter, 2014	-

**Rationale for the given mark - (partially implemented):** As mentioned above, on January 1, 2013 the Regulation on simplified customs procedures came into force, according to which economic agents could benefit from simplifications according to four categories: 1) low risk economic agent; 2) economic agent with local clearance; 3) trusted economic agent; 4) reliable carrier. In 2014, new regulations were implemented in the field of simplified procedures, which replace the previous system of simplifications introduced by CS Order on the approval of the Regulation on simplified customs procedures no. 521-O of 10/12/2012. Information relating to the simplifications is placed on the website of CS <http://www.customs.gov.md/index.php?id=4158>:

- 1) Incomplete reporting procedure that can be applied to all customs procedures;
- 2) The of submitting simplified declarations procedure that can be applied to the final customs regimes (import and export) for goods that have not been placed under another customs procedure;
- 3) Local clearance procedure.

Because of the criteria established for granting these categories of simplifications, the only ones who can get them at the moment are a small number of companies, especially large ones. Thus, the impact of the simplification package provided by CS on the ease of conducting large-scale international trade is still limited. Hence the rating given by representatives of NBA.

***SOLUTION 6: Transferring custom controls from the border to internal and destination checkpoints, in order to reduce pressure on the border.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
-	-	-	Evaluation of customs practices applied in Moldova in accordance with the set of European standards in the customs field Customs Blueprints (chapters facilitating trade and business relations, border control and internal points, risk analysis, post customs clearance audit etc. – 4th quarter, 2014

**Rationale for the given mark - (partially implemented):** On July 1, 2013, CS liberalized the clearance procedure on export and import, so traders, regardless of the place of registration, got the opportunity to make customs declarations at any customs post. These changes are part of the package of solutions on the liberalization of customs procedures, which came into force on July 1, 2013: <http://www.customs.gov.md/index.php?id=3658>.

**PRIORITY 10.**

**Exempting VAT for the import of production and service equipment and machines and VAT exemption for the import of spare parts for repairs covered by warranty.**

***SOLUTION 1: Exempting VAT for the import of production and service equipment and machines***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
Examining the possibilities of stimulating the refurbishing of enterprises by improving the mechanisms for applying VAT  Optimizing and reducing customs duties on imports of raw materials, auxiliary materials and technological equipment and increasing them for imported finished products which are directly competitive with the local ones	108. Optimizing and reducing customs duties on imports of raw materials, auxiliary materials and technological equipment and increasing them for imported finished products which are directly competitive with the local ones – 4th quarter	-	Exemption of import of fixed assets that are part of the share capital of the economic agent from VAT and customs taxes – 1st quarter, 2014

**Rationale for the given mark - (partially implemented):** The Official Gazette dated 02.28.2014 published the Government Decision no. 145 of 02.26.2014 approving the Regulation on the application



of tax incentives set out in Article 103 par. (1) p. 29) of the Tax Code and article 28 line q2) of the Law on Customs Tariff. In accordance with the provisions of article 103 par. (1) pnt.29) of the Tax Code VAT does not apply to imports and deliveries in the country of long-term tangible assets used directly in the production, for service delivery and / or at execution of works to be included in the statutory (social) capital in the manner and within the time provided by law.

Also, to encourage investments in productive assets, the draft budget and fiscal policy for 2015, released in June this year, proposed the extension of the VAT refund mechanism for capital investments (expenses) and buildings intended for production. Currently, the tax law does not provide for reimbursement of VAT on such investments.

At the same time, farmers in Moldova were exempted from paying the VAT of 20% on purchase of tractors, combines and other farming equipment that was imported and / or produced in Moldova. Such a provision was passed in Parliament in June 2014. Initially, the amendments to the Tax Code on the exemption from VAT on the import of tractors, combines and other farming equipment came into force with the approval of the budget and fiscal policy for 2014. However, later (in April 2014), the Constitutional Court declared them unconstitutional because those amendments were adopted without the approval of the Government. In June, the Parliament them voted repeatedly completing them this time with agricultural machinery produced in Moldova, in addition to those imported.

***SOLUTION 2: Exemption from taxes and VAT for imported spare parts for warranty servicing.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
-	-	-	-

**Rationale for the given mark – (no changes):** No changes have been registered for this solution.

**PRIORITY 11.**

**Applying the maximum transit term provided by the customs legislation automatically, modifications being allowed only in exceptional cases after a written explanation.**

***SOLUTION 1: Exclusion of unauthorized practices when Customs officers modify the period of transit, reducing it.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
-	-	-	Simplifying procedures for transit, including adjusting the legal framework to community transit requirements

**Rationale for the given mark – (partially implemented):** In the period since the launch of the last monitoring report no further progresses were registered than those mentioned above, related to CS Order no. 131 of 18.02.2013 on certain aspects of the transit procedure. We reiterate that this provides for a transit time of up to 24 hours or up to 72 hours provided the physical control for international transit. The Order also stipulates that the transit time may be extended in the case of certain events or irregularities, in the case of successive loading / unloading and in the case of stationing of the means of freight transport in certain areas of customs control, as well as the instruction for customs officers on how to determine events and irregularities in the transit procedure.

**SOLUTION 2:** *Adjusting the period of transit for different categories of transport, taking into account the mode / modes of transportation and infrastructure realities imposed by the state.*

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
-	-	-	-

**Rationale for the given mark – (partially implemented):** As with the previous solution, we have not registered progress during the reporting period, other than what was mentioned in the previous report. This is related to the Customs Service Order No. 131-A of 18.02.2013 which stipulates that if goods are placed under the national transit customs regime within re-export, import or re-import, the transit time will be granted based on the particularities of the vehicle, climatic conditions and requirements of the load. Also, in certain cases (occurrence of events or irregularities, successive loading / unloading and stopping the transport with cargo in some customs control areas), carriers were granted the right to file an application for the extension of transit.

**SOLUTION 3:** *Changing art. 42 of the Code, par. 2, which shall read as follows: “The time of transit is up to eight days after crossing the customs border. It can be reduced by customs only in exceptional circumstances, by a reasoned decision issued to the person benefiting from transit”.*

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
-	-	-	-

**Rationale for the given mark – (no changes):** No changes were noted concerning this solution, apart from those related to the changes introduced by Order no. 131-A of 18.02.2013, to which we referred above

#### PRIORITY 12.

**Ensuring the transparency of the way in which the customs value of goods is calculated. Transferring the burden of proving the incorrectly stated customs value of goods from the declarant to the customs authority**

**SOLUTION 1:** *The way in which the method of determining the customs value is selected, the actual calculation procedures should be transparent, clear and available to the operator, so that it can calculate customs value individually and in advance*

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
The adoption of clear and transparent procedures for calculating the customs value of the goods; publication of these procedures on the Customs Service website	-	-	-

**Rationale for the given mark – (partially implemented):** As mentioned in the previous report, released in September 2013, CS is in the process of developing a guide on the application of the system for determining the customs value. Also, on 12/27/2013 the Government Decision on amending and supplementing the Regulation on the procedure for declaring the customs value of goods introduced in Moldova was published, which we referred to within priority 8. The stated purpose of this Regulation is to bring more clarity and transparency to procedures for calculating the customs value of goods. In addition to the news of the Regulation (referring to the exhaustive list of documents to prove the customs value of goods), it was supplemented with a new item “Provisions for applying the backup method”. It states that if the customs value of goods cannot be determined using one of the following methods below, the backup method will be applied:

1. Method of commodity transaction value, or based on the price actually paid or to be paid
2. Method of transaction value of identical goods
3. Method of transaction value of similar goods
4. Unit cost method
5. Calculated value method

The Regulation also establishes that the customs value determined by applying the backup method will be based primarily on previously determined customs values. The customs authority shall examine by comparison the values of identical goods, and then similar ones, and in the absence of goods of the same class or the same type, using the selection criteria set out in the Integrated Customs Information System.

In determining the customs value using the backup method according to Regulation, authentic information, which does not contravene the provisions of Article 17 par. (3) of the Law on Customs Tariff, such as: commercial price offers (price lists) of producers / sellers; catalogs containing detailed description of the goods; stock prices; data on allowable levels of commissions, discounts, benefits, transportation charges will be used as the basis of assessment. According to the Director of the Customs Service, Tudor Balițchi, with the approval of the new changes, businesses will know the exact requirements of the Customs on customs valuation and will be able to provide all data and information necessary to confirm the transaction price in advance <sup>2</sup>.

***SOLUTION 2: Ensuring compliance with the current provisions of the Customs Code regarding the customs value of goods: application only of the “transaction value” method, based on documentary evidence. In case of disagreement of the Customs Service with the documentarily confirmed value of the goods, the burden of demonstration must be assumed by that body, not by the operator.***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
The adoption of clear and transparent procedures for calculating the customs value of goods; publication of these procedures on the Customs Service website	-	-	-

**Rationale for the given mark – (partially implemented):** According to the Customs Service data, as a result of the changes in the regulatory framework described above, the backup method was applied in the first 7 months of this year in proportion of 7.5% of all customs declarations. During the same period of 2013 the share of incidences of backup method from the total of customs value declarations was 13.8%.

<sup>2</sup> <http://www.contabilsef.md/newsview.php?l=ro&idc=13&id=8466>

**PRIORITY 13.**

**Recognition of international certificates of conformity emitted by the states with which the Republic of Moldova has signed mutual recognition agreements and improving the procedures of issuing certificates of conformity.**

***SOLUTION 1: Accession of the Republic of Moldova to international treaties for recognition of certificates of conformity as a full member, and mutual recognition of these certificates in the country***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
<p>Full harmonization of regulations specific for areas of the national economy with the European ones and their implementation at the level of requirements in those areas.</p> <p>Establish the mechanism for recognition of conformity assessment results (certificates of conformity, test reports and CE conformity marking) issued by conformity assessment bodies in the EU</p>	<p>165. Carrying out tasks deriving from the obligations of the National Accreditation Body as applicant to become a signatory to the Multilateral Recognition Agreement with the European Cooperation for Accreditation (EA MLA)– tr. IV</p>	<p>27.1. Introducing the mechanism of unilateral recognition of veterinary and phytosanitary certificates issued in other countries (at least in the EU, USA and Canada)</p>	<p>Harmonization of regulations with the European documents</p> <p>Ensuring compatibility of standards with technical regulations adjusted to European standards</p>

**Rationale for the given mark – (in progress):** In order to implement the action of „Introducing the mechanism of unilateral recognition of veterinary and phytosanitary certificates issued in other countries (at least in the EU, USA and Canada)”, from RMB 2013-2014, a draft law was developed. This provides for the improvement of collaborative relationships and data exchange on export operations between the Customs Service and the Tax Inspectorate which will allow to exclude the confirmation from Customs Service (additional document to the customs declaration, which involves additional costs of 5 Euro per document ) and additional costs. Veterinary, phytosanitary or compliance certificates issued by the competent authorities of other states will be recognized unilaterally, which will ensure the exclusion of unjustified expenditure and bureaucracy involved in obtaining these certificates. The project has passed the approval procedure at interested institutions and was submitted to the Government for review and approval, and was later returned for completion, following approval of the Ministry of Finance. Subsequently, the project was submitted to the State Chancellery to undergo examination by Economic Council of the Prime Minister.

***SOLUTION 2: Establishing applicable mechanisms of certification in cases where standardization organizations do not have the necessary test equipment and qualified personnel to perform certification***

Provisions of public policies corresponding to respective solutions and their deadlines			
PG 2013-2014	AP 2014	RMB 2013-2014	RMC
<p>Strengthening the capacity of national institutions responsible for infrastructure quality: standardization, accreditation, metrology, market surveillance.</p> <p>The development of national laboratories testing the safety and quality of products on the market, especially the food.</p>	<p>169. The development of national laboratories testing the safety and quality of products on the market, especially the food.– 4th quarter</p>	-	<p>The development of national laboratories testing the safety and quality of products on the market, especially the food.– 4th quarter, 2016</p>

**Rationale for the given mark – (no changes):** No progress has been noted regarding this solution.

***SOLUTION 3: Adequate terms and practices for the standardized procedures and eliminating the sanctions for goods storage during the period of certification.***

<b>Provisions of public policies corresponding to respective solutions and their deadlines</b>			
<b>PG 2013-2014</b>	<b>AP 2014</b>	<b>RMB 2013-2014</b>	<b>RMC</b>
Implementing a facilitating industrial certification mechanism for the import of technologically advanced industrial equipment in accordance with international and European industrial security standards	102. Optimization of the process of certification and control of the origin of goods – 4th quarter	-	-

**Rationale for the given mark – (partially implemented):** As mentioned in the previous report, progress has been made only in terms of excluding economic sanction for keeping goods during certification.

**PRIORITY 2.10 (NBA 2010):**

**Simplifying the procedure for compensating debt to the budget with overpayment of other taxes, particularly regarding the management of import / export, covering VAT for payment with VAT to be refunded.**

**Rationale for the given mark – (partially implemented):** This was implemented, except for payments to the social fund.

## ■ The degree of implementation of sector priorities of NBA 2012-2013

Regarding the sector priorities, as in the case of the previous report, progress in implementation has been evaluated according to the extent to which they are found in public policy documents, including as a result of advocacy measures taken by NBA. Given that sector priorities are primarily related to the skills of NBA member associations, these priorities were assigned a complementary role in relation to the general priorities in tax and customs areas, determined as areas of common interest for all member associations and a priority target of the efforts of advocacy events of NBA. Sector priorities are the subject of discussion within NBA ad-hoc meetings, related to certain matters of major interest to those sectors. These are included in the network's advocacy actions to be promoted, but were not subject to detailed monitoring. Progress in implementing sector priorities was assessed according to the extent to which they are included in policy documents of the authorities (2013-2014 PG, PA 2014 RMB and RMC 2013-2014).

Thus for the Information and Communication Technology sector, we found three activities in PG 2013-2014: „*Ensuring fair competition on the market of electronic, postal and ICT industry communications*”; „*Reforming J.S.C. „Moldtelecom”, ensuring equitable and transparent infrastructure for all market players*” and „*Modernizing ICT education by improving educational standards, creating partnerships with private companies, centers of excellence and innovation labs*”. Also in AP 2014 we found four actions corresponding to formulated priorities for this sector and seven other actions in RMC and RMB.

For the agricultural business sector and wine industry, in the Program of the Government 2013-2014 we found three activities corresponding to priorities / solutions proposed by the sector agenda: „*Increasing investment in upgrading agrofood enterprises and marketing of food products*”; „*Facilitating access to capital, markets, and factors of production for farmers by subsidizing interest rates for agricultural loans, establishing a guarantee fund for agricultural loans, offering support in the process of land consolidation*” and „*Increasing access to water resources for irrigation*”. Six action for achieving the activities planned in PG are found in AP 2014, and in RMC we identified two other measures.

Three activities are also provided for in PG 2013-2014 for the transport sector: „*Approving the Strategy for transport and logistics 2013-2022*”; „*Adopting a strategic plan to modernize the SE “Railway of Moldova” through restructuring and separation by activities (freight, passenger and infrastructure)*”; „*Promotion of intermodal transport by increasing interconnection between different types of transport*”, two corresponding actions are found in AP 2014.

For the construction sector, only one of the solutions proposed by the sector agenda is reflected in the Program of the Government 2013-2014: „*Reforming the system of technical regulation of construction and implementing performance standards in construction*”, and another one, for implementing the activity of PG in AP 2014. For its realization, a City Planning and Construction Code has already been drafted, which provides that all economic agents in the field will be evaluated by a special committee that will decide which of them can continue to work in construction. Another project that meets the NBA sector priorities in constructions is the Draft Law on the Social House of Builders, released for public consultation by the Ministry of Construction and Regional Development in May 2014. The matrix of solutions suggested by NBA sector agendas and appropriate actions contained in Government policy documents is presented below:

Priority fields	NBA Solutions	PG 2013-2014	PA 2014	RMB, RMC
<b>INFORMATION AND COMMUNICATION TECHNOLOGY SECTOR</b>				
<i>Administrative and tax field</i>	<ul style="list-style-type: none"> <li>• Extension of tax incentives for companies in the IT and eliminating burdensome provisions or which do not stimulate the sector;</li> <li>• Increasing efficiency and transparency in public procurement; Clear and equal rules for state and private companies</li> </ul>			Developing an ex-ante analysis of the impact of introducing particular taxation incentives concerning the taxation of science, innovation and ICT parks – 2nd quarter, 2015 (RMC)
<i>Competition environment</i>	<ul style="list-style-type: none"> <li>• Removing unfair competition and barriers to growth of the ICT sector;</li> <li>• Effective protection of intellectual property rights;</li> </ul>	<p>Ensuring fair competition on the market of electronic, postal and ICT communications</p> <p>Reforming J.S.C. „Moldtelecom“, ensuring equitable and transparent infrastructure for all market players</p>	<p>171. Promoting the draft law concerning the legal status of the infrastructure associated with electronic communications networks, building and sharing elements of associated infrastructure – 1st quarter</p> <p>179. Reforming J.S.C. „Moldtelecom“, ensuring equitable and transparent infrastructure for all market players – 4th quarter</p> <p>184. Developing strategies to enhance the competitiveness of the IT industry – 1st quarter</p>	<p>16.1. Adopting the draft law concerning the legal status of the infrastructure associated with electronic communications networks, building and sharing elements of associated infrastructure – 1st quarter, 2013 (RMB)</p> <p>Continuing the process of implementation of regulations on imposing and compliance with appropriate obligations for operators with significant market power (SMP), relevant when the competition is not fair - (RMC)</p> <p>Developing and adopting the draft law concerning the legal status of the infrastructure</p>

<i>Competition environment</i>				associated with electronic communications networks, building and sharing elements of associated infrastructure – 4th quarter, 2014 (RMC) Optimization and shared use of electronic communications infrastructure – 1st quarter 2015 (PFAC) Adoption of the draft strategy to increase the competitiveness of the information technology industry for the years 2014-2023 –2nd quarter, 2014 (RMC)
<i>Human resources and training</i>	<ul style="list-style-type: none"> <li>Upgrading the university curriculum and improving the quality of instruction in educational institutions that prepare professionals for the ICT sector</li> </ul>	Modernizing ICT education by improving educational standards, creating partnerships with private companies, centers of excellence and innovation labs	180. Modernizing ICT education by improving educational standards, creating partnerships with private companies, centers of excellence and innovation labs – 4th quarter	
<b>AGRIBUSINESS SECTOR</b>				
<i>Adjusting to European standards</i>	<ul style="list-style-type: none"> <li>Adjusting the quality and food safety requirements for Moldovan food products with those of the EU.</li> </ul>			
<i>Production and marketing of agricultural products</i>	<ul style="list-style-type: none"> <li>Adoption of more consistent and efficient policies and measures in the production and marketing of food products;</li> </ul>	Increasing investment in upgrading food processing enterprises and the marketing of food products.	119. Creating, based on the public-private partnership, several regional food centers where farmers can sell agricultural production directly as well as benefit from the services necessary for export– 4th quarter	



<i>Production and marketing of agricultural products</i>	<ul style="list-style-type: none"> <li>Improving the system of subsidizing agricultural producers</li> <li>Facilitating access to finance for companies in agribusiness</li> </ul>	Facilitating access to capital, markets and factors of production for farmers by subsidizing interest rates for agricultural loans, establishment of a guarantee fund for agricultural loans, offering support in the process of land consolidation.  Increasing access to water resources for irrigation	119. Facilitating the creation and / or modernization of food processing enterprises, according to EU standards – 4th quarter  123. Developing a draft Law on the establishment of an agricultural credit guarantee fund – 4th quarter  120. Promoting and approving the draft law on producer groups and their associations – quarter 1	
<i>Tax and customs procedures</i>	<ul style="list-style-type: none"> <li>Adoption of fiscal and customs measures that would stimulate production and export of agro products.</li> </ul>		117. Stimulating the cooperation of farmers by providing preferential subsidies and offering tax incentives to groups of agricultural producers – 3rd quarter	Returning to the VAT rate of 8% for agriculture – 1st quarter, 2014 (RMC)  Continuing the process of tax consolidation, including by promoting a law on single tax for agriculture – 1st quarter, 2014 (RMC)
<i>Administrative- normative and regulatory framework</i>	<ul style="list-style-type: none"> <li>Reforming the normative-administrative and regulatory framework of the wine sector</li> </ul>		116. Developing a legal framework regulating the wine sector, a Regulation, a Wine Registry and the "wine market organization" Technical Regulation – 4th quarter	
<b>TRANSPORTATION SECTOR</b>				
<i>Policy framework in the field of transport</i>	<ul style="list-style-type: none"> <li>Moldova's accession to the conventions and agreements of the Inland Transport Committee of the UN European Economic Commission in the field of transport</li> </ul>	Approval of the transport and logistics strategy for 2013-2022		

<i>Policy framework in the field of transport</i>	<p>and aligning national legislation in the field of international transport to EU requirements and standards.</p> <ul style="list-style-type: none"> <li>• Development and approval of policies (strategies) on transport development in Moldova for a period of 10 years</li> </ul>			
<i>Normative- regulatory framework for transport</i>	<ul style="list-style-type: none"> <li>• Elimination of border barriers to international transportation of goods, simplification of customs procedures and elimination of technical barriers;</li> <li>• Eliminating bureaucratic and administrative barriers in the transport of goods and people; bringing normative acts of MTRI and TCM in line with international standards (Incoterms 2010, FIATA, etc.) and Moldovan legislation .</li> </ul>	<p>Adopting a strategic plan to modernize the SE "Railway of Moldova" through restructuring and separation of activities (freight, passenger and infrastructure).</p> <p>Promoting intermodal transport by increasing interconnection between different types of transport</p>	<p>139. Adopting a strategic plan to modernize the SE "Railway of Moldova" through restructuring and separation of activities (freight, passenger and infrastructure). – 4th quarter</p> <p>144. Signing of the Memorandum on intermodal transport in the BSEC – 3rd quarter</p>	
<i>Transportation of passengers</i>	<ul style="list-style-type: none"> <li>• Combating illicit transport of passengers and optimization of the network of regular routes;</li> <li>• Adjusting passenger tariffs and undertaking measures that would reduce losses and reduce the expenses of carriers;</li> </ul>			

<i>Transportation of passengers</i>	<ul style="list-style-type: none"> <li>• Payment of debts to carriers and the development of an efficient system of compensations for the expenses for transportation of categories of passenger with transport privileges.</li> </ul>			
<b>CONSTRUCTION SECTOR</b>				
<i>Procurement</i>	<ul style="list-style-type: none"> <li>• Modifying art. 46 and 59 of Law no. 96-XVI of 13.04.2007 on procurement, and other provisions of normative acts in force relating to public procurement</li> </ul>			
<i>Quality in constructions</i>	<ul style="list-style-type: none"> <li>• Adopting a code on housing</li> </ul>			
<i>Regulatory framework on housing</i>	<ul style="list-style-type: none"> <li>• Adoption of the Law on the Social House of Builders</li> </ul>			
<i>Labor force, social protection of workers</i>	<ul style="list-style-type: none"> <li>• Introducing a professional certification of enterprises in construction order to ensure that construction works correspond to existing national standards and are harmonized with EU requirements.</li> </ul>	Reform of the system of technical regulation of construction and the implementation of performance standards in construction	161. Developing the Program on updating the technical normative documents in construction, with gradual transition to European standards – 4th quarter	

## ■ Conclusions

**After nearly three years since the launch of NBA priorities** 2012-2013, we note an increasingly large number of business priorities that are found on the public policy agenda of the authorities. Thus, if at the time of the report of the implementation and monitoring of NBA priorities (October 2012) actions for only **three general NBA priorities** were found in the Government's Action Plan, after almost a year, in the evaluation report of the implementation of NBA priorities (September 2013) we already talk about actions for nine **NBA 2012-2013 priorities** that we identified in PG 2013-2014, released a few months earlier.

During the monitoring of the implementation of the priorities of NBA 2013-2014, culminating with this report, only for one of the 13 general priorities of NBA we have not certified any planned action / measure in the monitored public policy documents – for the one on the removal of the cap for voluntary registration as VAT payer. Instead, a proposal to meet this priority was found in the draft budget and fiscal policy for 2015.

For another priority of NBA 2013-2014, the automatic application of the maximum transit time provided for by the customs legislation, we found only one planned action, and only in the RMC, launched in January this year. For other 11 of the 13 NBA general priorities we found 18 actions in PG2013-2014, 14 corresponding actions in the Action Plan of the Government for 2014, 24 actions in RMB 2013 - 2014 and 29 in RMC.

We assume that not all of these were inspired directly by NBA 2013-2014, but the fact that meanwhile two important policy documents emerged, RMB in 2013-2014 and RMC, that aim to remove critical constraints in the way of business and to increase competitiveness of local business, is an indirect recognition of the fact that the insistence of the NBA platform and the civil society in promoting business priorities begins to produce the expected results. This is true at least at the level of approximation of positions between the visions of the two parties regarding priorities and future directions of evolution. However, this speaks in favor of the awareness of public authorities of the need for more focused and more determined actions to create a stimulating and attractive business environment, rather than more general and camouflaged formulations of PG and of the Government Action Plans. To this are added actions in the PG and AP inspired by and taken directly from the priorities and solutions proposed by the NBA, already mentioned in the previous report.

**This gives a greater responsibility and importance to the monitoring and evaluation of the implementation of NBA priorities.** If we a few years ago to it was a priority for was many NBA solutions as possible to reach the authorities' agenda, now the practical results of the implementation of these solutions and governmental actions inspired by them is more important. And here, as in previous reports, we still have to attest a large discrepancy between the purpose and intention of the actions stated in policy documents, and their effect felt by the business environment. Thus, the more than modest assessments of NBA members of the results of the implementation of actions and measures of public policy documents corresponding to NBA priorities, contrasts with the more optimistic assessments regarding the large number of solutions taken over by the same policy documents.

Measuring the impact felt by the business environment, of the 13 general priorities of NBA 2012-2013, eight were rated as "Partially implemented / in progress" (three in October 2012 and five in September 2013). These are concerning the optimization of procedures for mandatory reporting of business to public authorities; stimulating the growth of professional development of employees of enterprises by allowing the deduction of expenses for education and staff training from the taxable base; simplifying procedures and reducing the number of documents required for exportation; elimination of the obligation to pay VAT on the import of manufacturing machinery and equipment; increasing

the transparency of the Customs Service and the predictability of procedures and customs payments; automatic application of the maximum transit time provided for by the customs legislation; ensuring the transparency of procedures for calculating the customs value of goods; international recognition of certificates of conformity issued by countries with which Moldova has signed mutual recognition agreements.

Regarding the other four we have not certified any changes (seven in October 2012 and seven in September 2013). This refers to the application of the presumption of innocence of business in relation to control bodies; enabling companies to register as VAT payers without capping conditions; stimulating the import of new technologies by reducing the tax burden; reducing the tax burden for vital activities to stimulate sales (marketing, advertising and promotion, etc.) and creating appropriate working conditions for employees. At the same time, for one of these (excluding excessive sanctions against business), as in the previous report, the given ranking was "The situation has worsened" (three in October 2012).

In detail, by specific solutions for each of the 13 general priorities, the situation is as follows: 20 solutions (51%) were appreciated as "Partially implemented / in progress"; for 18 solutions (46%) we have not certified any change, and on one (reducing the number and size of tax penalties applied to business), the rating given was "the situation has worsened". Compared to previous periods there is an apparent progress (the percentage of solutions marked with the qualifier "partially implemented / in progress" was 28% in September 2013 and 24% in October 2012, while the qualification "no changes" was given to 64% of the solutions in September 2013 and 61% in October 2012). Finally, the number of solutions appreciated as "the situation has worsened" was reduced to only one (3%), compared to 8% in September 2013 and 14% in October 2012.

However, as in previous periods, no solution could be marked with the qualification "Implemented". Thus, the basic conclusion is that the number and extent of progress noted in this report, as in previous ones, is still too limited to talk about fully discernible effect for the business environment and qualitative progress in creating favorable conditions for business activity in the country for the monitored areas.

Concerning sector priorities, for the information and communications technologies sector we found three activities in PG 2013-2014, four actions in AP 2014 and seven in RMC and RMB. For the agribusiness and wine industry sector we found three priorities in PG 2013-2014 that correspond to activities / solutions proposed by the sector Agenda, six actions are found in AP 2014, and two in RMC. Three activities that correspond to the priorities of the Agenda for the transport sector are also provided by PG 2013-2014 and there are two corresponding actions in AP 2014. For the construction sector, only one of the solutions proposed by the sector agenda is reflected in an activity of PG 2013-201 and one action in AP 2014.

## ■ Recommendations on the monitoring process

Many of our recommendations in the previous report remain valid. First, they refer to **the need for continued advocacy efforts of the network**. As mentioned in the previous report, even for priorities on which we noted a partial progress, actions taken so far do not fully meet the expectations of business (e.g., optimization of mandatory reporting procedures, allowing the deduction of expenses for food, transport and training of employees from the taxable base, simplification of customs procedures, excluding the obligation to pay VAT on the import of production equipment and machinery, automatic application of the maximum transit term provided for by the customs legislation, etc.).

This recommendation is closely linked to the one of **wider media coverage of priorities of the business** to achieve greater resonance of the problems it faces, including the way in which the authorities intend to translate provisions accepted and taken within the dialogue with the private sector into life.

Similarly, given that through the Agendas of business a large part of business priorities came to be reflected in many policy documents, **the role of monitoring and evaluating the implementation in practice increases**. This is more so in the aforementioned context, concerning the discrepancy between the provisions of public policy documents, many of which were inspired by priorities of business, and practical results from the implementation of these provisions. In this respect, for example, **the establishment by NBA of a mechanism for monitoring the main policy documents relating to business**, including those to which we referred in this report (PG, PA, in RMB, RMC), would be useful.

Finally, referring to the NBA agenda of priorities **it would be useful to review it in order to formulate narrower, more explicit and easier to follow priorities**. As a large part of current priorities are too broad (e.g., "optimization of procedures," "simplification of procedures", "improving interaction", etc.), it is difficult to track their implementation, given that these formulations allow a much too broad space for their understanding and interpretation. Thus, depending on the perspective taken, several actions and measures may be included or on the contrary excluded in / from this category. Making them specific and detailed would help not only to follow their implementation easier, but would also further facilitate their implementation, as it would not leave much room for equivocal interpretation. **Reducing the number of solutions formulated, in order to not disperse too much effort to promote them**, would be equally useful.



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