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# Free economic zones opportunities in Moldova

In line with the best practices of Grata International, we are coming to offer you a short presentation on the opportunities offered by the Free Economic Zones from Moldova. The Framework Law was adopted in 2001. Based on its provisions, local and foreign investors have obtained many facilities and opportunities: The basic condition for becoming a resident of a Free Zone is that the investor, either a natural or legal person, is registered as an entrepreneur. The investor is free to choose the Zone in which he wants to operate. After choosing it, the investor will apply for resident status. The selection of residents is made by the administration of the Free Zone through competition, based on several criteria, such as the type of activity; the volume of investments; the availability of the Zone for new residents, the labor market, and the existing infrastructure.

After selection, Free Zone's administration will sign a contract with the resident. The contract shall be valid throughout the entire period of activity of the Free Zone. Each Free Zone is established based on a special law. The main provisions of these laws refer to the location of the Zone, its surface, and the term of activity. At the moment, seven zones are active in the republic, and they have received 453 million dollars as investments since the beginning of their establishment.

## Incentives provided by the Law on Free Economic Zones

Free Economic Zones are clearly defined and fenced territories that ensure the security of residents' assets. Free Zone's administration provides residents with the necessary infrastructure for the activity and ensures its adjustment and/or development. This relieves the resident from bureaucracy and other organizational costs. Residents have the right to make mutual settlements in foreign currency. This reduces currency risks and costs related to banking operations.

Each Zone has a dedicated customs point that operates around the clock. This facility provides increased comfort and safety for logistics operations. It saves a lot of time and effort for import and/or export operations. In addition to the operational advantage, a simplified procedure is also applied.

The goods and services within the zone shall have the status of free movement and may be transmitted from one resident to another without fulfilling the customs declaration. Foreign investors and residents' employees are exempted from paying consular fees when issuing service visas and moreover to obtain a residence and work permit for a period of 5 years, all you need is a request from the Zone's administrator.

The law also provides state guarantees for the investments made in Free Zones. These involve maintaining the conditions of operations carried out at the time of conclusion of the contract with the Free Zones concerned. The guarantees provide for the right of residents to work for 10 years from the date of occurrence of legislative changes under the law until the amendment.

## Incentives provided by the Fiscal Code

The residents of the free economic zones are imposed with 75% of the quota established from the income obtained from the activity carried out within the Free Zone if the activity is not related to the export of goods and services, and by 50% in the case of income obtained from the export of goods and services outside the customs territory of the Republic of Moldova.

Residents of Free Economic Zones who invest in fixed assets with a capital of at least one million US\$ are exempted from paying income tax for a period of three years, and in the case of a similar investment of at least 5 million US\$, they are exempted from paying income tax for a period of 5 years.

In addition, they are exempted from VAT for goods delivered and services rendered to other residents within the Free Zone, as well as in the case of export of goods and services outside the customs territory of the Republic of Moldova. Another relief

relates to the exemption from excise duty on goods imported into Free Zones as well as in the case of deliveries of these goods between different zones and between residents.

### **Incentives provided by the Customs Code**

The Customs Code provides for the exemption from import duties for the import of goods from the rest of Moldova's customs territory as well as from abroad.

Thus, we can conclude that the resident status of the free economic zone offers the advantage of substantially reducing the costs related to an economic activity compared to the costs of a similar activity carried out on the customs territory of the Republic of Moldova and as well the possibility of the permanent increase of the production volume thanks to the export opportunities.

## **Locations**

**MOLDOVA**

