



Taxation of international executives: Moldova



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01

Overview and Introduction

1 Overview and Introduction

The taxation of individuals in Moldova depends upon their residence status. Moldovan tax residents are liable to Moldovan tax on their worldwide income, whereas non-Moldovan tax residents are liable to Moldovan tax on their Moldovan-source income. This includes income received for services performed on Moldovan territory. For the year 2022, the personal income tax rate is 12 % (flat tax rate). Married individuals are taxed separately from their spouses (no joint filing applies in Moldova).

The official currency of Moldova is the Moldovan Leu (MDL).

Herein, the host country/jurisdiction refers to the country/jurisdiction to which the employee is assigned. The home country/jurisdiction refers to the country/jurisdiction where the assignee lives when they are not on assignment.

02

Income tax

2 Income Tax

2.1 Tax returns and compliance

When are tax returns due? That is, what is the tax return due date?

30 April.

What is the tax year-end?

31 December.

What are the compliance requirements for tax returns in Moldova?

Residents

As a general rule, the compliance requirements depend on whether the salary income is obtained from a Moldovan employer or from a foreign employer. If the salary income is obtained from a Moldovan employer, it is the company's responsibility to declare and withhold the income tax due. The deadline for declaring and paying the income tax is 25th of the month for the previous month.

In case the salary income is obtained from a foreign employer, it is the employee's obligation to declare and pay the income tax. In general, income tax is assessed by calendar year after filing an individual tax return. There is no possibility of joint filing. Returns for the preceding calendar year must be filed with the local tax office by 30 April, with no extension possible. The income tax must also be paid by 30 April.

For late submission of the tax return, the authorities may assess fines of 200 - 400 Moldovan lei (MDL)/tax return, but no more than MDL 2,000 for all late-submitted tax returns. The tax authorities may also assess fines in case the tax return contains false or incomplete information.

If the income tax is not paid on time, the tax authorities may assess penalties which are calculated as the rate established by the National Bank of Moldova for short-term deposits in the month of November of the previous year plus 5% (per year).

Non-residents

Non-residents are subject to income tax only on Moldovan source income, including salary income obtained from abroad for work physically performed in Moldova. In this case, the rules applicable for residents are also valid, however without any standard deductions entitlement

2.2 Tax rates

What are the current income tax rates for residents and non-residents in Moldova?

Residents

Income tax is calculated by applying a 12 % flat tax rate.

The amount of taxable income is reduced by personal deductions. A personal deduction of MDL 27,000 per year (against taxable income) is granted to taxpayers with an annual cumulative income below MDL 360,000. Certain listed individuals are entitled to a personal deduction amounting to MDL 31,500 per year. These individuals include disabled veterans, parents and spouses of war veteran, and individuals disabled in childhood. The amount of the personal deduction has to be pro-rated accordingly when this is granting.

An individual may also benefit from an additional deduction MDL 19,800 per year, if the individual's spouse does not benefit from the individual personal deduction. A deduction of MDL 9,000 applies for each child which is supported by the employee, whereas a deduction of MDL 19,800 is granted to support children with a permanent disability. The amount of the personal deduction has to be pro-rated accordingly when it is granted.

Non-residents

Resident tax rates also apply to non-residents. No deductions or exemptions are available for non-residents, with the exception of medical insurance contributions paid in Moldova.

2.3 Residence rules

For the purposes of taxation, how is an individual defined as a resident of Moldova?

Under current Moldovan tax law, an individual is deemed as a Moldovan tax resident provided at least one of the following conditions is met:

- The individual has the domicile in Moldova;
- The individual spends more than 183 days in Moldova in the fiscal year concerned.

According to Moldovan legislation, the domicile represents the main, settled abode, which is usually proved by means of a valid Moldovan identity card (issued for Moldovan citizens).

In what concerns the 183-days rule, the period of stay in Moldova is calculated as of the first arrival in Moldova during the calendar year. Fractions of the day count as a whole day spent in Moldova.

Is there a de minimum number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country/jurisdiction for more than 10 days after their assignment is over and they repatriate.

No. The residence for the year is determined based on whether the individual has spent, in total, more than 183 days of presence in Moldova in the respective calendar year. Note that the residence is not established by fractions of the year, i.e. if the individual fulfills the physical presence test, they are considered tax resident in Moldova for the entire calendar year.

What if the assignee enters the country/jurisdiction before their assignment begins?

In case the assignee enters the country/jurisdiction before the start of assignment, those days are also taken into account when counting the 183 days of presence in Moldova.

2.4 Termination of residence

Are there any tax compliance requirements when entering or leaving the country/jurisdiction?¹

Certain tax compliance procedures may have to be fulfilled upon entering or leaving the country/jurisdiction.

Departure tax

In case an individual who has become tax resident during their stay in Moldova is leaving the country/jurisdiction and ceases to be resident, they are considered to have sold all their personal properties (except real-estate properties). As such, depending on the type of property, they will have to report a capital gain and pay the corresponding income tax.

Moreover, when an individual becomes resident in Moldova, they have the right of determining the value of their property at the fair market value at the moment of gaining the residency. This value may be used as a base value of their property when establishing the income resulted from the sale of the property.

What if the assignee comes back for a trip after residency has terminated?

All days spent in Moldova during a calendar year are taken into account when counting whether the individual has exceeded 183 days of presence in Moldova during the calendar year.

Communication between immigration and taxation authorities

Do the immigration authorities in Moldova provide information to the local taxation authorities regarding when a person enters or leaves Moldova?

In case the individual spends more than 183 days in Moldova during a calendar year, the immigration authorities communicate the individual's identification number to the tax authorities, for registration in the authorities' database. Please note that sometimes the tax authorities could request an entry/exit statement from the border police in order to issue certain documents or certificates.

Filing requirements

Will an assignee have a filing requirement in the host country/jurisdiction after they leave the country/jurisdiction and repatriate?

As mentioned under section "Departure tax", in case the individual has capital gains from sale of personal property, they have the obligation to declare and pay the corresponding income tax. Also, a tax return corresponding to the year of departure may have to be submitted to the tax authorities.

2.5 Economic employer approach

Do the taxation authorities in Moldova adopt the economic employer approach to interpreting Article 15 of the Organisation for Economic Co-operation and Development (OECD) treaty? If no, are the taxation authorities in Moldova considering the adoption of this interpretation of economic employer in the future?

Yes.

De minimus number of days

Are there a de minimus number of days before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimus number of days?

Not applicable.

2.6 Types of taxable compensation

What categories are subject to income tax in general situations?

As a general rule, all remuneration or benefits in kind received by the employee are considered taxable, unless specifically provided otherwise. Also, any type of personal income is considered taxable. Please see below the most common examples of taxable income:

- Reimbursement by the employer of personal expenses;
- Non-reimbursable loans granted by the employer;
- Expatriate allowances and incentives;
- Reimbursement of school fees;

- Transportation costs for personal purposes;
- Cost-of-living allowances.

Intra-group statutory directors

Will a non-resident of Moldova who, as part of their employment within a group company, is also appointed as a statutory director (i.e. member of the Board of Directors in a group company situated in Moldova trigger a personal tax liability in Moldova, even though no separate director's fee/remuneration is paid for their duties as a board member?

A personal tax liability may arise depending on the activity of the non-resident in Moldova, period of presence in Moldova, recharge of costs.

a) Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in Moldova?

If the board member is not physically present at the board meetings in Moldova, no taxation will be triggered. If the board member is physically present at the board meetings in Moldova, in order to determine whether taxation will be triggered the provisions of the applicable DTT will need to be observed.

b) Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in Moldova (i.e. as a general management fee where the duties rendered as a board member is included)?

No, insofar as the board member is not physically present in Moldova.

c) In the case that a tax liability is triggered, how will the taxable income be determined?

The taxable income is determined on a pro-rata temporis basis, depending on the number of days physically spent in Moldova.

2.7 Tax-exempt income

Are there any areas of income that are exempt from taxation in your country/jurisdiction? If so, please provide a general definition of these areas.

For inbound expatriates, there are no types of exempt income. For outbound expatriates, the following benefits are considered non-taxable if borne by the employer: transportation costs, per- diem, visa fees and accommodation, if granted in accordance with the law and if supporting documents are available. These expenses are considered non-taxable only if they are incurred for business purposes.

2.8 Expatriate concessions

Are there any concessions made for expatriates in your country/jurisdiction?

Moldovan income tax law does not provide special deductions or tax-free expatriate premiums. Moreover, note that non-resident individuals are not entitled to the same deductions available for resident individuals.

2.9 Salary earned from working abroad

Is salary earned from working abroad taxed in Moldova? If so, how?

If the salary is paid by a Moldovan company or by a permanent establishment in Moldova of a foreign company, the salary is taxable in Moldova following the same rules described above, even if the work is performed outside Moldova.

In case the salary is paid by a foreign company for work performed outside Moldova, generally no income tax is due in Moldova.

2.10 Taxation of investment income and capital gains

Are investment income and capital gains taxed in your country/jurisdiction? If so, how?

Dividends, interest, and rental income

Interest income obtained by resident individuals from bank deposits or corporate bonds from Moldova was exempt from tax until 1 January 2021. As of 2021, the interest income is subject to 3% flat tax rate. However, for non-resident individuals the interest income obtained from bank deposits or corporate bonds from Moldova is subject to 12% flat tax rate. Interest income obtained by both resident and non-resident individuals from other entities than banks or loan associations is subject to 12% tax rate.

Dividends and rental income are subject to income tax in Moldova if they are obtained from a Moldovan source or if they are obtained from a foreign source by a resident individual.

Dividends obtained from a Moldovan company are taxed at source with a final income tax of 6%. Dividends obtained from a non-Moldovan company are declared by the individual through an annual tax return and are taxed with a 12% flat tax rate.

Rental income derived from Moldova is taxed with an income tax of 12% from the income derived (withheld at source). Rental income derived from abroad Moldova is taxed with 12% flat tax rate through the annual tax return.

Gains from employee stock option exercises

Generally, sale of shares is considered capital gain and it is taxed at the moment when the shares are sold. The taxable basis represents 50% of the amount determined as the sale price minus the base value of the shares. The income tax is 12%.

Foreign exchange gains and losses

There are no specific rules under Moldovan legislation in what concerns foreign exchange gains or losses. However, this kind of income could be included under “other types of income”, as defined in the Tax Code and becomes taxable following the general rules.

Principal residence gains and losses

Income obtained from sale of immovable property is calculated as the sale price, minus the acquisition price. The amount such obtained is considered capital gain. The taxable basis for the capital gain is 50% of the income determined as sale price minus base value and it is taxed under the general rules, applying the tax rate of 12%.

Capital losses

Capital losses cannot be carried forward in the following years.

Personal use items

As a general rule, the sale of private property is considered capital gain and it is taxed following the same rules described under “Gains from employee stock option exercises”.

Gifts

Depending on the nature of the gift, they may fall into the category of capital gains and be taxed accordingly. Note, however, that any property transmitted between spouses (or former spouses in case of divorce) is not considered capital gain.

Foreign property reporting

There are no specific rules under Moldovan tax legislation regarding the reporting of foreign property.

Non-resident trusts

There are no specific rules under Moldovan tax legislation regarding non-resident trusts.

2.11 Additional capital gains tax (CGT) issues and exceptions

Are there capital gains tax exceptions in your country/jurisdiction? If so, please discuss.

Any property transmitted between spouses (or former spouses in case of divorce) is not considered capital gain. Also, capital gains are only taxed in amount of 50% of the gain.

Pre-CGT assets

Not applicable.

Deemed disposal and acquisition

See "Departure tax".

2.12 General deductions from income

What are the general deductions from income allowed in your country/jurisdiction?

The amount of taxable income is reduced by personal deductions. A personal deduction of MDL 27,000 per year (against taxable income) is granted to taxpayers with an annual cumulative income below MDL 360,000. Certain listed individuals are entitled to a personal deduction amounting to MDL 31,500 per year. These individuals include disabled veterans, parents and spouses of war veteran, and individuals disabled in childhood. The amount of the personal deduction has to be pro-rated accordingly when this is granting.

An individual may also benefit from an additional increased deduction MDL 19,800 per year, if the individual's spouse does not benefit from the individual personal deduction. A deduction of MDL 9,000 applies for each child which is supported by the employee, whereas a deduction of MDL 19,800 is granted to support children with a permanent disability. The amount of the personal deduction has to be pro-rated accordingly when this is granted.

Note that these deductions do not apply to non-resident individuals.

2.13 Tax reimbursement methods

What are the tax reimbursement methods generally used by employers in your country/jurisdiction?

Tax reimbursements are computed using the gross-up method in the year they are reimbursed.

2.14 Calculation of estimates/prepayments/withholding

How are estimates/prepayments/withholding of tax handled in your country/jurisdiction? For example, Pay-As-You-Earn (PAYE), Pay-As-You-Go (PAYG), and so on.

Employment income paid by Moldovan employers is subject to monthly withholdings (PAYG withholding). Employment income paid by non-Moldovan employers has to be declared by the individual taxpayer on a yearly basis.

When are estimates/prepayments/withholding of tax due in your country/jurisdiction? For example, monthly, annually, both, and so on.

For employment income obtained from Moldovan employers, tax has to be withheld and paid on a monthly basis, by the 25th of each month for the previous month.

For the types of income for which the income payer has withholding obligation, the tax is due upon payment of the income, by 25th of the following month.

For any payments granted to non-resident individuals, income tax in value of 12% (6% for dividends) must be withheld at source at the moment of payment and transferred to the state budget by 25th of the following month.

For any other types of income, no estimates/prepayments/withholding of tax are due.

2.15 Relief for foreign taxes

Is there any Relief for Foreign Taxes in your country/jurisdiction? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on?

Based on the provisions of the double tax treaties concluded by Moldova with other countries/jurisdictions, if Moldovan tax residents are liable to income tax in a country/jurisdiction with which Moldova has concluded a tax treaty, then a tax credit or a tax exemption will be granted by the Moldovan state to each individual. The credit is granted at the level of the tax paid abroad, but it cannot exceed the tax due in Moldova.

Moreover, the Moldovan legislation provides that income tax paid in any other country/jurisdiction on the same income should be recognized up to the limit of the tax that would be imposed in Moldova on the same income. Note, however, that this not 100 % free of dispute in the case of income tax paid in countries/jurisdictions not having a double tax treaty with Moldova.

2.16 General tax credits

What are the general tax credits that may be claimed in your country/jurisdiction? Please list below.

Tax credits (relief from double taxation) can be obtained for:

- Salary income obtained from Moldova for work performed outside Moldova;
- Personal income obtained from abroad by Moldovan residents (in accordance with applicable double tax treaties).

2.17 Sample tax calculation

This sample tax calculation, in Euros (EUR), assumes an inbound assignee, with an assignment period of 3 continuous years in Moldova.

	2020 EUR	2021 EUR	2022 EUR
Salary	100,000	100,000	100,000

	2020 EUR	2021 EUR	2022 EUR
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Housing allowance	12,000	12,000	12,000
Company car	6,000	6,000	6,000
Moving expense reimbursement	20,000	0	20,000
Home leave	0	5,000	0
Education allowance	3,000	3,000	3,000
Interest income (capital gains)	6,000	6,000	6,000

Exchange rate used in the calculation: EUR 1 = MDL 22.0548

Other assumptions

- The assignee is deemed Moldovan non-resident for the entire period of their assignment;
- All working days during the assignment are spent in Moldova;
- The salary, bonuses, allowances and benefits in kind granted during this period relate to the Moldovan activity;
- The investment income is obtained from a Moldovan source;
- The assignee does not have a local employment contract and also obtains no other income than those included in the calculation;

Calculation of taxable income

Year-ended	2020 EUR	2021 EUR	2022 EUR
Days in Moldova during year	366	365	365
Earned income subject to income tax			
Salary	100,000	100,000	100,000
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Housing allowance	12,000	12,000	12,000
Company car	6,000	6,000	6,000
Moving expense reimbursement	20,000	0	20,000
Home leave	0	5,000	0
Education allowance	3,000	3,000	3,000
Total earned income	171,000	156,000	171,000
Investment income (capital gains)	6,000	6,000	6,000

Year-ended	2020 EUR	2021 EUR	2022 EUR
Days in Moldova during year	366	365	365
Taxable investment income	1,200	1,200	3,000
Total taxable income	172,200	157,200	174,000
Deductions	0	0	0
Total taxable income	172,200	157,200	174,000

Calculation of tax liability

Year-ended	2020 EUR	2021 EUR	2022 EUR
Taxable income as above	172,200	157,000	174,000
Income tax thereon	20,664	18,840	20,880

03

Special considerations for short term assignments

3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than 1 year.

3.1 Residency Rules

Are there special residency considerations for short-term assignments?

No. The same rules applicable for long term assignment apply.

3.2 Payroll considerations

Are there special payroll considerations for short-term assignments?

No. The same rules applicable for long term assignment apply.

3.3 Taxable income

What income will be taxed during short-term assignments?

As a general rule, all income that is obtained from a Moldovan source (including salary income obtained from abroad for work physically performed in Moldova), as well as personal income of Moldovan residents will be taxed. However, a case-by-case analysis may be required, taking into consideration the exact period of assignment, total number of days spent in Moldova and existing treaty provisions.

3.4 Additional considerations

Are there any additional considerations that should be considered before initiating a short-term assignment in your country/jurisdiction?

No.

04

Other taxes and levies

4 Other taxes and levies

4.1 Social security tax

Are there social security/social insurance taxes in your country/jurisdiction? If so, what are the rates for employers and employees?

The Moldovan legislation on social security is unclear in respect of the salary income received from non-Moldovan employers. As such, we consider that no social security contributions are due for the salary income received from abroad.

For the salary paid directly by a Moldovan employer, social security contributions are due as detailed in the table below.

Type of insurance	Paid by employer	Paid by employee	Total
Social Security ¹	24%	0%	24%
Health Insurance	0%	9%	9%
Total	24%	9%	33%

¹The Social Security systems covers benefits such as pension, unemployment, maternity, disability and sickness indemnities.

4.2 Gift, wealth, estate, and/or inheritance tax

Are there any gift, wealth, estate, and/or inheritance taxes in your country/jurisdiction?

Currently there are no gift, or inheritance taxes in Moldova.

A wealth tax is imposed on buildings with more than 120 square meters of usable area and which are worth more than MDL 1.5 million held by individuals. A tax of 0.8 % from the buildings value is due by 10 December of the current year.

4.3 Real estate tax

Are there real estate taxes in your country/jurisdiction?

Real estate taxes depend on the location of the property and on the type of property as follows:

- For immovable property used as housing (includes apartments, houses and related terrains) the taxes are established by local authorities within the range 0.05 - 0.4 % of the taxable basis;
- For agricultural terrains with buildings - the taxes are established by local authorities within the range 0.1 - 0.3 % of the taxable basis
- For immovable property with other destination the tax is levied in amount of 0.3 % of the taxable basis.

The taxable basis is represented by the estimated value of the real estate, which is established by the local cadastral offices.

4.4 Sales/VAT tax

Are there sales and/or value-added taxes in your country/jurisdiction?

The value-added tax is applied at a standard rate of 20 %. However, the VAT may be assessed at a lower rate of 8%, respectively 12% for certain specifically mentioned products, such as panification, certain drugs, meat and sugar beet sugar. According to Law no. 76 from 23 April 2021 during the state of emergency for the HORECA sector, 6% VAT was established, currently the state of emergency will be maintained until October 6, 2022.

4.5 Unemployment tax

Are there unemployment taxes in your country/jurisdiction?

No.

4.6 Other taxes

Are there additional taxes in your country/jurisdiction that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

Local taxes

Local taxes for dog possession, parking place and sanitation may be imposed depending on the residence of the assignee and their personal circumstances.

Provincial Health Premiums

There is no tax imposed as provincial health premium.

Employer Health Tax

There is no employer health tax, other than the mandatory contributions for employees.

Foreign Financial Assets

Is there a requirement to declare/report offshore assets (e.g. foreign financial accounts, securities) to the country/jurisdiction's fiscal or banking authorities?

Reporting must be made only if income is obtained from the offshore assets.

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