

## Ministry of Finance response during COVID-19 outbreak in the Republic of Moldova, as of December 31, 2020

1) By **Law no. 60/2020** on the establishment of measures to support entrepreneurial activity and the amendment of normative acts (Official Gazette no.108-109 art.186 of 25.04.2020), the following measures of entrepreneurial activity have been adopted/regulated:

- Interest subsidy program<sup>1</sup>;
- VAT reimbursement program;
- reducing the VAT rate from 20% to 15% for the HORECA sector;
- granting the right to deduct any donations made during the year for the control of coronavirus (COVID-19) to the bank accounts opened by the MoF for this purpose, or to public medical institutions;
- increasing the accessibility of farmers to benefit from the facility to pay compulsory social security contributions, through which the state subsidizes 6% of 18%. Currently, only agricultural producers engaged exclusively in agricultural activities can benefit from this facility. Thus, in order to allow more agricultural producers to benefit from that support, the condition of exclusivity was replaced by the condition of 95% of the share of income from agricultural activities.

At the same time, by **Law no.102/2020** on amending and repealing certain normative acts (Official Gazette no. 159 art. 299 of 30.06.2020), the following measures to support entrepreneurial activity were extended:

- the inclusion in the Interest Subsidy Program, of the loans obtained from non-banking organizations, as well as the increase of the amount of the loan for which the interest is subsidized (from 3 to 6 subsidy funds);
- increase the accessibility of the VAT Reimbursement Program by excluding from the calculation method the amount of VAT for reimbursement for the periods July - December 2020 of the indicators reflected in the report (CPI 18) submitted for February 2020.

By **Law no. 257/2020** regarding the amendment of some normative acts (concerning the fiscal and customs policy for 2021) was provided:

- reduction of the VAT rate from 15% to 12% for the HORECA sector (starting with January 1, 2021);
- granting the right to deduct VAT on goods, procured services that were used in the manufacture of goods that in the process of entrepreneurial activity were destroyed as a result of natural disasters, provided that these situations are demonstrated and confirmed;
- extending the right to a VAT refund on capital investment (expenditure) the object of which is the capital repair of fixed assets used for production purposes;
- the non-application of VAT arising from the market price of deliveries made between members of

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<sup>1</sup> The manner of granting the interest subsidy is approved by the Order of the Ministry of Finance no. 66/2020 on the approval of the Regulation on the way of subsidizing interest on bank loans contracted between May 1, 2020 - December 31, 2020 (OG of the Republic of Moldova no. 118 -123 art.447 of 22.05.2020).

the same cooperative or group of agricultural producers, as well as the relationship between the cooperative or group of agricultural producers and its members;

- continuation of the VAT Reimbursement Program for agricultural producers affected by natural disasters until 30<sup>th</sup> of September, 2021, within the limits of paid taxes.

By **Law no. 224/2020** on the amendment of some normative acts (*Official Gazette no. 353-357 art. 264 of 22.12.2020*), art. 24 of the Tax Code was supplemented with paragraph (25), which allows the deduction of expenses incurred by the employer for testing employees in order to detect the presence of SARS-CoV-2 virus.

2) By **Law no. 69/2020** on the establishment of measures during the state of emergency in public health and the amendment of some normative acts (*Official Gazette no. 124-125 art. 222 of 26.05.2020*):

- the subsidy mechanism was established for enterprises and non-commercial organizations resident in the Republic of Moldova, which established technical and / or stationary unemployment during the state of emergency and state of emergency in public health (17<sup>th</sup> of March – 30<sup>th</sup> of September, 2020) 4, as follows:
  - a) 100% payroll taxes (income tax, social and medical contributions paid) related to the indemnity/ salary granted within the technical unemployment and /or stationary for economic agents whose activity has been totally or partially stopped in accordance with the decisions of the National Extraordinary Health Commission publishes and /or the provisions of the Commission for Exceptional Situations (*for example: the activity of trade, leisure, recreation units, gyms, sports centers, swimming pools, fitness rooms, theaters, cinemas, concert halls*);
  - b) 60% payroll taxes (*income tax, social and medical contributions paid*) related to the allowance / salary granted in the context of technical unemployment and / or parking for economic agents whose activity has been totally or partially stopped, but without being based on Commission decisions national public health authorities and /or the provisions of the Commission for Exceptional Situations.
- measures have been adopted/extended to support staff involved in actions to prevent, control and treat COVID-192 infection, namely:
  - a) a monthly increase in compensation for work performed in conditions of major health risk the staff of the National Agency of Public Health, the staff of the medical institutions subordinated to the Ministry of Internal Affairs, the Ministry of Defense, the staff of penitentiary institutions subordinated to the National Administration of Penitentiaries, directly involved in actions for the prevention, control and treatment of COVID-19 infection (measure previously established by **Disposition of Commission for Exceptional Situations (CES) no. 16 of 10.04.2020**);
  - b) single indemnity in the amount of 16 thousand MDL for employees of the National Agency for Public Health, medical institutions subordinated to the Ministry of Internal Affairs, the Ministry of Defense, the National Administration of Penitentiaries, public hospital medical institutions, pre-hospital emergency medical care, primary health care and employees of other authorities/institutions and public medical institutions, which during the exercise of their duties

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<sup>2</sup> By GD no. 732/2020, the term of application of some norms from Law no. 69/2020 was extended until October 31, 2020.

became infected with COVID-19, (measure previously established by **CES Disposition** no. 14 of 06.04.2020);

c) exclusion of the limitation of additional work performed outside the normal working hours for trained staff directly in actions of prevention, control and tartar of COVID-19 infection (measure previously established by **CES Disposition** no. 16 of 10.04.2020).

**3) By the Laws amending the 2020 State Budget Law** no. 172/2020 (Law no. 61/2020 (*Official Gazette no. 108-109 art. 186 from 25.04.2020*), no. 131/2020 (OG of the Republic of Moldova no. 178-179 art. 336 of 14.07.2020) and no. 173/2020 (OG of the RM no.235-239 art.514 of 18.09.2020)) included allowances for measures to combat the COVID-19 pandemic and to mitigate the consequences of the state of emergency, including for:

- measures to support the health sector - in the amount of about 1.1 bln. MDL;
- measures to support the population - in the amount of about 1.8 bln. MDL;
- support for economic agents: funds for subsidizing enterprises that have established technical and/or stationary unemployment during the state of emergency, as well as subsidizing interest on loans committed - 100 mln. MDL.

At the same time, from the Government emergency funds (*reserve fund and intervention fund*) were allocated funds in the total amount of 123.18 mln. MDL for the purchase of protective equipment, in order to prevent and control COVID-19 infection, and granting benefits unique to employees, infected with COVID-19 during the exercise of their duties.

**4) Additional sources of funding for measures to combat the COVID-19 pandemic and its consequences have been provided by:**

- External state loan in the amount of 172.5 mln. SDR (approx. USD 233.9 mln.) from the International Monetary Fund. The loan was provided through the Rapid Lending Mechanism (RCF) (SDR 57.5 mln.) and the Rapid Financing Instrument (RFI) (SDR 115.0 mln.).
- Financing agreement between the Republic of Moldova and the International Development Association (IDA), with a total value of EUR 52.9 mln. The agreement was signed on 28<sup>th</sup> of April, 2020, ratified by Law no.68/2020 (Official Gazette no.124-125 art.220 of 26.05.2020) and entered into force on 28<sup>th</sup> of May, 2020.
- Framework loan agreement between the Republic of Moldova and the Council of Europe Development Bank for the implementation of the project „Emergency Response to COVID-19 and Support for Micro, Small and Medium Enterprises” of EUR. 70 mln. The framework loan agreement was signed on 29<sup>th</sup> of July, 2020, ratified by Law no. 168/2020 and entered into force on 22<sup>th</sup> of September, 2020.
- Financing Agreement between the Government of the Republic of Moldova and the European Commission on the implementation of the project „Facility to support the response of the health system to the emergency COVID 19 and implementation of reforms under the Association Agreement” amounting to EUR 9.0 mln. (grant) signed on 22<sup>th</sup> of October, 2020.

- Grant Agreement on additional financing to the Financing Agreement between the Republic of Moldova and the International Development Association (IDA) for the Moldova Emergency COVID-19 Project, with a value of EUR 2.96 mln., signed on 23<sup>th</sup> of December, 2020.
- To ensure the full capitalization of financial resources from the Framework Loan Agreement between the Republic of Moldova and the Council of Europe Development Bank for the implementation of the project on procurement of ambulances, with a value of EUR 12 mln., the deadline for the implementation of the project was extended, until 31<sup>st</sup> of March, 2022.

5) By means of **GD no. 340/2020 and no.716 / 2020** for amending the GD no.246/2010 on the application of customs facilities related to the implementation of ongoing technical and investment assistance projects, which fall under the scope of international treaties to which the Republic of Moldova is party (Official Gazette no. 131-141 art. 437 of 05.06.2020), all new external assistance projects that contribute to supporting the efforts of the Republic of Moldova in combating the COVID-19 pandemic have been tax exempt.

6) In order to combat coronavirus (COVID-19), the MoF has launched a fundraising campaign in the form of donations. In this context, as of 31<sup>st</sup> of December, 2020 in the bank accounts opened for donations intended to combat COVID-19, funds in the total amount of 25,476.3 thousand MDL were collected.

7) By **Law no. 130/2020** for amending the Law no. 270/2018 on the unitary salary system in the budgetary sector, a specific increase was established for the medical staff of the authorities and institutions / social and social assistance subdivisions in the amount of 30% of the annual amount of basic salaries for the staff entitled to benefit of this specific increase. The change was aimed at achieving the objective of doubling salaries for medical staff according to the following stages: from September 1, 2020 - by 30%; from January 1, 2021 - by another 30% and in the first half of 2021 - by another 40%.

From this increase will benefit about 4.5 thousand units of medical staff from medical institutions/subdivisions of the Ministry of Defense, Ministry of Internal Affairs, National Administration of Penitentiaries, Information and Security Service, National Agency for Public Health, Transplant Agency, Center of Forensic Medicine, the National Blood Transfusion Center, the Agency for Medicines and Medical Devices, social assistance institutions (centers, asylums, social services, etc.) financed from the state budget and local budgets.

The resources necessary to cover the respective expenses in 2020 were provided in the State Budget Law no. 172/2019, amended by Law no. 173/2020.

8) By **Law no. 176/2020** for amending some normative acts (Official Gazette no. 240 art.527) was excluded the limitation of the volume of teaching activity carried out by teachers, including management positions, in early education institutions, primary, secondary, high school and extracurricular education, for the first semester of the academic year 2020- 2021, so as to ensure effectiveness of distance learning process.

Thus, out of the total number of institutions, in 318 institutions about 3 901 teachers will perform tasks over the workload based on the provisions of point 17 from the Notes of Table 1 from Annex no. 7 of the Law no. 270/2018 regarding the unitary salary system in the budgetary sector. The total cost of additional financial resources is estimated for 2020 in the amount of 104,741 thousand MDL and included in the State Budget Law for 2020 no. 172/2019, with subsequent amendments.

**9) By the CES Disposition no. 16 from 10.04.2020** in order to support certain categories of population, during the state of emergency:

- it was approved the establishment of the single unemployment benefit in the amount of 2 775 MDL for the registered persons with unemployment status, including those returned from abroad;
- it was ordered to subsidize the amount of compulsory state social insurance contributions in a fixed amount for natural persons indicated in positions 1.7 and 1.8 of Annex no. 1 to Law no. 489/1999 on the public social insurance system, related to the period of cessation of activity in accordance with the decisions of the National Extraordinary Public Health Commission and/or the provisions of the Commission for Exceptional Situations the Republic of Moldova.<sup>3</sup>

**10) By GD no. 381/2020** the way of organizing the work in the budgetary units starting with 15.07.2020 was approved.

**11) By the CES Disposition no. 6 of 26.03.2020**, the special work and remuneration regime was established in the budgetary units during the period state of emergency.

**12) The CES Disposition no. 24 of 29.04.2020** provided for the remuneration of the work of the employees of the budget units, attracted to work (with the presence at office or at home) on days off.

**13) Based on the CES Disposition no. 25 of 05.05.2020**, to patent holders and persons carrying out activities according to Chapter 10<sup>1</sup> and 10<sup>2</sup> of Title II of the Tax Code, they are offered a single unemployment benefit in the amount of 2775 lei, provided that in March 2020 they did not earn the insured level of income.

**14) With regards to the regulation of public procurement in view of the state of emergency and the need to prevent and control COVID-19 infection**, has been approved:

a) **GD no. 494/2020** for the approval of the Regulation on public procurement necessary for the prevention and control of COVID-19 infection (OG of the Republic of Moldova no. 165-176 art. 593 of 10.07.2020), which establishes:

- considerable reduction of the general deadlines in the auctioned open, restricted auction and call

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<sup>3</sup> The manner of granting the subsidy is established by the Order of the Ministry of Finance no. 86/2020 on the approval of the Regulation on subsidizing the amount of compulsory state social insurance contributions in a fixed amount for individuals indicated in positions 1.7 and 1.8 of Annex No. 1 to the Law no. 489/1999 on the public social insurance system, related to the period of cessation of activity in accordance with the decisions of the National Extraordinary Public Health Commission and / or with the provisions of the Situations Commission Exceptional of the Republic of Moldova, (Official Gazette of the Republic of Moldova no. 180-187 art. 606 of 17.07.2020).

for tenders;

- use of the negotiation procedure without prior publication of the notice of participation in cases of extreme urgency;
- increasing the thresholds for the application of Law no. 131/2015 on public procurement.

b) **GD no. 493/2020** for the approval of additional transparency measures regarding public procurement carried out in order to prevent, reduce and eliminate the consequences of the coronavirus pandemic (COVID-19) for 2020 (Official Gazette no. 165-176 art. 592 of 10.07.2020).

**The Public Procurement Report for the Prevention, Reduction and Elimination of the Consequences of the Coronavirus Pandemic (COVID-19) for 2020**, specifying the actual owners of the contracted economic operators, can be accessed at the following link: <https://tender.gov.md/ro/content/raportul-privind-achizi%C8%9Biile-publice-efectuate-%C3%AEn-view-prevention-decrease%C4%83rii-%C8%99i-1>.

**15) By the CES Disposition no. 3 of 23.03.2020**, measures were provided to support citizens and the business environment in exceptional circumstances. Thus, the deadlines for tax and financial reporting obligations and mandatory audit have been postponed as follows:

- from 25<sup>th</sup> of March to 25<sup>th</sup> of June, 2020, for the term for paying the income tax from the entrepreneurial activity in installments related to the first quarter of 2020;
- from 25<sup>th</sup> of March to 25<sup>th</sup> of April, 2020, for the term of:
  - declaration and payment of income tax, real estate tax, land tax and local taxes for 2019 by individual entrepreneurs or peasant households (farmers) not paying VAT with up to 3 employees Form UNIF18;
  - the declaration of the income tax from the operational activity for 2019 by the subject economic agents of the small and medium enterprises sector Form IVAO15.
- from 30<sup>th</sup> of April to 29<sup>th</sup> of May, 2020, the deadline for submitting the income tax return by citizens Form CET18;
- 29<sup>th</sup> of May, 2020 the deadline for examining cases of breaches of tax and customs legislation or examining appeals that occurred during the state of emergency;
- until 29<sup>th</sup> of May, 2020, the deadline for submitting the disagreement to the control act drawn up during the state of emergency, and until 15<sup>th</sup> of June, 2020 the deadline for submitting appeals on the decisions /actions of the State Tax Service (STS) brought to light during the state of emergency;
- from 30<sup>th</sup> of April to 29<sup>th</sup> of May, 2020 of the deadline for submission of individual financial statements and consolidated financial statements for 2019, subsequently by Law no. 69/2020 the deadline was extended until 30<sup>th</sup> of June, 2020.
- for 2019, are not subject to mandatory audit:
  - the individual financial statements of medium and large entities;
  - the consolidated financial statements of the groups.

Also, the moratorium on state control, including fiscal, was established until 1<sup>st</sup> of June, 2020, subsequently by Law no. 69/2020, the period establishing the moratorium was extended until 30<sup>th</sup> of June, 2020.

**16)** By the **CES Disposition** no. 16 of 10.04.2020 (with subsequent amendments):

- **the deadline for submitting tax reports has been extended until 25<sup>th</sup> of July, 2020** and payment of local tax obligations for the first quarter of 2020.
- **it was allowed to suspend patents valid during the state of emergency** at the request submitted by the patent holder to the State Tax Service (STS) within 30 days from the moment of lifting the state of emergency, with the restoration and subsequent extension of its validity term based on the holder's request.
- **it was ordered to subsidize the amount of compulsory state social insurance contributions in a fixed amount** for the natural persons indicated in positions 1.7 and 1.8 of annex no. 1 to Law no. 489/1999 on the public social insurance system, related to the period of cessation of activity in accordance with the decisions of the Extraordinary National Commission for Public Health and/or with the provisions of the Commission for Exceptional Situations of the Republic of Moldova.

**17)** The STS has undertaken verification actions regarding the formation and application of prices for socially important products according to the annex of the Regulation on the formation of prices for marketing of socially important products (GD no. 774/2016).

Following the actions undertaken between 01.03.2020 - 31.12.2020, 2 442 fiscal controls were carried out based on the method of operative verification at the taxpayers who practice the type of activity retail of pharmaceutical products and retail/wholesale of socially important goods, in order to verify compliance with the provisions of GD no. 776/2016, as a result of which 277 cases of violation of the provisions of the legislation in force were established.

As of 31<sup>th</sup> of December, 2020, the partial control actions for 282 taxpayers were finalized in order to establish the correct price formation for all socially important products marketed by economic agents where deviations were established in the way of price formation, within the fiscal controls. by the method of operative verification, as well as to 11 economic agents importers/intermediaries, including to a manufacturing economic operator. As a result of these controls, illicit income was calculated in the total amount of 477,040 MDL, and sanctions in the amount of 100% of the amount of calculated illicit income will be applied.

**18)** The Customs Service (CS) has undertaken the following actions:

- maintaining the current import regime for network equipment necessary to ensure continuity of services;
- streamlining international trade by allowing all freight transports to enter/leave the territory of the

Republic of Moldova;

- the functionality of the operation of food imports and personal hygiene;
- carrying out customs procedures as a matter of priority for raw and auxiliary materials, which are part of the production cycle;
- a moratorium on subsequent control was imposed (CS Order no. 145-O of 25/03/2020);
- jointly with similar authorities of neighboring states, the crossing of the state border has been ensured, and as a result the number of border crossing points open to traffic amounts to 24;
- performing in the regime priority of control procedures when declaring goods falling under food safety legislation;
- acceptance and processing of electronic documents digitally signed for permissive documents, approvals and answers, scanned version of applications and petitions of individuals, requests received by e-mail in all forms, except those for which the applicant cannot be identified.
- continuity of preferential trade throughout the crisis period, the certificates of preferential origin are accepted and in the form of: (i) copies of the certificates of preferential origin usually authenticated, presented on paper or in electronic format; (ii) certificates of preferential origin authenticated with an electronic signature or copies thereof on paper or in electronic format. At the same time, within 30 days of the cessation of the state of emergency in the country which issued the certificate of preferential origin, the importer shall submit to the customs body the original of the certificate of preferential origin, in order to exclude any collection of customs duty (CS Order no. 158-O / 08.04.2020);
- application of the mechanism for extending the term of means of transport on the territory of the Republic of Moldova, introduced and declared by action, by resident and non-resident individuals, in this sense being approved to the PS Order no.195-O from 03.06.2020 on means of transport declared by action with an expired term of stay in the territory of the country during the declaration of a state of emergency in public health;
- in order to promote the export for the economic agents that sell their goods through electronic commerce (through international postal items) by Order CS no. 240-O of 10.07.2020, changes were made to the PS Order no. 208/2019. As a result, the simplification that allows a customs declaration to be submitted for goods with a value of up to EUR 1000, once every 30 calendar days, for all deliveries made during the given period (periodic declaration) has also been offered to free economic zone residents.
- promoting the use of simplified procedures and electronic declaration in the context of the COVID-19 pandemic, which ensures the exclusion of physical contact between the customs official and the economic operator (webinar AEO program and customs clearance procedure at home” organized by the Customs Service (CS), with the support of the Economic Council under the Prime Minister/National Committee for Trade Facilitation).