

5. Incentives and Support for Certain Categories of Investments

5.1 Free Economic Zones

Overview

A free economic zone (FEZ) is a specific part of Moldovan territory in which Moldovan and foreign investors may conduct certain types of activities benefiting from special guarantees and incentives (tax, customs, regulatory, immigration, etc.). The main legal acts regulating FEZ in Moldova are the Law No 440/2001 on free economic zones and the Tax Code.

FEZ are created for a period of at least 20 years.

Moldova currently has seven FEZ, located all over the country's regions:

1. Expo-Business-Chisinau
2. Balti
3. Ungheni-Business
4. Otaci-Business
5. Taraclia
6. Vulcanesti
7. Tvardita

Some FEZ privileges are also applicable to the Free International Airport "Marculesti" and Giurgiulesti International Free Port (GIFP).

FEZ residents should be registered in Moldova (as legal entities with local, mixed or foreign capital). The residents are selected by FEZ Administration, based on the investment amount and type, available infrastructure / infrastructure to be created, type of activities to be carried out, etc.

The following types of activities may be carried out in FEZ:

- Industrial production of export-oriented goods, except for ethyl alcohol and alcoholic production;
- Sorting, packing, labelling and other similar operations for goods which transit through Moldovan customs territory;
- Other auxiliary activities necessary for the basic activities indicated above (e.g. utility services, warehousing, construction, catering etc.);
- External commercial activity (i.e. wholesale of goods imported into FEZ outside Moldova and offered for export);

Each type of activity within FEZ is subject to a separate time-limited authorisation issued by FEZ Administration.

Investments that were made within Free Economic Zones in Moldova so far amount to USD 432,7 million, with USD 35,8 million being invested in 2019 (an increase of 9.0% from 2018).

As of 1 January 2020, 208 residents were registered in seven Free Economic Zones. The number of employees working in the FEZ at the end of 2019 was 18,180 people.

FEZ incentives

(a) Special tax and customs regimes

For 2020, the following incentives for FEZ investors are applicable:

- FEZ residents, which export goods (services) from FEZ outside the customs territory of the Republic of Moldova or deliver manufactured goods to other FEZ residents, are entitled to apply **50%** of the applicable CIT rate on such income for goods to be exported. For other cases, the CIT rate is **75%** of the established one.
- The income obtained from exports of goods (services) originating from the FEZ outside the customs territory of the Republic of Moldova or from supply of produced goods to other FEZ residents is CIT exempted for a period of **three years**, provided that FEZ residents invested a capital equivalent of at least **USD 1 million** in fixed assets of their enterprises and / or in the development of the infrastructure of FEZ, and is CIT exempted for a period of five years, where the invested capital is at least **USD 5 million**.
- From a VAT perspective, goods and services imported to FEZ from abroad or from the rest of the customs territory of the Republic of Moldova, or exported outside of Moldova from the FEZ are subject to **VAT at a 0% rate**. The delivery of goods or services within the FEZ are not subject of VAT taxation.
- According to the customs provisions, goods originating from the FEZ and exported from FEZ to the rest of the customs territory of the Republic of Moldova or abroad are **exempt from any customs duties**, except for the customs processing fee. Also, goods imported to FEZ from the rest of the customs territory of the Republic of Moldova or from abroad are exempt from any customs duties, except for the customs processing fee.

Investors in the FEZ are guaranteed and protected from changes in legislation for a general period of up to ten years, while under certain conditions this period may be extended to 20 years.

(b) Transfer of profits, currency repatriation rules

Proceeds obtained by FEZ residents as profits (dividends) or from the sale of their shareholding, may be freely transferred outside of the Moldovan territory, after fulfilling tax liabilities.

The provisions on foreign currency repatriation are applicable to the export/import transactions between FEZ residents and foreign entities. However, these rules do not apply to transactions between FEZ residents and other Moldovan legal entities operating outside FEZ.

Special visa and a simplified procedure of work permits regime is available for foreign workers of FEZ. No consular fee is required for the issuance of business visas for foreign workers of FEZ.

5.2 Industrial parks

Overview

Industrial parks are one of the most effective factors supporting positive economic development all over the world. For Moldova, however, the concept of an industrial park is a relatively new one. It has been legally regulated by the Law No 182/2010 on industrial parks and the first industrial park appeared in 2010.

An industrial park represents a defined territory which has technical and production infrastructure administered by a managing company, and where the resident companies carry out economic activity, under an incentivised regime provided by the state.

Any legal entity registered in Moldova can become an industrial park resident on the basis of a contract concluded with the administrator-enterprise, aiming to carry out such activities as industrial production, service provision, implementation of scientific researches and / or technological development within the industrial park.

The land for an industrial park, along with the buildings and the facilities located on it, must cumulatively fulfil the following requirements:

- be free of any encumbrances;
- be free of any disputes;
- have access to transport routes;
- be able to connect the technical and production infrastructure of the park to public utilities;
- have an area of at least 5 hectares;
- be in the usage of the applicant for a term of at least 30 years or in its ownership.

Several enterprises obtained the title of industrial park on the basis of Government decisions since 2010.

There are 10 industrial parks which are located all over the country such as IP “Bioenergagro” (Drochia), IP “Tracom” (Chisinau), IP “Cimisia” (Cimisia), IP “CAAN” (Straseni), IP “Raut” (Balti), IP “Edinet” (Edinet), IP “Triveneta Cavi Development” (Straseni), IP “Comrat” (Comrat), IP “FAIP” (Durlesti) and IP “Cahul” (Cahul).

As of 01.01.2020, there are 82 companies registered as residents of industrial parks. According to the investment projects the residents act in the field of information and communication technologies, electronic equipment, machinery building, furniture, industrial goods (parts, accessories), production from metal, garments, foods, wines etc.

During the last 9 years of the industrial parks activity:

- volume of investments amounted to 2,535.0 million MDL
- volume of production – 3,407.1 million MDL;
- total sum of paid taxes – 522,5 million MDL;
- number of created jobs – 4,262.

Industrial parks incentives

IP Residents and IP Administration may benefit from the following immovable property incentives and Government support:

- Exemptions related to exclusion of land from the agricultural land category;
- Free or gratuitous transfer of public property goods;
- Right of privatization of public land associated to the buildings at a privileged price;
- Tax incentives;
- Application of a preferential rate of the lease on land or public property goods;
- Optimisation of state inspections;
- Allocation of financial means for the creation of infrastructure.

5.3 IT parks

Overview

The ICT sector is continuously growing in Moldova. This process is actively supported by Law No. 77/2016 on information technology parks which regulates the process of IT parks creation and their operation.

Moldova IT Park is the first IT park in Moldova, which started its activity on 1 January 2018, being created to operate for the next 10 years. During the first two years of its existence, the number of its residents exceeded 500 IT companies.

Moldova IT Park is the main focal point of access for best services and incentives for the IT sector, which has proven its uniqueness by being a virtual structure, which operates in a multi-stakeholder governance model.

Acting as a cluster facilitator, the Park provides the organizational platform with a set of innovative tools and new approaches to accelerate, in a coordinated manner, the transformation of economy, streamlining corporate innovation practices, boosting the growth of the IT industry, supporting partnerships, creating new jobs and attracting local and foreign investment.

Any legal entity registered in Moldova and aiming to carry out activities stated by the law can become an IT park resident by concluding a contract with the Administration of the IT park.

According to the law, the following main activities may be carried out in the IT Park (the main activities are the ones that generate at least 70% of the Park's resident's sales revenues):

- custom software development activities (client-oriented software);
- computer games editing activities;
- editing activities of other software products;
- management activities of computing means;
- data processing, web page administration and other related activities;
- web portal activities;
- information technology consultancy activities;
- other activities related to informational technology;
- other forms of education limited to training in computer science;
- research and development in other natural sciences and engineering, based on the use of specialized high-performance computing equipment, limited to experimental research and development services in (i) mathematics, (ii) computers and computer science, (iii) physics, (iv) nanotechnology, (v) engineering and technology, except biotechnology, (vi) natural sciences and engineering, except biotechnology;
- research and development in biotechnology, limited to (i) experimental research and development in the field of bioinformatics: database building in genomics, protein ordination, complex biological modelling processes, including biological systems and (ii) experimental research and development in the field of nano-biotechnology: nanoscience and micro-projection tools and processes used in the construction of devices for the study of bio-systems and application in medication, diagnostics, etc.
- manufacturing of electronic components limited to (i) microprocessors and (ii) integrated circuits.
- Motion picture, video and television programme post-production activities, based on the use of specialized high-performance computing equipment, limited to (i) services for obtaining special offers and (ii) animation production services;
- Specialized design activities based on the use of specialized high-performance computing equipment.

IT parks incentives

(a) Virtual presence

The residents of the IT Park can be located anywhere on the territory of the Republic of Moldova.

(b) Single taxation regime

The residents of the IT Park pay a **single tax of 7%** on sales revenue (but not less than a minimum amount per employee, which equals to 30% of the average monthly wage forecasted per economy for that year – e.g. 30% x 7,953 MDL = 2,386 MDL per month per employee).

The single tax includes the following taxes:

- Corporate income tax;
- Personal income tax on salary;
- Social security contributions (due by both employee and employer);
- Health insurance contributions (due by both employee and employer);
- Local taxes;
- Immovable property tax;
- Road usage tax.

Other taxes, which are not covered by the single tax, are due according to the general rules. These include:

- Withholding taxes;
- VAT and excises;
- Other taxes not specifically included in the single tax.

(c) Simplified tax reporting

Since 7 taxes were included in the single tax, the IT Park residents have a simplified reporting regime. Overall, the single tax return replaced all standard returns related to taxes included in the single tax.

(d) Application of the law over time

In case new laws that modify or cancel the rate and/or the composition of the single tax are adopted, the residents of the IT Park have the right, to work according to the existing law until 31 December 2025.

(e) Favourable immigration regime (IT Visa)

Foreign individuals with senior management positions in entities performing IT activities and IT specialists are entitled to favourable immigration rules as follows:

- IT specialists can work in Moldova for a period up to 90 days during every 6 months based on a simplified notification to the Bureau of Migration and Asylum;
- IT specialists can obtain a work permit for a period up to 2 years;
- IT managers can obtain a work permit for a period up to 4 years.

It should be mentioned that the periods for which IT managers and specialists are granted work permits is double as compared to standard rules.

(f) Benefits for employees

Insured by the state – while being exempted from the tax burden, the employees continue to benefit from social insurance in amount of 60% of the average salary in the economy (approved on a yearly basis by the Government).

No taxes on other benefits – all extra benefits granted to employees (e.g. bonuses, premiums, benefits in kind) are not subject to additional taxation.

No need to submit individual personal income tax return – all income obtained by employees within their labour relationship with an IT park resident shall not be additionally reported in the annual personal income tax return.