



Thinking beyond borders: Management of extended business travelers - Moldova



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01

Key message

As a general rule, the tax liability of an individual is determined according to their tax residence status, and also according to the source of the taxable income. The income tax in Moldova is determined by applying a flat income tax rate of 12 percent.

1 Key message

Extended business travelers may be subject to Moldovan income tax on the employment income received for their Moldovan workdays, in accordance with any applicable double tax treaties. Moldovan-source income may also be considered taxable, depending on the residence of the individual.

Moreover, in case of intra-group recharges of the remuneration, transfer pricing and VAT implications should be observed.

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Income tax

2 Income Tax

2.1 Liability for income tax

As a general rule, tax residents are liable to income tax on their worldwide income, whereas tax non-residents are liable to income tax only on their Moldovan source income. The salary income received from a non-Moldovan employer for work performed physically in Moldova is also considered Moldovan-source income.

An individual's obligation to pay Moldovan income tax is determined through its residence status. A resident is defined as an individual who either has their domicile in Moldova (evidenced via a valid Moldovan identity card) or spends in Moldova more than 183 days in the fiscal year concerned.

In case the individual does not fulfill any of the above-mentioned criteria or has a valid residence certificate issued on the basis of applicable tax treaties, they shall be deemed tax non-resident. An individual's obligation to pay Moldovan income tax is determined through its residence status, as well as the types of income obtained.

A resident is defined as an individual who either have their domicile in Moldova (evidenced via a valid Moldovan identity card) or spends in Moldova more than 183 days in the fiscal year concerned. In case the individual does not fulfill any of the above-mentioned criteria or has a valid residence certificate issued on the basis of applicable tax treaties, they shall be deemed tax non-resident.

2.2 Tax trigger points

According to current Moldovan legislation, there is no minimum number of days that will exempt the individual from taxation in Moldova. However, special consideration should be taken in case the individual is entitled to benefit from double taxation relief on the basis of a valid double tax treaty.

2.3 Types of taxable income

In the case of extended business travelers, the types of income that are generally taxed are employment income (for the Moldovan workdays), as well as personal income such as interest derived from a Moldovan bank account or capital gains derived from the sale of Moldovan immovable properties. Expatriation allowances and benefits in kind provided by the employer are generally assimilated to salary for taxation purposes.

2.4 Tax rates

Income tax is applied at a flat tax rate of 12 percent.

Tax residents are entitled to receive specific personal deductions from the salary income. Note, however, that such deductions or any other deductions are not provided by the law for non-residents.

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Social Security

3 Social Security

3.1 Liability for social security

As a general rule, even if not clearly stipulated by the law, we are of the opinion that salary income received from a non-Moldovan employer is not subject to Moldovan social security contributions. Social security contributions paid abroad are not considered deductible for income tax purposes.

Salary income received from a Moldovan employer for work performed outside Moldova is subject to Moldovan social security contributions, unless specifically provided otherwise by applicable social security agreements.

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Compliance obligations

4 Compliance obligations

4.1 Employee compliance obligations

For salary income received from abroad, it is the individual's responsibility to declare and pay the income tax. Employment income, as well as personal income, is declared on an annual basis, by 30 April of the year for the previous year. The income tax is due also by 30 April of the year for the previous year. No extension of the deadline is available.

4.2 Employer reporting and withholding requirements

The non-Moldovan employer does not have any withholding obligations in respect of salary income.

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Immigration

5 Immigration

5.1 Work permit/visa requirements

As a general rule, a visa is required to enter the country/jurisdiction. However, there are some unilateral exceptions from the requirement to obtain a visa granted by Moldova to nationals of 101 EU and non-EU countries/jurisdictions. In either case, foreign individuals can stay in Moldova for a period not exceeding 90 days during 6 consecutive months.

The stay in Moldova on the basis of a long-term visa can afterwards be extended through a temporary residence permit. A residence permit can be obtained for work, investment, family reunification, and study or volunteering purposes.

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Other issues

6 Other issues

6.1 Double taxation treaties

Moldova has concluded double tax treaties with 50 countries/jurisdictions in order to avoid double taxation and enforce co-operation between Moldova and overseas tax authorities in applying their respective tax laws. Provisions of tax treaties in force prevail over the provisions of the Moldovan domestic legislation.

6.2 Permanent establishment implications

In the case of extended business travelers, there is a risk that a permanent establishment might be created in Moldova. The aspects to be considered are the nature of the individual's activity in Moldova, as well as their level of authority within the company. An in-depth review should be performed on a case-by-case basis.

6.3 Indirect taxes

The standard value added tax (VAT) is 20 percent (lower rates of 8% are provided for some specific products). A newly established company has the option to apply for a VAT registration of the company irrespective of the estimated turnover. Companies that obtain a turnover larger than MDL1,200,000 should proceed with the registration for VAT purposes being considered as taxpayers from a VAT perspective.

6.4 Transfer pricing

From 30 December 2022, the new provisions on transfer prices in the Republic of Moldova entered into force and applied from 1 January 2024.

A taxpayer which, during a tax period, carries out transactions with affiliated parties with a total value, calculated by adding up the value of all transactions carried out with affiliated parties, VAT excluded, ranging between MDL 20 000 000 and MDL 50 000 000 is required to prepare and present transfer pricing information. A transfer pricing file only needs to be prepared and presented by the entity if requested by the Tax Authorities. A taxpayer which carries out transactions, during a tax period, with affiliated parties with a total value, calculated by adding up the value of all transactions carried out with affiliated parties, VAT excluded, greater than MDL 50 000 000 is required to prepare and present transfer pricing information and also a transfer pricing file.

6.5 Local data privacy requirements

Moldova has specific legislation in the area of data privacy, which regulates the processing of personal data.

6.6 Exchange control

Exchange According to the current Moldovan legislation, there are several restrictions in what concerns the flow of Moldovan or foreign currency into and outside the country/jurisdiction.

As such, the amount of money which can be transported in cash outside Moldova cannot exceed the equivalent of 50,000 Euros (EUR).

Moreover, all amounts above EUR 10,000/person that are transported outside Moldova shall be declared to the customs authorities. All amounts over EUR 50,000 should be transferred through financial institutions.

6.7 Non-deductible costs for assignees

Non-deductible costs for assignees include items such as private pension, voluntary health insurance, alimony or tax return preparation fees.

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