



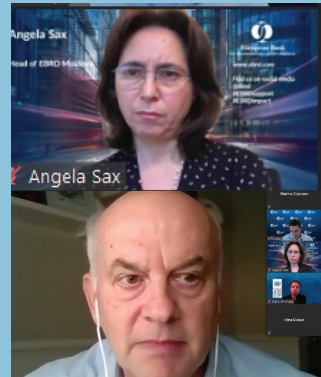
# Info Bulletin



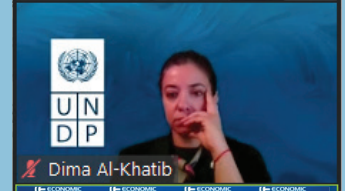
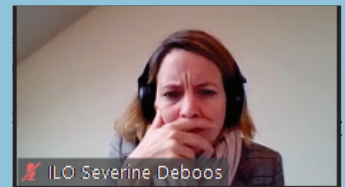
02

## MEASURES FROM THE POLICY MATRIX H

On December 16, 2020, Parliament voted for the tax and budgetary Policy for 2021.



## Priority Sectors for Intervention



04

## POLICY MATRIX ON THE RADAR

Results of the Policy Matrix have been presented on several important platforms.



05

## DIGITIZING THE ECONOMY

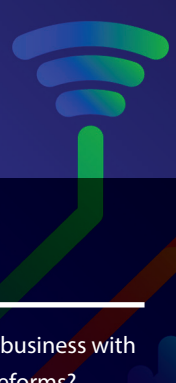
Roadmap was included in the Government Action Plan for 2021-2023.

# MOLDOVA BUSINESS WEEK 2020

08

## MOLDOVA BUSINESS WEEK

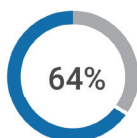
How efficient is the dialogue of business with state authorities in promoting reforms?



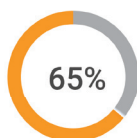
## Matrix, in the Government Action Plan

On November 30, 2020, Government included a series of measures from the Policy Matrix in the Government Action Plan for the years 2021-2023 and the Ministry of Economy and Infrastructure (MEI) intends to take over the actions from the Matrix into a program of economic measures in the context of COVID-19, which is in the process of development. All in all, 64% of actions that provide for the optimization of the normative framework were taken up in above mentioned documents. At the same time, 65% of Matrix actions related to tax solutions were fully or partially included in the Tax Policy for 2021 or in the Draft COVID Program of MEI. Likewise, 65% of actions, which provide for economic incentives, were included either wholly or in part in the Government Action Plan or in the Draft COVID Program of MEI. On December 16, 2020, Parliament voted for the tax and budgetary Policy for 2021.

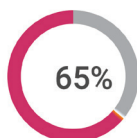
64% of actions that provide for the optimization of the normative framework were taken up in GAP



65% of Matrix actions related to tax solutions were fully or partially included in the Tax Policy for 2021



65% of actions, which provide for economic incentives, were included either wholly or in part in the GAP



See the first 5 tax related actions of the Policy Matrix developed by the Secretariat of the Economic Council, which were approved by the Parliament in the 2020 fall-winter session.

## Measures to stop the IT brain drain

Parliament extended by another 3 years the period for the application of tax relief measures to the income tax for employees whose basic activity is "software manufacturing". With this, state wants to retain IT programmers, highly sought after by international companies. The period of application of these incentives expires in 2020. Business associations addressed this topic during the development of the Impact Study of COVID-19 pandemic on economic sectors by the Secretariat of the Economic Council. These benefits will affect about 1000 non-resident IT companies of the IT park with about 6000 employees. The turnover of these companies amounts to about 3 billion lei. The state resorts to such actions in order to ensure a predictable business climate and a favorable investment climate in the information technology industry, but also because

it wants to help increase the number of such specialists in Moldova. 1,687 companies are active in the IT industry, of which 656 are registered in "Moldova IT Park". The number of employees in this industry amounts to 15 522 people. In 2019, the share of the ICT sector in the GDP of the Republic of Moldova was about 7.1%. It is important to note that the export of IT services of only resident companies of MOLDOVA IT PARK is 168 million dollars, the total export of IT services is 198 million US dollars, and the total export of ICT constitutes 254.99 million US dollars. The total amount of revenues from the provision of ICT services was over 15 billion lei, or 860 million US dollars. Only 1.96% of all the population employed in Moldova (out of 739 366 people) works in the IT sector, which, however, manages to produce precisely 3.1% of the country's GDP.

The total amount of revenues from the provision of ICT services was over 860 million US dollars in 2019

## VAT was reduced for the HORECA from 15% down to 12%

Parliament reduced the value added tax for HORECA sector from 15% to 12%.

The implementation of this measure aims to support the sector in overcoming the effects of the crisis generated by the pandemic. In the process of developing the Impact Study and the Policy Matrix, experts spoke directly with representatives of the economic sectors, including HORECA. One of the demands of companies in this area was to reduce the VAT rate.

Thus, experts proposed reducing VAT rate for HORECA from 15% to 12% as part of the Policy Matrix. In 2019, state reduced

the VAT rate for HORECA from 20% to 10%. This, according to the conclusions of the Impact Study of Covid pandemic on economic sectors and Policy Matrix, helped HORECA sector double sales revenue in 2019 - from 215 to 469 million lei. Moreover, this measure helped start the process of "cleaning" the sector, by substantially increasing sales going through the bookkeeping.

Subsequently, VAT rate was increased again, finally reaching 15% this year.



Mobile operators have been paying the so-called "luxury" tax, or as it is officially called the mobile telephony services tax, since 2000.

## The so-called "luxury" tax for mobile operators will be reduced by 40%

It was introduced in 2000 to tax high-income individuals who could afford to buy a mobile phone, considered a luxury at the time. The proceeds from this tax, almost 90 million lei annually, go to the National Population Support Fund. Today the mobile phone is no longer a luxury, businesses argue and during the last, at least two years, calls for the reduction of the "luxury" tax, or even its cancellation have been increasing.

The topic was also raised at the Economic Council, with mobile operators arguing that this 2.5% tax makes the costs of services provided to the population more expensive. The topic was

revived by business in the summer of 2020 when experts from the Secretariat of the Economic Council were preparing the Impact Study of the COVID pandemic on economic sectors and the Policy Matrix, supported by the EBRD, UK Government Fund for Good Governance and the International Financial Corporation.

Thus, experts recommended that authorities permanently eliminate this tax, which has become antiquated as this could lead to a reduction of tariffs for mobile telephony services or the launch of new mobile services, which would facilitate the remote use of other services and e-commerce.

Experts have proposed to exclude the luxury tax in exchange for the commitment of mobile operators to develop electronic payment services by phone, while the sources necessary for the National Population Support Fund to be compensated by a tax on citizens whose annual income exceeds one million lei.

The idea of the Secretariat of the Economic Council experts was partly taken up by the authorities. Thus, at the end of 2020, by approving the tax and budgetary policy, Parliament reduces the luxury tax for mobile operators, starting in 2022, from 2.5% to 1.5%. ECS will monitor the subject.

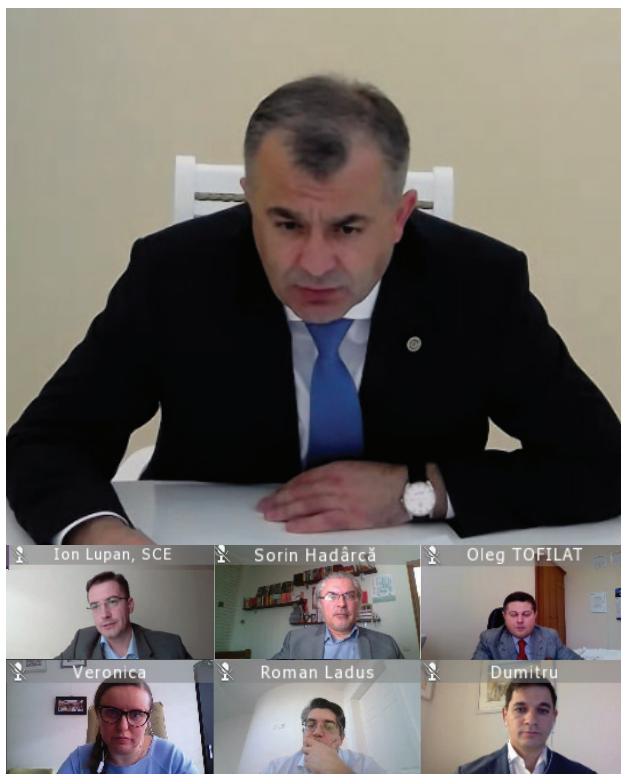
### Employers will be able to deduct expenses incurred for testing employees for COVID-19

From 1 January 2020, it is allowed to deduct the expenses incurred by the employer for SARS-CoV-2 virus testing, and the payments made by the employer for SARS-CoV-2 virus testing are non-taxable sources of income for employees. Provisions approved in December 2020 by Parliament are enforced from January 1, 2020. Through this measure the state wants to encourage the testing of employees in order to avoid the spread of infection and stopping the activity of business. Prior to this amendment, payments made by economic operators for the purpose of testing employees were taxable incentives granted by the employer. From these amounts, income tax, mandatory state social insurance contributions and mandatory health insurance premiums were calculated and paid. That deduction is also found in the Policy Matrix developed by the experts of the Secretariat of the Economic Council.

### The deadline for reporting has been extended

Companies, other than those of public interest, will no longer have to hurry the process of submitting financial statement and the audit report within 120 days from the last day of the reporting period. Changes in this regard were made by the Parliament in the budgetary-tax policy for 2021. According to experts from the Secretariat of the Economic Council who proposed this measure during the process of developing the Policy Matrix, business community highlighted a number of obstacles in the application of legal provisions prior to the amendments made by the MPs. It will be easier for companies now, the deadline for submitting these documents has been extended by 30 days.

# Policy Matrix on the radar of authorities, donors and investors



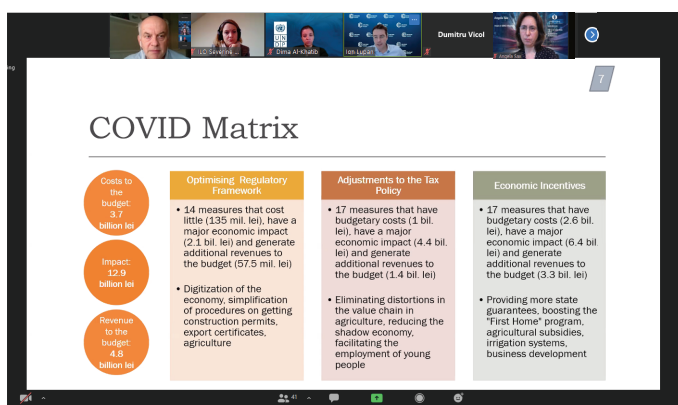
“ During the last months the results of the Impact Study of the COVID-19 pandemic on the economy and the economic recovery Policy Matrix have been presented on several important platforms. In October, Prime Minister Ion Chicu had a working meeting with the group of experts of the Economic Council. ed in the Study with institutions concerned.

Ion Chicu has acknowledged the work of economic experts and requested the continuation of discussions on the measures included in the Study with institutions concerned. The Head of Government mentioned that some of the expert proposals agreed with public authorities will be included in the budgetary tax policy for 2021. In November, the document was presented at the “Invest Gagauzia 2020” International Forum, and in December, international donors, such as UNDP office in Moldova, EU in Moldova, USAID, Soros Foundation in Moldova, International Labor Organization, EBRD, World Bank, etc., have been informed about the results of the study.

amounting to about 3.7 billion lei, and could generate economic benefits of 12.9 billion lei and budget inflows of about 4.8 billion lei. The development of the Impact Study and the Policy Matrix to support the affected business community started in mid-2020. Experts contracted by international donors and those of the Secretariat of the Economic Council had discussions with representatives of more than 20 economic sectors in the country, which account for more than 85% of the turnover in the real sector of the economy. All the information collected by the experts was summarized and formed the basis for the development of the Policy Matrix for economic recovery during the pandemic.

If adopted by the authorities, these measures and actions could contribute to a recovery in the affected economic sectors. In this regard, 3 sets of actions are proposed. According to the research, the implementation of these actions, entails budgetary costs

Documents were prepared by the ECS in collaboration with the Ministry of Economy and Infrastructure with the support of EBRD and International Financial Corporation, development partners, EC members.



## THE FIRST SET OF MEASURES

Optimization of the regulatory framework - measures aimed in particular at digitizing the economy, simplifying construction permits, optimizing export confirmation documents, regulations in agriculture, etc.

## THE SECOND SET OF MEASURES

Adjustments to taxation. Here the proposed measures are aimed at eliminating distortions in the value chain in agriculture, reducing the grey economy, facilitating the employment of youth, etc.

## THE THIRD SET OF MEASURES

Economic incentives. These are measures aimed at providing a larger volume of state guarantees, boosting the “First House” program, agricultural subsidies, development of irrigation systems, business development.



## DIGITIZING THE ECONOMY

EC secretariat, in cooperation with the Ministry of Economy and Infrastructure, promotes the implementation of 37 actions from the Roadmap in order to bolster the process of digitization of the national economy and develop e-commerce, prepared with the support of the EC Secretariat, including on the basis of proposals of the business community.

The document was included in the draft COVID Program of MEI and, in general, in the Government Action Plan for 2021-2023.

During the implementation of several actions of the Roadmap on the digitization of the economy, a draft amendment of about 30 legislative acts was developed, which is currently at the Ministry of Economy and Infrastructure prepared to be presented to the state Chancellery for promotion.

The draft is essential to the business community but also to public authorities, given the situation with the pandemic, and among others aims at excluding the requirement of notification as private data operator,

liberalization of the consent form for the processing of personal data; facilitating the use of electronic signatures and remote identification, recording, de-registration and remote amendment of documents; unilateral recognition of electronic signatures from the EU area; widespread use of electronic signatures in labor relations.



Meanwhile, the Secretariat of the Economic Council is busy drawing up the next package of measures aimed at facilitating remote relations and development of e-commerce.

### THE GOVERNMENT BUSINESS PORTAL WAS LAUNCHED

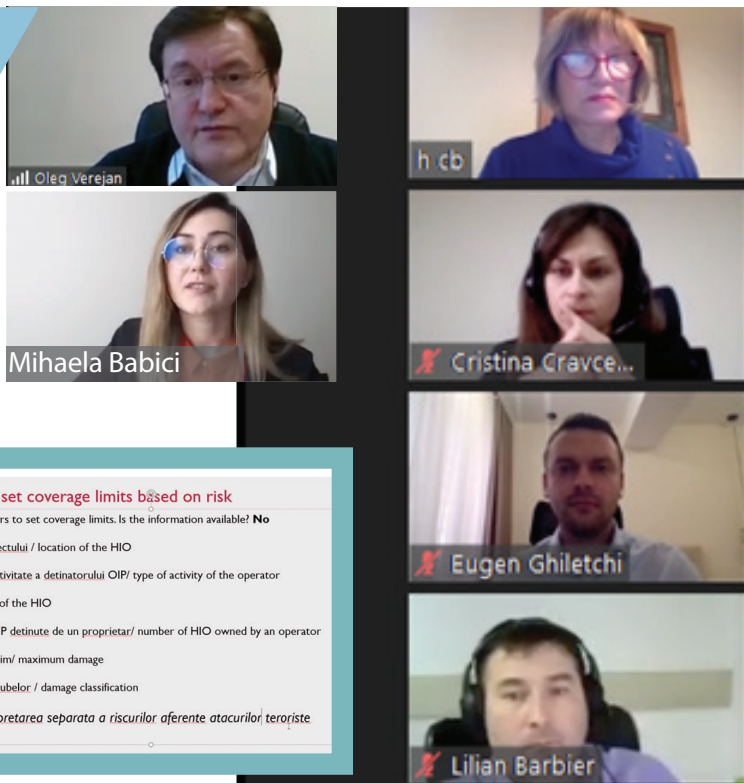
From December 8, 2020 the government business portal is available to all businesses who have an electronic signature and can be accessed on [www.mcabinet.gov.md](http://www.mcabinet.gov.md). Here two cabinets which can be accessed by authentication are available – the natural entity cabinet and the entrepreneur cabinet, which includes five data blocks. The first block contains general information about the company. Another section provides data on immovable goods belonging to the company. Another block is intended for the powers of representation, another one – authorizations available to the company, and the last block contains information about the vehicles that the com-

pany owns. The Government business portal is developed at the initiative of the Secretariat of the Economic Council, following requests in this regard from the business community, member of the platform. The Secretariat held ongoing discussions with the e-Government Agency with a view to launching this e-solution for entrepreneurs. The implementation of the portal should be finalized by the adoption by Parliament of a law providing that the communication between the state and business is made exclusively through [mcabinet.gov.md](http://mcabinet.gov.md).

# HAZARDOUS INDUSTRIAL OBJECTS

This is shown by the data of Moldovan insurers, who participated in the survey organized with the support of the Transparency of the Financial Sector in Moldova Project financed by USAID. The action takes place within the process of developing the normative framework providing for a mechanism for establishing the amount of insurance for hazardous industrial objects in Moldova. Debates with the participation of insurers, international experts and state institutions are taking place on the platform of the Economic Council to the Prime Minister of Moldova.

Participants in the discussions mentioned that in Moldova there are more than 4700 functional hazardous industrial objects, such as lifts, industrial machinery, gas station machinery, etc. But the 8 insurance companies in Moldova issued only 813 insurance policies for hazardous industrial objects, that is, for 17% of all those registered in our country. Moreover, according to experts, in 2019, damages applications for incidents involving hazardous industrial objects were filed by two claimants only, the cumulative amount of compensation amounting to only about 1000 USD.



**1. Factors to set coverage limits based on risk**  
 Please list top factors to set coverage limits. Is the information available? **No**

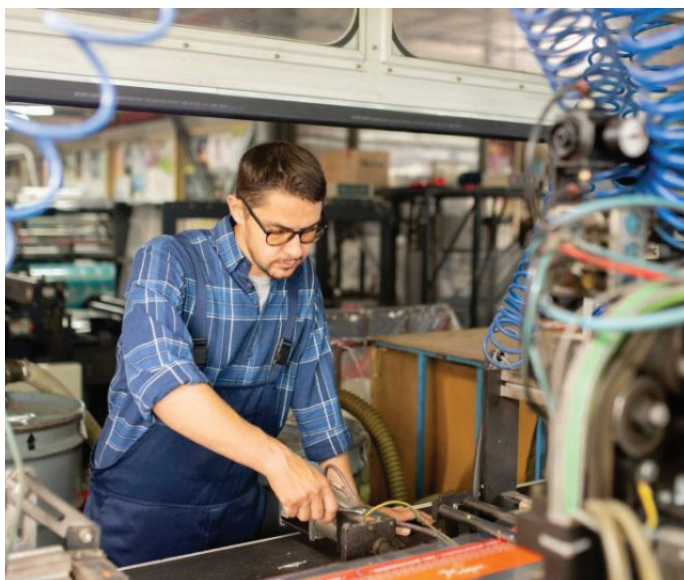
1. Amplasarea obiectului / location of the HIO
2. Domeniul de activitate a detinatorului OIP/ type of activity of the operator
3. Tipul OIP/ type of the HIO
4. Numarul de OIP detinute de un proprietar/ number of HIO owned by an operator
5. Prejudiciul maxim/ maximum damage
6. Clasificarea pagubelor / damage classification

Comments: *interpretarea separata a riscurilor aferente atacurilor teroriste*

“ All these and other issues are discussed at the Economic Council after the Parliament voted in 2018 on a law.

This document expressly regulating the amount of liability insurance for possible damages in case of accidents involving a hazardous industrial object, the amount of which, depending on the category of danger of hazardous industrial objects, varies from 5 to 100 million lei. Then the business community addressed the topic within the platform noting that the new provisions will ruin, especially small and

medium-sized enterprises that will not be able to pay these huge damages. That is because setting by law a fixed amount of insurance, increases up to 100 times the size of the insurance premium. A year later the Parliament returns to the old rules provided that a normative framework will be developed to offer a solution in this area.



● The Secretariat of the Economic Council and the Ministry of Economy and Infrastructure also called on international expertise in this regard, connecting the experts of the Transparency of the Financial Sector in Moldova Project to this process.

● Following discussions with all parties to this process, experts are expected to develop a set of proposals to be discussed in the Economic Council.

## Conditions for opening nurseries for children of employees are unattractive for business

Closure of schools and kindergartens due to the pandemic has forced some employees into being furloughed or take unpaid leave to care of children left at home. Some employers are thinking about opening nurseries in companies for children of employees, including children up to 3 years, thus motivating women to go to work before the expiry of maternity leave. But existing legal provisions discourage employers from setting up such nurseries. One of the documents regulating pre-school institutions in Moldova

is Regulation on the organization and functioning of the early education institution. Although companies are not prohibited from opening nurseries for children of employees, the document contains provisions impossible to fulfill by the private sector. These and other obstacles faced by business in their attempt to open nurseries are discussed at the Economic Council at the request of the Partnership for Development Centre. The Ministry of Health, Labour and Social Protection welcomed discussions on this subject in the

Economic Council. The Ministry is willing to discuss all proposals from experts, especially since there is experience of opening nurseries for children from vulnerable families in Moldova. Experts should identify normative provisions in the area of early education that need to be reviewed and come up with proposals, taking into account primarily the health and safety of children.

The Secretariat of the Economic Council will monitor the subject.



## Memorandum of Cooperation between the eGovernment Agency and the Secretariat of the Economic Council

Public institution "Electronic Governance Agency" (EGA), and the Secretariat of the Economic Council to the Prime Minister of the RM (SEC) have signed a Memorandum of cooperation, aiming to contribute to the quality of dialogue between representatives of business community and government decision makers, says a press release of the Electronic Govern-

ance Agency. The main objectives of partners are to facilitate the dialogue between representatives of business community and government decision makers, as well as to implement policies to modernize government services and e-transformation of governance, by offering effective solutions to increase quality of services.



### Financial support for business for the creation of jobs and employment

The National Employment Agency (NEA) held the webinar on the topic: "Financial support for businesses for the creation of jobs and employment", addressed to representatives of business community.

This webinar was organized in partnership with the Economic Council to the Prime Minister of Moldova.

Starting from 2019, a new legislative framework in the field of employment is being implemented, a package of new

active employment measures aligned with European practices, addressed to both the unemployed and businesses.

During the webinar, the representatives of NEA presented the support offered to businesses, in terms of financial support for the participation in professional training of the unemployed, subsidizing jobs for the employment of representatives of vulnerable groups, support for the creation and adaptation of jobs.

# How efficient is the dialogue of business with state authorities in promoting reforms?

The vision of business associations on the efficiency of the G2B dialogue was shared by representatives of 5 business associations from Moldova, during the panel "Business - a partner in promoting state reforms" during the Moldova Business Week 2020.

According to Mila Malairău, Executive Director of the American Chamber of Commerce of Moldova, in recent years, the decision-making processes by the authorities have become much more transparent.

To attract investments in Moldova, the Government should speed up the implementation of the Association Agreement between Moldova and EU, says

Mariana Rufa, Executive Director of the European Business Association. Business associations have always been the promoter of innovative elements in economic development, and the ones in Moldova are no exception, said Ana Groza, Executive Director of Foreign Investors Association of Moldova.

During the same event Anastasia Sprincean, representative of the Romanian Investors Association in Moldova, mentioned the need to continue discussions with Chisinau authorities on the topic of promoting cross-border trade, including by streamlining traffic through border crossing points for businesses on both sides of the Prut river. Moldova is a place for



The Moldova Business Week Economic Forum is in its seventh edition and annually brings together thousands of businesses, economic experts, national authorities, development partners and potential investors.

successful business histories, said Liliana Busuioc, Executive Director of the Alliance of Small and Medium-sized Enterprises of Moldova. The panel "Busi-

ness - a partner in promoting state reforms" at Moldova Business Week was moderated by the Secretariat of the Economic Council to the Prime Minister.



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