

1. Overview. Business Entities

1.1. Legal Framework

Over the past years, the legal framework regulating entrepreneurial activity and investments in Moldova has improved considerably and generally follows international practice. A growing number of laws comply with European Union (EU) standards and the process of harmonisation of Moldovan legislation with the EU rule of law is steadily advancing. Also, the required business regulatory bodies were appointed in line with the modern market economy.

The main safeguards of the investment activity in Moldova are provided by the supreme law of the land, **Constitution of the Republic of Moldova**. It protects, among other, the inviolability of investments by both individuals and entities; the freedom of trade and entrepreneurial activity; the competition; and the right to private property. Also, the key constitutional principles include the supremacy of international law over the local legislation; market economy; and private property.

Additionally, protections provided by the Constitution have been further developed and detailed in a distinct law, **Law nr. 81/2004 on Investment in Entrepreneurial Activity**, which brought additional comfort to investors in line with the best European legislative standards.

In particular, this law establishes the legal, social and economic principles of organization and development of investment activity in Moldova, rights and obligations of investors, the powers and competences of public authorities in the field of investment activity, the guarantees the investors benefit from, and the venues of settling investment disputes.

Other laws of major importance for the investment activity include:

- Law No. 845/1992 on Entrepreneurship and Enterprises;
- Law No. 235/2006 on Principles of Entrepreneurial Activity;
- Law No.220/2007 on Registration of Legal Entities and Individual Entrepreneurs;
- Law No.160/2011 on Principles of Authorisation of Entrepreneurial Activity;
- Law No.135/2007 on Limited Liability Companies;
- Law No. 1134/2007 on Joint Stock Companies;
- Law No. 171/2012 on Capital Market;
- Law No. 440/2001 on Free Economic Zones;
- Law No. 179/2008 on Public Private Partnership;
- Law No.202/2017 on Activity of Banks; etc.

Also, Moldova has entered into a significant number of bilateral treaties purported to protect investment, avoid double taxation, simplify certain formalities, and facilitate the interaction and cooperation of the authorities. Some of the most important international instruments signed and ratified by Moldova include:

- Bilateral Agreements on **Promotion and Mutual Protection of Investments** with more than 30 countries, including major economies such as the United States of America, France, Italy, Great Britain, Germany, Turkey and Romania¹. These agreements provide additional guarantees to investors, which prevail over the domestic legislation.
- More than 50 International Agreements on **Avoiding Double Tax Taxation**².

¹ The list of countries with which Moldova has signed an agreement on promotion and mutual protection of investments is available in **Ошибка! Источник ссылки не найден.** to this Guide.

² The list of the countries with which Moldova has signed an agreement on avoiding double tax taxation is available in **Ошибка! Источник ссылки не найден.** of this Guide

- Many other Bilateral Agreements on **Trade-Economic Collaboration**, as well as **Free Trade Area Agreements**³.

Moldova is also a member of the **World Trade Organization** since 2001⁴.

The **Agreement on the Free Trade Area in the CIS**, signed on 18 October 2011, stipulates the facilitation of regional trade by improving commercial relations between signatory states⁵.

Moldova is party to the **Central European Free Trade Agreement** (CEFTA) since 2007. CEFTA aims at increasing trade with goods and services and impelling investments between the CEFTA member states, as well as eliminating trade obstacles and distortions and facilitating the circulation of goods in transit and the trans-border circulation of goods and services between the Parties' territories⁶.

The **Deep and Comprehensive Free Trade Area** (DCFTA) between the Republic of Moldova and the European Union, initialled on November 29, 2013, is part of the Association Agreement between the Republic of Moldova and the European Union. This preferential trade system has allowed Moldova to benefit from reduced or eliminated tariffs for its goods, an increased services market and better investment conditions⁷.

Since 1992, the Republic of Moldova has been a member of MIGA - **Multilateral Investment Guarantee Agency**. This international agency can be used whenever necessary by a foreign investor as a guarantee against political risks, which further contributes to the success of an investment in Moldova⁸.

The Republic of Moldova ratified the **Convention on the Settlement of Investment Disputes** between States and Nationals of Other States in 2011 (ICSID Convention)⁹. Moldova is also a signatory to the **New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards** (1958)¹⁰.

To enable investment in the Moldovan economy and to ensure an efficient promotion of exports of domestic goods and services, the Moldovan Government approved the **National Strategy for Investment Attraction and Export Promotion for 2016-20** and associated implementation Action Plan, a strategic document reflecting the country's vision in this area. This Strategy identified seven priority sectors for investment and export promotion: agriculture and food, automotive industry, business services such as business process outsourcing (BPO), clothing and footwear, electronics, information and communication technologies (ICT), and machinery.

³ The List of countries with which Moldova has signed agreements on Trade-Economic Collaboration as well as the Agreement on the Free Trade Area is available in **Ошибка! Источник ссылки не найден.** of this Guide.

⁴ For additional details visit: https://www.wto.org/english/thewto_e/countries_e/moldova_e.htm

⁵ For additional details visit:

http://www.eurasiancommission.org/ru/act/trade/dotp/sogl_torg/Documents/FTA%20CIS_Text_with_protocols_ENG.pdf

⁶ For additional details on CEFTA, visit:

<http://transparency.cefta.int/sps/Moldova/Bilateral%20and%20International%20Agreements/Moldova/>

⁷ For additional details on DCFTA, visit: <http://dcfta.md/eng>

⁸ For more details on member countries, visit: <https://www.miga.org/member-countries>

⁹ <https://icsid.worldbank.org/en/Pages/icsiddocs/ICSID-Convention.aspx>

¹⁰ <http://www.newyorkconvention.org/>

1.2. Forms of business entities

All forms of entrepreneurial activity embodied in the Moldovan legislation can be conventionally divided into four groups:

Entrepreneurial activity practiced by individuals, without establishing a legal entity

- Individual entrepreneur
- Entrepreneurial patent holder
- Self-employed

Commercial entities

- General partnership
- Limited partnership
- Limited Liability Company
- Joint Stock Company

Cooperatives

- Business cooperative
- Production cooperative

Enterprises

- State enterprise
- Municipal enterprise

Overall, the form of business organisation does not influence the type of activity to be carried out by a legal entity. However, certain types of business activity expressly provided by law may be carried out only under specific forms of business organisation (e.g. only JSCs may obtain licences for banking, insurance activities, etc).

According to statistical data provided by the Public Services Agency as of 1 February 2020, the State Register contains information on **124,373** legal entities and individual entrepreneurs, of which:

Limited Liability Companies	88,619
Joint Stock Companies	2,136
Production Cooperatives	662
Business Cooperatives	248

The most common forms are Limited Liability Companies and Joint Stock Companies. From a foreign investor's perspective, the choice is usually an LLC due to simple and flexible registration and operation.