LEGAL FLASH No. 3

12.02.2016

OFFICIAL GAZETTE NO 20-24 OF 29 JANUARY 2016

Law of the Republic of Moldova No 242 dated 29 December 2015 on amending and supplementing certain legislative acts

Law No 242 amends, among others, the Law on financial institutions. The amending law stipulates that commercial banks shall present to the Ministry of Finance, according to *Law on public sector debt, state guarantees and state on-lending (No 419 dated 22 December 2006)* such information on loans granted to state/municipal enterprises, commercial companies whose capital is public (entirely or majorly), administrative-territorial units, which is necessary to monitor public sector debt.

Information of Minister of Finance No 14/3-07/7 dated 14 January 2016 on correct application of certain provisions of the Tax Code referring to amendments by Law No 71 dated 12 April 2015

The Information aims to explain the particularities of application of certain provisions of the Tax Code introduced by Law No 71 dated 12 April 2015. The Information, *inter alia*, refers to the specific application of the rules on the deduction of expenses and amount of VAT related to maintenance, operation and repair of vehicles used by persons specified in minor groups 112 and 121 of Classification of Occupations in Moldova.

Thus, for the fiscal year of 2015, wear and expenses incurred by economic agents for maintenance, operation and repair of used vehicles in entrepreneurial activity by persons specified in minor groups 112 and 121 of Classification of Occupations in Moldova is allowed as deductions for tax purposes for only one vehicle for its head office and each subdivision thereof.

The taxpayer will establish independently, through an internal act, for its head office and each subdivision the vehicle used in entrepreneurial activity by general managers, executive directors and comparable categories as well as administrative heads, for which the wear for tax purposes shall be calculated, shall deduct for tax purposes expenses and the amount of VAT related to maintenance, operation and repair of such vehicles.

(a) Taxpayer expenses related to remuneration of labour, according to the employment agreement, of drivers and support / technical staff which ensure maintenance of such types of vehicles, (b) mandatory motor third party liability insurance, under current legislation, as well as (c) lease payments (operating lease) and interest on financial leasing are allowed as deductions for tax purposes.

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Article 24 para. (41) of the Fiscal Code will not apply to the economic agent expenses on paying the road tax for vehicles registered in Moldova, these expenses will be deducted for tax purposes on general rules.

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