

Government of Republic of Moldova

A GUIDE TO CAPITAL LEGALIZATION, TAX REFORM AND FISCAL AMNESTY

Developed by
Rating, Evaluation and Investment Consultancy Agency "Estimator-VM"



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INTRODUCTION

The concept and the essence of the proposed reforms

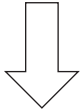
On the 27th April 2007 the Parliament of the Republic of Moldova adopted a set of modifications to a list of laws with a significant impact on the activity of economic entities. In general terms the respective amendments provide for the following measures:

- The acceptance of capital amnesty in its various forms, which has been previously registered with different persons or has not been declared by its true owners.
- Application beginning in 2008 of 0% corporate tax on all income, which has not been distributed in the form of dividends.
- Elimination of controls that deal with economic activity of economic entities and payment of taxes before the 1st January 2007.
- Annulment of the debts economic entities had incurred with regard to the state budget, social security budget and the medical insurance fund until the date of entry in force of the present amendments.

The importance of these amendments should not be underestimated. First, they offer physical persons and legal entities the possibility to declare the capital that they own and which was previously declared to be in the ownership of other entities or was not declared at all. Also, the abolishment of the corporate income tax will generate new incentives for local economic entities to reflect in their official accountancy income that was previously "hidden" and to reinvest more intensively the respective profits in corporate activity. Limitation of the control periods to the 1st of January 2007 and onwards is a possibility for many economic entities to "start anew" in their activity, leaving behind the past errors and omissions. Finally, the annulment of debts to the state budgets, in other words Fiscal amnesty, offers a new chance for many enterprises, which because of the debts and previous arrests of property could not perform well in their economic activity.

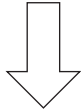
The structure of modifications to a list of laws, adopted on the basis of presidential initiatives on reforming the taxation of economic entities, capital legalization and fiscal amnesty

The normative act that included the initiatives
Law no. 111-XVI from 27.04.2007



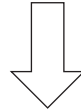
0 % tax on income

Amended Law:
Fiscal Code



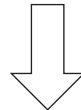
Capital legalization

Amended law:
Law implementing
the provisions of
Titles I and II of the
Fiscal Code



Fiscal amnesty

Amended law:
Law implementing
the provisions of
Titles I and II of the
Fiscal Code



Annulment of the
control periods to the
1st of January 2007

Amended law:
Law implementing
the provisions of Title
V of the Fiscal Code

prerequisites for reforms 'delivery

The necessity to undertake fiscal amnesty, 0% corporate income tax and capital amnesty reforms, follows a list of assumptions. Among the most important are the following:

- At the present moment, capital legalization (immovable, financial etc.) in the possession of legal entities are registered at a lower value compared to their actual market value, whilst most of the economic entities, using various schemes of tax avoidance for the purpose of avoiding income and assets taxation, diminish their real value.
- Because of unfavourable taxation of income, especially that related to capital growth, economic entities avoid paying taxes to the budget.
- Transactions with assets are registered at reduced value or take place with the participation of off-shore/phantom economic entities.
- Following the formation of the market economy, the fiscal discipline of some economic entities was inconsistent with the law, some of the difficulties of those times are even in the present time capable of creating complications to companies.
- On the 1st January 2007 the total debt of economic entities to the national public budget amounted to 2 bln lei.
- For the purpose of debt recovery, the Main State Tax Inspectorate (MSTI) applies sequestrations on property owned by economic entities.
- From the respective debts, in real terms only 10-15% of the total amount of debts as well as fines and penalties (200-300 mln lei) may be collected, including through the selling of sequestered assets.

The aim of reforms

The initiatives related to fiscal amnesty and capital legalization follow a list of aims, related inter alia with the liberalisation of the economic entities' framework of activity and increasing Moldova's attractiveness for investments in the international arena.

- Improvement of the investment climate and increased investments in entrepreneurial activity, through the application of an efficient legalised capital tax mechanism. Now when Moldova is a neighbouring country to the European Union, the capacity of our economy to quickly restructure and become competitive is of great importance.
- An essential feature of a quick restructuring is the reinvestment of profits in the activity of economic entities. One of the aims of the reforms is to persuade investors to reinvest their profit with the purpose of extension and development of businesses.
- Substantial reduction of corruption in the fiscal enforcement structures, which would increase the credibility of fiscal administrative and enforcement structures in the eyes of businessmen.
- Improved business capitalisation and increased financial and economic indicators of local economic entities, which would offer supplementary possibilities to attract investment resources.
- Investment of economic entities' income, including the corporate income taxes that have not been paid to the budget, into activities of purchase of goods and services taxable with VAT.
- Abandonment of some of the tax avoidance schemes in the case of importing goods and services.

The effects of the proposed measures

<p>strengths</p> <ul style="list-style-type: none">▪ Makes the investment into the country more attractive compared to the previous situation and other states in the region.▪ Diminishes fiscal pressure on economic entities.▪ Offers economic entities and physical persons the possibility to “reveal” the resources that have not been previously declared.▪ Economic entities will reflect the volume of their activity in real terms.	<p>weaknesses</p> <ul style="list-style-type: none">▪ Diminishes state budget incomes during the initial periods.▪ Economic entities that fully applied the provisions of the fiscal legislation cannot benefit from all the proposed schemes.
<p>opportunities</p> <ul style="list-style-type: none">▪ Offers the opportunity to transform Moldova into a new regional destination for foreign investments.▪ Gives a new chance to many economic entities to perform better, which now is not possible due to the existent debts with the state budgets.▪ Contributes to the decrease of the black-market economy.▪ Consolidation of capital assets is possible; this would offer a better resource allocation.	<p>Threats</p> <ul style="list-style-type: none">▪ Economic entities may form certain expectations with regard to similar measures that would be available in the future, which may diminish financial discipline.

CAPITAL LEGALIZATION

The Concept of capital legalizat on

Capital legalizat on is one of the main components of the proposed initiatives. It presupposes the possibility for economic ent t es, physical persons and legal ent t es to declare and legalise their capital, which previously was not declared. This is applicable both to cash and bank deposits and other forms of capital (real estate, shares in limited liability companies, assets owned by economic ent t es).

Legalizat on may be applied to capital that was not previously subject to taxat on, thus avoiding penal t es of f scal nature. However, legalizat on does not allow for resources and assets to be registered if they derive from criminal offences. At the same t me, it must be ment oned that the present capital legalizat on is a unique opportunity to reveal cash, bank deposits or any other forms of capital hitherto hidden and to include them in the legal economic circuit.

Capital legalizat on has three main features

- Declarat on of capital that was not previously declared.
- Transfer of the capital from formal owners (de jure) to real owners (de facto).
- Registrat on for tax purposes of the real market value of the assets, to opt mize the assets' structure and future taxat on.

The main foreseen effects of capital legalizat on are as follows:

- Reduct on of the black-market economy importance in overall economic activities
- Transfer of property rights to the real owners of capital assets, which would of er opt mized business administrat on.
- Improved future taxat on of economic ent t es benef t ng from capital legalizat on.

advantages of capital legalizat on

Among the most important advantages of capital legalizat on are the following:

- Entry into ownership rights of the de facto holders, which excludes any possible actions from bad-faith de jure owners, ensures against any consequences of possible divorce or succession procedures of the de jure owner.
- Strengthening of the ownership rights, which offers a better administration of the assets and savings creation related to administration costs.
- Specific and preferential taxation, which is the burden of the de facto owner, compared to the nominal taxation in case of usual transactions with assets, which is the burden of the de jure owner and which could constitute a reason to decline the conclusion of transactions.
- In case of legalization of the real market value of capital assets, the economic entity will reflect in its balance the real value of its properties, which would ensure supplementary credit access through the means of the banking system and capital markets, and will offer a better positioning for the economic entity in various classifications and listings.
- The process of legalization of capital offers unique possibilities to access a larger group of transactions, where there are no restrictions on insiders, where modification of the base value of a company's assets is possible and where transactions at market prices are permitted without taxation of the capital increase.

Legalization of cash and bank deposits

Legal basis

The main legislative source that provides for legalization of cash and bank deposits is as follows:

- Amendments to the legislative acts in force on capital and fiscal amnesty, adopted through Law no. 111-XVI from 27.04.2007.
- Law no. 1164 from 24.04.1997 implementing Title I and II of the Fiscal Code.
- Decision of the National Bank of Moldova (NBM) on certain aspects of the activity of financial institutions in the process of capital amnesty and transfer/withdrawal from the Republic of Moldova of financial means by physical persons no. 505 from 21.08.2007.
- Category of assets that can be legalised.

Both cash and deposits within the country and from abroad owned by the subject of legalization may be legalised without any legal proof of their source of origin. National or foreign currency may be both in cash and in form of bank account deposits at different financial institutions out of which fees and taxes, state social security contributions, compulsory medical insurance contributions have not been paid. Cash or bank deposits cannot have resulted from criminal offences.

Examples of cases when such assets require amnesty

Physical persons, who are owners of cash or bank deposits without any proof of their source of origin, could be scrutinized by state controlling bodies when the cash or bank deposits are used for purchasing valuable goods. The state empowered bodies may require documents of the cash or bank deposit's origin (the source of income, subjected to tax payment verifications etc.) When the cash or deposits are legalised, the physical person becomes a good-will owner of the money and will not need any proof of its origin.

The subjects of legalization

Any citizen of the Republic of Moldova or his (her) legal representative may legalise cash or bank deposits in his possession. The representative may be his parent, including adoptive, tutor, custodian or any other empowered person through a proxy, endorsed by a notary. Besides the physical person, a citizen of Moldova, and his (her) legal representative, the other participants to the legalization process is the financial institution that holds the licence of the National Bank of Moldova, the Centre for Fighting Economic Crimes and Corruption and the General Prosecutor's Office.

The steps of legalization of cash and bank deposits

- a) The physical person or his (her) legal representative presents an application in 2 copies to deposit cash or transfer deposits in a bank account (or bank accounts) with the financial institution. Also, the applicant presents their identity document in original and one photocopy, whilst the legal representative presents an identity document, its photocopy, the photocopy of the identity document of the applicant, endorsed by a notary, as well as the proxy, also endorsed by a notary.
- b) The empowered persons of the financial institution, will check, in the presence of the applicant or the legal representative, the data indicated in the application in conformity with the identity documents of the applicant or his (her) legal representative.
- c) The empowered person of the financial institution may refuse the application for the legalization of cash capital only when the data in the application do not correspond to those from the identity document or other provisions of the NBM. Other grounds may not used to refuse the application.
- d) If inconsistencies between the data in the application and in the identity documents are found, the empowered person from the financial institution is obliged to inform the applicant or his (her) legal representative of the identified problem and offer the possibility for its remedy.
- e) After the financial institution receives the application to legalise the cash or deposit, the second copy of the application, endorsed by the representative of the financial institution, is sent to the applicant or his (her) legal representative.

- f) When the cash or deposit is legalised through its deposit in the named bank account, the financial institution will retain a tax of 5% of the cash. This tax is the only payment that has to be made for the legalization. Any other payment is considered illegal and may not be asked for!
- g) In case of legalization of cash or deposits in a foreign currency, the tax is retained taking into account the exchange rate of the Moldovan leu with the foreign currency at the date when the amount is legalised.
- h) The financial institution transfers the retained tax of 5% on the treasury accounts of the Ministry of Finance.

necessary documents during legalization

In order to legalise the cash or deposits the applicant will file the following documents to the financial institution:

- the application in 2 copies on the legalization of the cash or deposits;
- the photocopy of the identity document along with the original.

The representative of the applicant presents:

- the application in 2 copies on the legalization of the cash or deposits;
- the photocopy of the identity document of the applicant, endorsed by a notary;
- the proxy on the empowerment of the representative, endorsed by a notary;
- a photocopy of the identity document of the representative, along with the original.

specimen of cash & bank deposit legalization on application

appliCaTion on legalization of financial means

Name of the financial institution _____

In accordance with the Law no.1164-XIII from 24th April 1997 on the application of the 1st and 2nd titles of the Fiscal Code, I

apply for the opening of the account (accounts) _____

type of account (accounts)

in _____

the national or foreign currency is indicated here

The amount of legalised capital in _____

the national or foreign currency is indicated here

amount in numbers and letters _____

Data on the subject of legalization:

Given name, surname _____

Residence of the subject of legalization _____

The act that confirms the identity of the applicant:

Identification number _____ no. _____ series _____, issued _____

date of issue _____

Data on the representative of the subject of legalization (if applicable):

Title of the economic entity, fiscal code _____

Given name, surname of the administrator of the undertaking _____

Legal address of the representative of the subject of legalization _____

Given name, surname _____

Residence of the representative of the subject of legalization _____

The act that confirms the identity of the representative:

Identification number _____ no. _____ series _____, issued _____

date of issue _____

Data from the Proxy

Date _____ no. _____, the person that endorsed the proxy _____

I confirm that the data written in the application are true and declare that the legalised capital is not related to crimes or offences that are foreseen by the Convention on money laundering, identification, arrest and seizure of the incomes from criminal activities (of 8th of November 1990), ratified through the law of the Republic of Moldova no.914-XV from 15th of March 2002, with the exemption of fiscal offences. I do understand the fact, that if later on, crimes or offences related to the nondisclosure or non-payment, integral or partial, of taxes are discovered, made after the application of the chapter IV of the law no. 1164-XIII of 24th of April 1997, sanctions will be applied on me according to the legislation in force.

Date and signature of the applicant _____

The Application is received by the empowered person from the financial institution _____

Surname, given name, function

Signature _____ Date _____

P.S.

Taxes subject to payment during legalization

During the legalization of cash and deposits with their deposit in a named bank account (bank accounts), the financial institution retains a tax of 5% from the sum of the legalised cash. Any other payments from the respective amount are prohibited and are in breach of legislation.

Fiscal implications of the legalization

The only tax retained from the legalised cash is that of 5%. Other supplementary taxes or fees may not be retained and are prohibited by law. The applicant pays the tax of 5% from the real sum deposited in the bank account (bank accounts). The financial institution retains that tax without the need for any other documents from the applicant, thus the “one-stop-shop” method is used. The financial institution transfers the sum of 5% to the treasury accounts of the Ministry of Finance.

Examples

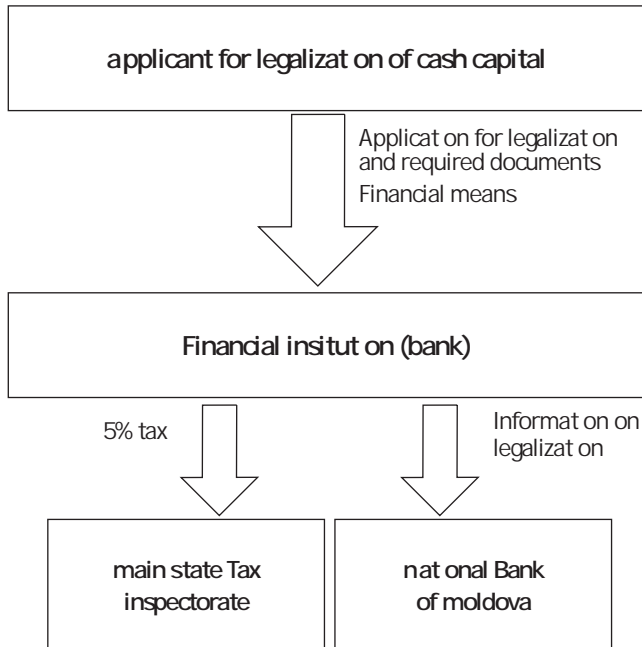
Physical persons, who are owners of a certain amount of cash or bank deposits from various legal activities, which were not previously declared, from which fees and taxes, state social security contributions, compulsory medical insurance contributions have not been retained, or have only been paid partially, may legalise the cash or deposits in order not to be subject to the scrutiny from fiscal bodies on the source of the cash. The cash should have been obtained from legal sources.

If you possess such cash capital and have decided to legalise it, you should go to a financial institution (bank) and deposit it in an account. In order to open such an account you would need to present your identity document (ID card), one ID photocopy and the application in 2 copies. This can be done for you or by a representative who has a proxy from you and a copy of your identity document, both endorsed by a notary.

At the bank you will present the application in 2 copies. The representative of the bank will verify the correspondence of the data from your identity document with that from the application. If discrepancies are identified, you will be asked to remove the mistakes. The representative's empowerment to legalise cash and deposits will be checked with the proxy. If all papers conform to the legal requirements the representative of the bank will open an account (or more than one account) in your

name where you will deposit your cash capital. For this account you might be asked to pay a fee for opening the account which differs from one bank to another.

After the cash capital has been deposited in the account, the bank representative will issue you with the second copy of the application endorsed with the bank's stamp. From this moment all cash capital deposited in this account is considered legalised. The bank will retain a 5% tax from this sum which will be transferred on the treasury accounts of the Ministry of Finance. This procedure is valid also for cash and deposits in foreign currencies. The tax will be retained taking into account the official exchange rate of the NBM of the day of the deposit of money in the account. You can freely use this money from the moment of its deposit and receipt of the second copy of the application with the stamp of the bank on it.



Legalization of real estate

Legal framework

The legalization of capital takes place under the ambit of Law no. 111-XVI from 27th April 2007 on the amendments and add-ons of certain legislative acts, that amends the Law no. 1164 from 24th April 1997 on the application of the 1st and 2nd titles of the Fiscal Code.

Categories of assets that can be legalised

In the category of real estate are included the following: plots, parts of underground, separate aquatic objects, plants attached by roots, buildings, constructions and any other objects attached by soil, as well as other objects, which in a natural or artificial way, are attached to them, in other words those goods whose movement is not possible without causing considerable damage to their intended purpose.

Legalization of immovable goods represents the transfer of property rights on these goods when the de facto owner has legally registered the property right in the name of a different person, with the respective modifications in the Real Estate Registry.


The subjects of legalization

According to the present law the subject of real estate legalization is the real owner of the real estate.

The steps of the legalization

The subject of legalization, for the purpose of transferring the property right over the real estate, must pursue the following steps:

- 1 Sign a purchase contract for the real estate with the person in whose name the property is registered. It should be stipulated in the contract that it is signed with the purpose of legalization of capital, in order not



to include the clause of payment of monies. The contract will contain the value of the real estate. The de facto owner may indicate in the contract the real market value of the real estate and in case of necessity, apply for the services of an independent real estate evaluator agent, who holds a license to perform activities of real estate evaluation. The advantage of legalization of real estate at its real market value lies in the fact that the sum of re-evaluation is included in the value base of the real estate meaning it is not considered as supplementary income (increase of capital) and thus, a minimum tax is paid. Supplementary expenses are avoided in the case of future transactions with real estate, whilst for legal entities the value of assets grows, which increases their credit capacity.

- 2 The purchase contract is endorsed by a notary.
- 3 Apply to the cadastre bodies to perform the modifications in the Real Estate Registry. The subject of legalization issues an application in the name of the regional cadastral body, attaching the purchase contract, endorsed by a notary. The subject of legalization may include real estate which, at the moment of legalization, is formally considered unfinished construction in the application to the cadastral body. On the basis of the application of the subject of legalization and the presented documents, the empowered person of the cadastral body performs the modifications in the real estate Registry.
- 4 After the registration of modifications with the cadastral body, the subject of legalization declares the legalised value of the real estate to the State Fiscal Inspectorate, in accordance with the application, paying in advance the legalization tax. This tax is paid through a financial institution, into the respective treasury account of the Ministry of Finance. The application is made in two copies: one for the State Tax Service, the other – for the subject of legalization. The application is supported by a payment order, which confirms the payment of the legalization tax, the purchase contract and, depending on the case, the documents that confirm the registration of the object of legalization with the de jure owner (the nominal owner) of real estate. The application is considered registered from the moment the State Tax Service endorses both applications with its stamp.

To the Director of the State
Tax Inspectorate _____

**appliCaTion
on the legalization of capital**

Name of the body, institution, organisation _____

In accordance with the Law no. 1164-XVI from 24th of April 1997 on the application of
Titles I and II of the Fiscal Code, I apply for the registration of capital legalization

Type of legalised capital (real estate, securities, shares) _____

Amount of legalised capital (lei) _____

Amount in numbers and letters

Data on the subject of legalization:

Title of the economic entity, fiscal code _____

Given name, surname of the administrator of the entity _____

Legal address of the subject of legalization _____

Given name, surname _____

Residence of the subject of legalization _____

The act that confirms the identity of the applicant:

Identification number _____ no. _____ series _____, issued _____
date of issue _____

Data on the representative of the subject of legalization (if applicable):

Title of the economic entity, fiscal code _____

Given name, surname of the administrator of the economic entity _____

Legal address of the representative of the subject of legalization _____

Given name, surname _____

Residence of the representative of the subject of legalization _____

The act that confirms the identity of the representative:

Identification number _____ no. _____ series _____, issued _____
date of issue _____

Data from the Proxy

Date _____ no. _____, the person that endorsed the proxy _____

I attach the copy of the order that confirms the payment of the legalization tax.

I confirm that the data written in the application are true and declare that the legalised capital is not related to crimes or offences that are foreseen by the Convention on money laundering, identification, arrest and seizure of the incomes from criminal activities (of 8th of November 1990), ratified through the law of the Republic of Moldova no.914-XV from 15th of March 2002, with the exemption of fiscal offences. I do understand the fact, that if later on, crimes or offences related to the nondisclosure or non-payment, integral or partial, of taxes are discovered, made after the application of the chapter IV of the law no. 1164-XIII of 24th of April 1997, sanctions will be applied on me according to the legislation in force.

Date and signature of the applicant _____

The Application is received by the empowered person from the State Tax Service

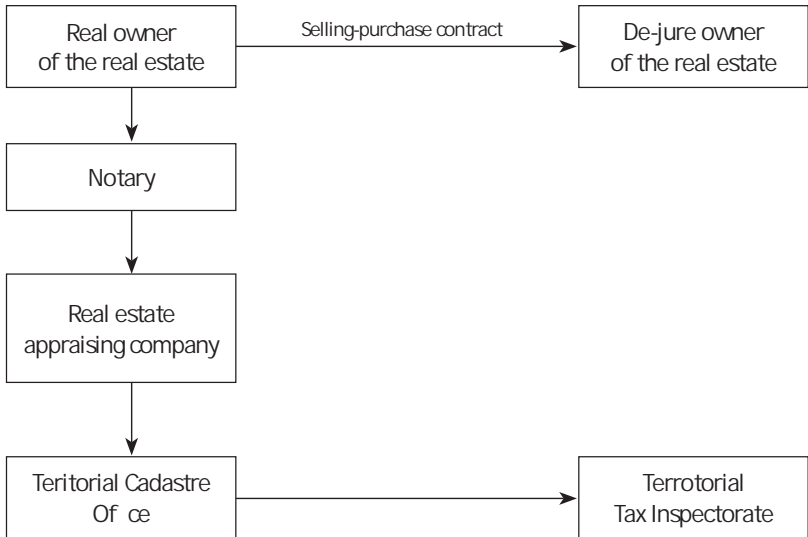
Given name, surname, function

Signature _____

Date _____

P.S

The scheme for real estate legalization



payable taxes

The real estate legalization tax constitutes 5% and is calculated from the difference between the declared value and the value in the purchase contract, or the value of the transaction after which the object of legalization has been registered with the nominal owner.

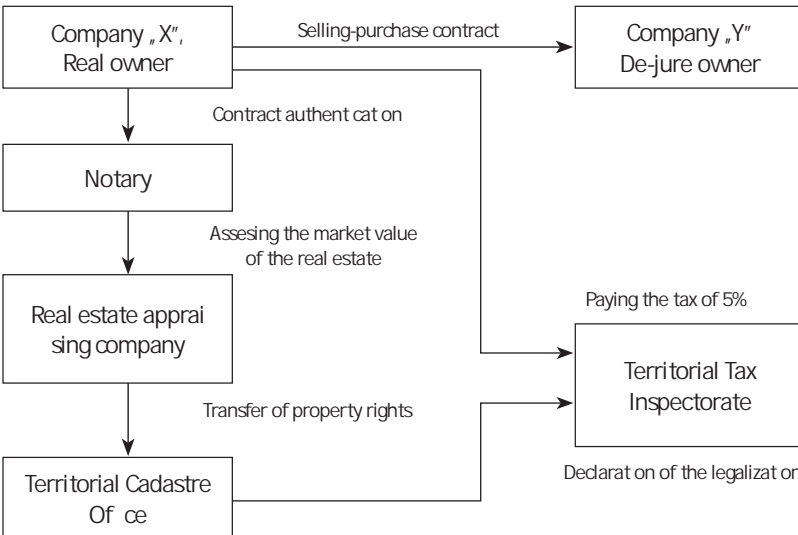
Fiscal implications of the legalization

In the process of real estate legalization, there is no capital payment. The sales-purchase contract contains a clause that the purchase is performed within the procedure of legalization of real estate. One of the advantages is that the increase of capital taking place during the legalization of real estate is not considered taxable income, a fact that substantially decreases future expenses on any future transactions with this real estate, (the legalization tax is just 5% compared to income tax that should be paid in case of an increase of capital).

Examples

Example 1: Company „X” purchased a building for 500,000 lei and registered it in the name of the subsidiary company “Y”. In order to perform the legalization of this real estate object, the company applies for the services of another company that holds a license to evaluate real estate. After the re-evaluation it was revealed that real market value of the building is 800,000 lei.

Company „X” signs a purchase contract with company “Y” where the market value of the building is specified. In this case the difference between the declared value and the one written in the purchase contract is 300,000 lei ($800,000 - 500,000$). The legalization tax, which the company would have to pay, is 15,000 lei ($300,000 * 5\%$). If the legalization of this building had not taken place and the company “Y” had sold it at the market price, it would have then to pay taxes amounting 22,500 lei ($300,000 / 2 * 15\%$).



Example 2 Physical person A purchased an apartment with a value of 400,000 lei and registered property rights on this real estate in the name of a different physical person B. In order to legalize this apartment physical person A concludes a purchase contract with person B which reveals the market value of the real estate to be 600,000 lei. The legalization tax in this case is 10,000 lei $((600,000 - 400,000) * 5\%)$. If person A legalizes the apartment at the declared value (400,000 lei) and then sells it at the market value (600,000 lei), he (she) would have to pay a tax on capital increase of 18,000 lei $((600,000 - 400,000) / 2 * 18\%)$.

Legalization of securities

Type of legalization

This part of the guide describes the peculiarities of capital legalization on the securities market (stocks, shares, etc.).

Legalization of capital on the securities market provides for transactions of transfer of property rights over legalized movable property at their balance sheet value, for legal entities – de jure owners, at the purchase value, for physical persons – de jure owners, through amendments in the Registry of securities holders or through transactions on the Stock Exchange, including direct transactions, in accordance with the stock exchange rules and with the normative acts of the National Commission for Financial Markets.

Important: *Simple transfer of securities to nominal ownership, or withdrawal from nominal ownership (see further below the notion of nominal owner) is not considered a legalization of securities.*

Legal framework

The process of legalization of capital on the securities market takes place in accordance with the Law no. 111-XVI from 27th April 2007 on the amendments and add-ons to certain legislative acts and Law no. 199 from 18th November 1998 on the securities markets, with the purpose of creating necessary conditions for the application of the provisions of chapter IV “Legalization of capital and fiscal amnesty” of the Law no. 1164-XIII from 24th April 1997 implementing the provisions of Titles I and II of the Fiscal Code, as well as the Regulation of the National Commission for Financial Markets on the legalization procedure of capital on the securities markets, as well as the Law on joint-stock companies. Similarly, the procedure of legalization of securities takes place in accordance with the provisions on the activity of independent registers, brokers, the rules of the Stock Exchange of Moldova, the rules and procedures of the National Depository of Securities (hereinafter the NDS).

The category of activities that may be legalized

Presently on the securities market, shares and bonds issued by joint-stock companies active in accordance with the legislation of the Republic of Moldova may be legalized.

a security in its most general sense is a financial title that confirms the rights of one person in relation to any other, rights that cannot be used or transferred without the proof of this financial title and without the respective note in the registry of nominal securities holders or in the document entries of the nominal holder of these securities. A reminder is that a **nominal holder** is a professional participant on the securities markets, which holds securities in its name with the permission of owners of securities or other nominal holders, not being the owner of the respective securities.

The stock, respectively, is a security, which confirms that the stock holder owns a part of the statutory capital of a joint-stock company, from which results his right to participate in the administration of the company, share the benefits and in case of liquidation - the assets of the company. The companies usually issue stocks with the purpose of financing long-term activities, whilst benefits for share-holders in this case result from the possibility of participating in the administration of the company, receiving dividends as a form of interest payment for the capital provided to the company when stocks were purchased, as well as to benefit from the possibility of selling their stocks on secondary markets (*the market where securities are in circulation*), depending on the market conditions, at a higher or lower price than the one of initial purchase. This last opportunity is available especially for stocks issued by joint-stock companies of an open type.

The Bond is another form of security, being a promissory note for the company. The bond confers to its owner the right to receive back within the specified time limits the nominal cost of the bond and a supplementary interest. The value of the interest is calculated using the percentage rate to its nominal cost, established at the moment the bond was issued. In other words, by issuing bonds the company is borrowing from physical persons and legal entities for a period of time, which sometimes may be up to 10 years and even longer in exchange for the payment of an interest (named commission). At the end of the period for which the bond was issued the initial sum paid by the creditor is returned.

It is worthwhile mentioning that it is prohibited to legalize securities (stocks) that are blocked in the Registry of securities owners in personal accounts of the respective proprietors (the reasons may be various: decision of an supervisory and control body, decision of a court etc.), as well as securities which fall under the regulation of activities on money laundering, identification, arrest and seizure of income deriving from criminal activity.

Examples of cases when securities need legalization

Presently, on the securities market of Moldova there is a prevalence of the markets of stocks. Thus, there may be a necessity to legalize stocks for de facto owners of the stocks (administering those stocks), where officially the de jure owners are third party persons (friends, relatives, affiliated economic entities, etc.).

With regard to the necessity of legalization for persons that are de facto owners of the stocks, the following aspects may be mentioned:

- In the process of legalization of securities there is no transfer of capital for the object to be legalised (the stock). In other words, compared to usual civil transactions with securities, in the case of legalization of stocks no transfer of capital takes place. This is one of the big advantages of legalization of capital.
- Possible existence of risks associated with the de jure ownership of stocks by third party persons.
- Application of legalization of securities with the purpose of diminishing in the future some fiscal payments in case securities are sold (by legal entities) or purchased (by physical persons) at a much higher price than the one on the balance sheet.
- The legalization procedure does not protect the de facto owner in respect to the legislation on insiders (*insider – any person informed of the confidential data of the joint-stock company*), as well as restrictions, in some cases imposed by legislation, to obligatorily perform stock exchange transactions, where there is usually the risk that the stocks can be purchased by other persons.
- Finally, the legalization offers a simple procedure, free of any risks associated with transferring stocks from the name of third party persons to the name of the de facto owner of the stocks.

The subjects of legalization

The subjects of legalization of capital on the securities market are the professional participants on the securities markets, as well as resident legal entities and physical persons, citizens of the Republic of Moldova or their legal representatives (parents, including adoptive parents, tutors, custodians) – both those that have de jure and de facto ownership over securities (stocks).

The steps of legalization of securities

Peculiarities

- Persons that legalize securities have the right, regardless of whether their securities under legalization are accepted for circulation at the securities markets, to undertake actions of transfer of property rights over securities by inserting modifications in the registry of securities owners, directly to the registrar or the nominal holder, or through direct transactions on the stock exchange. The Stock Exchange of Moldova (hereinafter the SEM) and/or NDE will ensure, in case of transitional registration of securities, that securities can be legalized only once.

Note: definition of registrar – professional participant at the securities markets that holds the registry of nominative securities owners (a list of registered persons, prepared in accordance with the data from the respective moment for each group of securities).

- *The legalization of stocks issued by a joint-stock company of a closed type will take place following the legal provisions set out (in this case) for the transfer by the seller – the de jure owner of the stocks that are being legalized. The steps are as follows: a written order to the executive body of the company indicating the conditions of purchase of stocks (taking into account the conditions of legalization,) containing the balance sheet value of the stocks registered by the de jure owners – legal entities, or the purchase value of the stocks by the de jure owners – physical persons, as well as the estimate price of the stocks to be legalized. The estimate price of the stocks will be the selling price of the stocks for other stock holders. If, during one month from the date the order was received by the company, other stock holders have not used their preferential right to acquire the stocks, the company may acquire these*

stocks or offer them to a third party. If the company or the third party named by the former, during the second month from the date the offer of the stock holder was received by the company, has not used its right to purchase the securities, the stock holder – de jure owner of the stocks has the right to transfer the stocks to the de facto owner, as part of the legalization process.

- The process of legalization of stocks includes obligatory evaluation of the stocks by a licensed professional participant on the securities markets in order to determine the value of the legalized capital, (in the present case of the stocks), using the estimate price of one unit of stocks.
- Securities (stocks) are considered legalized from the moment when the legalization tax has been paid to one of the commercial banks of Moldova, registration of the application to legalize the stocks at the State Tax Service and registration of property rights over the securities at the registrar/nominal holder (depending on the case).
- The legalization of securities finishes on the 31st of December 2008, whilst the deadline for filing applications to the registrar/nominal holder is 26th of December 2008.

Legalization of securities on the out-of stock exchange market

Peculiarities

The legalization of securities on the secondary out-of stock exchange securities market¹ implies the transfer of property rights over stocks from the de jure owner to the de facto owner of these stocks through operation of the respective modifications with the registrar/nominal holder (depending on the case) in the registry of securities holders. Thus, the following steps are followed:

- The de jure owner of the stocks (or his representative with the approval of the former) agrees with the de facto owner (or his representative also with the approval of the former) of the stocks, to sign a **legalization agreement** (see the sample), where it indicates the balance sheet value of the stocks, if the de jure owner is a legal entity, or the purchase value of the stocks if the de jure owner is a physical person. This agreement is endorsed by a notary.

Important: In case of legalization of stocks with voting rights issued by the commercial banks of Moldova there is a prior requirement from the buyer (the de facto owner of the stocks that are being legalized) *for an authorisation from the National Bank of Moldova that would confirm the following of the legal provisions on the purchase of legalized stocks.*

<i>Anexa nr. 1</i>
la Regulamentul privind procedura de legalizare a capitalului pe piaa a valorilor mobiliare
aCor D-model
cu privire la legalizarea capitalului pe piaa a valorilor mobiliare
i. Date despre subiectul legalizării (proprietar nominal)
1.1. persoana juridic :
Denumirea agentului economic, codul fiscal

¹ A place where the supply and demand on securities meet, in accordance with certain mechanisms and procedures, simplified in comparison with those applied on the stock exchange.

Numele, prenumele administratorului agentului economic
Adresa juridică a subiectului legalizării
1.2 persoană fizică :
Numele, prenumele
Domiciliul subiectului legalizării
Actul de confirmare identității subiectului legalizării (proprietar nominal) nr. _____ seria _____, eliberat _____ data eliberării _____
1.3 Date despre reprezentantul (în cazul în care este) subiectului legalizării (proprietar nominal):
1.3.1. persoană juridică
Denumirea agentului economic, codul fiscal
Numele, prenumele administratorului agentului economic
Adresa juridică a reprezentantului subiectului legalizării
Actul de confirmare împuternicirilor reprezentantului subiectului legalizării
1.3.2 persoană fizică
Numele, prenumele (<i>persoană fizică</i>)
Domiciliul reprezentantului subiectului legalizării
Actul de confirmare identității reprezentantului nr. _____ seria _____, eliberat _____ data eliberării _____
Actul de confirmare împuternicirilor reprezentantului subiectului legalizării _____ ii. Date despre subiectul legalizării (proprietar de facto):
2.1. persoană juridică
Denumirea agentului economic, codul fiscal
Numele, prenumele administratorului agentului economic
Adresa juridică a subiectului legalizării

2.2 persoan fizic

Numele, prenumele

Domiciliul subiectului legaliz rii

Actul ce confirm identitatea subiectului legaliz rii (proprietar de facto):

nr. _____ seria _____, eliberat _____ data eliber rii _____

2.3 Date despre reprezentantul (în cazul în care este) subiectului legaliz rii (proprietar de facto):**2.3.1 persoan juridic**

Denumirea agentului economic, codul fiscal

Numele, prenumele administratorului agentului economic

Adresa juridic a reprezentantului subiectului legaliz rii

Actul ce confirm împuternicirile reprezentantului subiectului legaliz rii

2.3.2 persoana fizicăNumele, prenumele (*persoana fizică*)

Domiciliul reprezentantului subiectului legaliz rii

Actul ce confirm identitatea reprezentantului:

nr. _____ seria _____, eliberat _____ data eliber rii _____

Actul ce confirm împuternicirile reprezentantului subiectului legaliz rii

iii. obiectul prezentului acord

3.1. În baza prezentului Acord, proprietarul nominal transmite proprietarului de facto următoarele valori mobiliare:

denumirea emitentului _____

daca valorilor mobiliare _____

numărul înregistrării de stat a valorilor mobiliare _____

numărul de valori mobiliare, care constituie obiectul prezentului Acord (cu cifre) _____

(cu litere) _____ **iv. valoarea tranzacției**

4.1. Prețul valorilor mobiliare (cu cifre) _____ (cu litere) _____

(valoarea de bilanș a valorilor mobiliare pentru persoane juridice; valoarea de procurare pentru persoane fizice)

v. Termenul de valabilitate a acordului

5.1. Prezentul Acord intră în vigoare din data semnării și produce efecte juridice pentru părți pînă la data de

(termenul acordului nu va depăși data de 31.12.2008)

vi. solu ionarea lit gilor

6.1. Lit gile ce vor ap rea în urma execut rii prezentului Acord vor f solu ionate pe cale judiciar în ordinea stabilit de legisla ia în vigoare.

vii. Dispozi ii fnale

7.1. Veridicitatea datelor indicate în Acord confirm i declar m c capitalul legalizat nu este legat de crime sau infrac iuni ce cad sub inciden a Conven iei privind sp larea banilor, depistarea, sechestrarea i confiscarea veniturilor provenite din activitatea infrac ional (din 8 noiembrie 1990), rat f cate prin Legea Republicii Moldova nr.914-XV din 15 martie 2002, cu excep ia infrac iunilor f scale.

7.2. Prezentul Acord se autent f c notarial în corespundere cu procedura stabilit de legisla ie.

semn turap r ilor

Subiectul legaliz rii
Proprietarul de facto

Subiectul legaliz rii
Proprietarul nominal

- The de facto owner of securities (or his representative) will take all steps to appraise the value of the legalized stocks with a licensed professional participant on the securities markets. Subsequently, on the basis of a **legalized stocks appraisal certificate**, where information with regard to the estimated value of one unit of stocks will be included, it will be possible to determine the value of the legalized capital. Namely, the value of the legalized stocks will amount to the estimated value of a unit of stocks multiplied by the number of stocks to be legalized.

Important: In case of legalization of stocks issued by a joint-stock company of a closed type, the legal provisions with regard to selling of stocks of a closed type joint-stock company will have to be complied with. In this case the de jure owner of the stocks under legalization will have to have, before the initiation of the legalization procedure, *a confirmation from the leading body of the joint-stock company* that issued the stocks under legalization that *the legal provisions on the selling of stocks of a closed type joint-stock company have been followed.*

- The subject of legalization – the de facto owner (or his representative) of the legalized stocks will pay a **legalization tax** at one of the commercial banks of Moldova, on the treasury account indicated by the Ministry of Finance, amounting to 5% of the difference between the estimated value of the legalized stocks and the value of the transaction, which is equal to the balance sheet value of the stocks

registered with the de jure owner – the legal entity, or the purchase value of the stocks by the de jure owner – physical entity.

- The subject of legalization – the de facto owner of the stocks or his representative files an **application on legalization of capital** to the State Tax Service where the value of the capital to be legalized is declared resulting from the value of the stocks as estimated. The application is presented in two copies: one – for the State Tax Service, the other – for the subject of legalization. The application will also have attached to it the agreement of legalization, legalization tax payment order, appraisal certificate of stocks to be legalised and documents confirming the registration of legalized stocks in the name of the de jure owner (statement from the registry of securities owners of the company whose stocks are being legalized, issued by the registrar in the name of the de jure owner of the legalized stocks). The application is considered registered from the moment the State Tax Service endorses both copies of the application with its stamp.
- The de jure owner (or his representative) and the de facto owner (or his representative) of the stocks to be legalized, will present themselves in front of the registrar to fill in and sign the **transfer order** (see the sample) on the basis of which the property right will be transferred from the de jure owner to the de facto one. The transfer order is prepared in 3 copies, out of which one is given to the registrar, and the other two the buyer and seller or to their representatives respectively.

Important: The transfer order will include both the value of the transaction and the value of legalized capital. The value of the transaction must be identical to the balance sheet value of the of the stocks indicated in the legalization agreement, if the de jure owner is a legal entity, or the value of purchase, also included in the legalization agreement, if the de jure owner is a physical person. Consequently, the value of the legalized capital must be identical with the value of the capital declared at the State Tax Service in the application on legalization of the capital (the estimated value of the legalized stocks), whilst the estimated price of one unit of stocks must correspond to the price indicated in the stock estimation certificate. *Disregard of these requirements will oblige the registrar to refuse the request to amend the contents of the registry of securities holders until the respective errors are eliminated.*

la Regulamentul privind procedura de legalizare a capitalului pe piața a valorilor mobiliare

**Dispoziția DE Transmitere
a valorilor mobiliare în cadrul procedurii de legalizare a capitalului**

(Denumirea registratorului)

persoana înregistrată Care transmite valorile mobiliare:

Numărul contului personal _____

Tipul contului _____

(P - proprietar; C - coproprietar; N - de înțeles nominal)

N.P. sau denumirea completă a persoanei juridice _____

Codul personal sau fiscal _____

Tipul persoanei _____

(F-fizic : J-juridic)

Numărul înregistrării de stat (pentru persoanele juridice) _____

Documentul de identifi care:

Tipul _____

Data " ____ " _____

Seria _____

Numărul _____

Organul care l-a eliberat _____

Data nașterii _____

Adresa de reședință (juridic): _____

Persoana în cauză este insider/nu este insider al societății (de subliniat)

persoana împuternicită pentru transmiterea valorilor mobiliare:

N.P. sau denumirea completă a persoanei juridice _____

Codul personal sau fiscal _____

Tipul persoanei _____

(F-fizic : J-juridic)

Documentul care confirmă împuternicirile de reprezentare:

Tipul _____

Data " ____ " _____

Seria _____

Numărul _____

Organul care l-a eliberat _____

Adresa de reședință (juridic): _____

N.P. persoanei împuternicite a persoanei juridice _____

Documentul de identifi care:

Tipul _____

Data " ____ " _____

Seria _____

Numărul _____

Organul care l-a eliberat _____

Adresa de reședință _____

Prin prezenta rog să efectuați înscrisura privind transmiterea următoarelor valori mobiliare:

Denumirea emitentului _____

Clasa valorilor mobiliare _____

Numărul înregistrării de stat a VM _____

Numărul de valori mobiliare _____
Valoarea nominală _____
Valoarea tranzacției _____ lei _____ bani _____
_____ (în litere)

Preț este mat _____
Valoarea capitalului legalizat _____ lei _____ bani _____
_____ (în litere)

Temei pentru transmiterea valorilor mobiliare _____

persoana în Contul Căruia urmămEaza Fi înscrisE valorile Mobiliare:

Numărul contului personal _____
Tipul contului _____ (P-proprietar; C - coproprietar; N-de înțor nominal)

N.P. sau denumirea completă a persoanei juridice _____
Codul personal sau fiscal _____
Tipul persoanei _____ (F-fizic ; J-juridic)

Numărul înregistrării de stat (pentru persoanele juridice) _____
Documentul de identifi care:

Tipul _____
Data " ____ " _____
Seria _____
Numărul _____
Organul care l-a eliberat _____

Data nașterii _____
Adresa de reședință (juridic): _____
Adresa pentru corespondență _____
Telecomunicații: _____
Telefon _____
Fax _____
Adresa E-Mail _____
Modul de achitare a dividendelor: _____ (N-numerar; V-prin virament)

Denumirea băncii _____
Codul OFI _____ Cont _____

Persoana în cauză este insider/nu este insider al societății (de subliniat)
Persoana în cauză, în urma transferului valorilor mobiliare, de sine stătător sau împreună cu persoanele sale afiliate, va deține/nu va deține (de subliniat) mai mult de 25%, 50% din valorile mobiliare ale emitentului.

Persoana în cauză sau orice persoane care acționează în comun, în urma transferului valorilor mobiliare, va deține/nu va deține (de subliniat) mai mult de 5% (10%, 25%, 33%, 50%) (de subliniat) din valorile mobiliare ale emitentului - se completează în cazul emitentului - bancă .

reprezentantul persoanei în Contul Căruia urmămEaza Fi înscrisE valorile Mobiliare:

N.P. sau denumirea completă a persoanei juridice _____
Codul personal sau fiscal _____
Tipul persoanei _____ (F-fizic ; J-juridic)

Documentul care confirmă împuternicirile de reprezentare:

Tipul _____

Data " ____ " _____

Seria _____

Numărul _____

Organul care l-a eliberat _____

Adresa de reședință (juridic):

N.P. persoanei împuternicite a persoanei juridice _____

Documentul de identifi care:

Tipul _____

Data " ____ " _____

Seria _____

Numărul _____

Organul care l-a eliberat _____

Adresa de reședință _____

Semnătura persoanei din contul c reia se transmit valorile mobiliare _____ L .

(semnătura)

Semnătura persoanei în contul c reia se transmit valorile mobiliare _____ L .

(semnătura)

Semnătura este autentificată de _____ L .

(Persoana juridică abilitată) (N.P. în semnătura)

Dispoziția de transmitere este înregistrată la " ____ " _____ 200__ ora ____ sub nr. ____

Registratorul _____ L .

(N.P. în semnătura)

Prin semnarea prezentei dispoziții semnatarul confirmă executarea prevederilor acordului de legalizare a capitalului ce a servit drept temelie juridică pentru transmiterea valorilor mobiliare și veridicitatea informației conținute în aceasta.

Anexa 1. _____

2. _____

3. _____

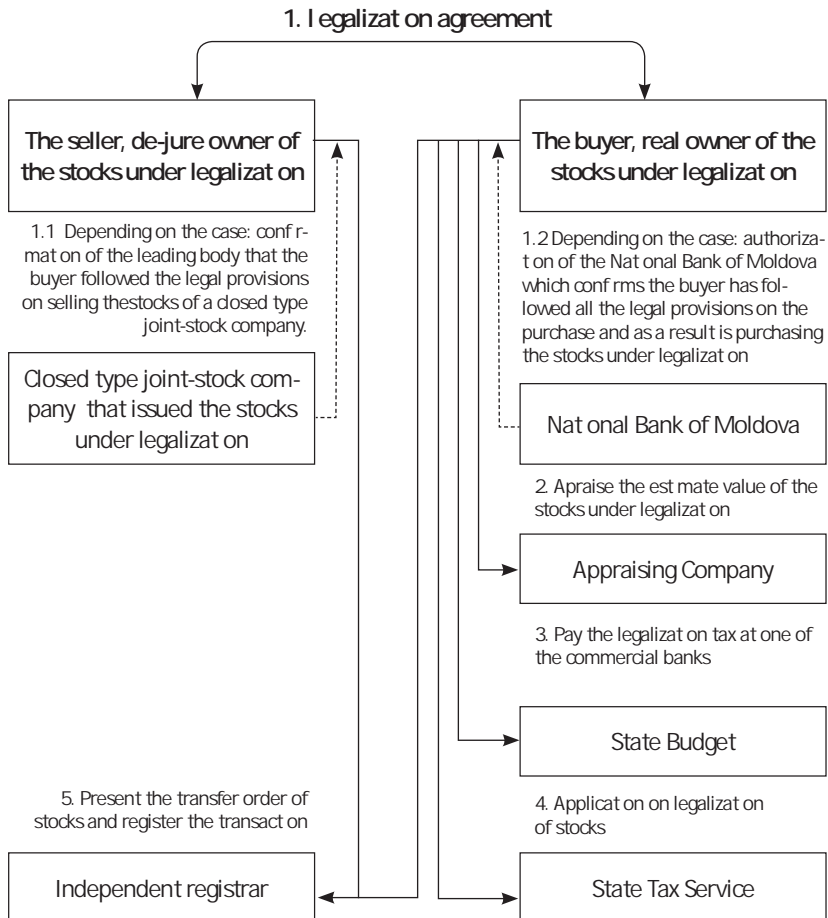
- In order to register the transfer of property rights, in addition to the transfer order, the buyer – the de facto owner (his representative) of the stocks under legalization will present to the registrar **copies of the following documents**
 - a) the legalization agreement, endorsed by a notary;
 - b) the application on the legalization of capital, filed to the State Tax Service;
 - c) the payment order, which confirms the payment of the legalization tax;
 - d) the stock estimation certificate;

Additionally (depending on the case)

- e) confirmation of the leading body of the joint-stock company of a closed type that issued the stocks under legalization that

the buyer followed the legal provisions on selling of stocks of a closed type joint-stock company;

- f) authorization of the National Bank of Moldova which confirms the buyer has followed all the legal provisions on the purchase and as a result is purchasing the stocks under legalization with voting rights that were issued by one of the commercial banks of Moldova.
- After the verification of all the presented documents, the registrar will amend the registry of securities holders of the company that issued the stocks under legalization.



Legalization of securities on the stock exchange

Peculiarities

The legalization of stocks on the secondary stock exchange market² presupposes written applications to the broker³ of orders to sell or buy respectively, stocks under legalization and subsequent conclusion of the transaction itself at Moldova Stock Exchange under a simplified procedure which deals with the legalization of capital and in conformity with the legal provisions on the activity of brokers, SEM and the NDE. Securities legalization on stock exchange transactions will take place in the section of direct transactions, being qualified as special transactions, fulfilled on the basis of direct orders of buying and selling.

The legalization of securities (stocks) at the stock exchange proceeds by the following steps:

- The de jure owner of the stocks (or his representative with the consent of the de jure owner) concludes with the de facto owner (or his representative with the consent of the de facto owner) of the stocks a **legalization agreement** (see the sample), which indicates the balance sheet value of the stocks, if the de jure owner is a legal entity or the value of purchase of these stocks, if the de jure owner is a physical person. This agreement is endorsed by a notary.

Important: In case of legalization of stocks with voting rights issued by the commercial banks of Moldova there is a prior requirement from the buyer (the de facto owner of the stocks that are being legalized) **for an authorization from the national Bank of Moldova that would confirm the following of the legal provisions on the purchase of legalized stocks**

² An organized place where supply and demand of securities meet, according to legal well established mechanisms and procedures.

³ Brokerage activity presupposes purchase and selling of securities, undertaken by the broker in his capacity as proctor or commissionaire who acts on the basis of contract of mandate or commission, as well as on the basis of proxy to perform the mentioned transactions, if the contract does not stipulate the empowerment of the proctor or commissionaire) by the sellers and buyers (their representative).

- The de facto owner of securities (or his representative) will take all steps to estimate the value of the legalized stocks with a licensed professional participant on the securities markets. Subsequently, on the basis of a **legalized stocks appraising certificate**, where information with regard to the estimated value of one unit of stocks will be included, it will be possible to determine the value of the legalized capital. In other words, the value of the legalized stocks will amount to the estimated value of a unit of stocks multiplied by the number of stocks.
- The subject of legalization – the de facto owner (or his representative) of the legalized stocks will pay a **legalization tax** at one of the commercial banks of Moldova, into the treasury account indicated by the Ministry of Finance, amounting to 5% of the difference between the estimated value of the legalized stocks and the value of the transaction, which is equal to the balance sheet value of the stocks registered with the de jure owner – the legal entity, or the purchase value of the stocks by the de jure owner – physical entity.
- The subject of legalization – the de facto owner of the stocks or his representative files an **application on legalization of capital** to the State Tax Service where the value of the legalized capital is declared, in other words the value of the stocks as estimated. The application is presented in two copies: one – for the State Tax Service, the other – for the subject of legalization. The application will also have attached to it the agreement of legalization, legalization tax payment order, estimation certificate of the legalized stocks and the documents that confirm the registration of the legalized stocks in the name of the de jure owner (statement from the registry of securities owners of the company whose stocks are being legalized, issued by the registrar in the name of the de jure owner of the legalized stocks). The application is considered registered from the moment the State Tax Service endorses both copies of the application with its stamp.
- The de jure owner (or his representative) and the de facto owner (or his representative) of the stocks to be legalized will present to the broker in written form **the direct stock exchange buy and sell order, respectively** (for both orders see the sample) for the quantity of stocks that is being legalized, with an obligatory comment

on the value of the transaction and the value of the legalized capital. Consequently, the value of the transaction must be identical to the balance sheet value of the stocks indicated in the legalization agreement, if the de jure owner is a legal entity or the value of purchase, also indicated in the legalization agreement, if the de jure owner is a physical person. Consequently, the value of the legalized capital must be identical with the value of the capital declared at the State Tax Service in the application on legalization of the capital (the estimated value of the legalized stocks), whilst the estimated price of one unit of stocks must correspond to the price indicated in the stocks estimation certificate. Non fulfillment of *these requirements will oblige the broker to refuse the receipt of both stock exchange orders.*

<p><i>Anexa nr.3</i> la Regulamentul</p>
<p>privind procedura de legalizare a capitalului pe piaa a valorilor mobiliare</p>
<p>or Din-Tip</p>
<p>recep ionat în temeiul acordului de legalizare a capitalului</p>
<p>Nr. _____ din _____ Ora _____ Nr. contului de brokeraj _____</p>
<p>(Denumirea complet a persoanei juridice i numele reprezentantului (documentul care confirm imputernicirile acestuia, în cazul existen ei)</p>
<p>_____ denumit în cont nuare Client,</p>
<p>(numele i prenumele Clientului)</p>
<p>prezint spre execuare SA (SRL) _____</p>
<p>denumit în cont nuare Broker, prezentul Ordin cu urm torul con inut:</p>
<p>i. informa ii generale / obiectul ordinului</p>
<p>1.1. În conformitate cu contractul de servicii de brokeraj nr. _____ din " " _____ Clientul d ordin iar Brokerul i i asum responsabilitatea:</p>
<p>- de a _____ (cump ra, vinde)</p>
<p>- în baza ordinului direct</p>
<p>urm toarele valori mobiliare: denumirea emitentului _____</p>
<p>- dacia valorilor mobiliare _____</p>
<p>- num rul înregistr rii de stat a valorilor mobiliare _____</p>
<p>- num rul de valori mobiliare, care const tuie obiectul prezentului Ordin (cu cifre) _____ (i cu litere) _____</p>
<p>- pre ul valorilor mobiliare (cu cifre) _____ (i cu litere) _____ .</p>
<p>Valoarea tranzac iei _____ lei _____ bani</p>
<p>_____</p> <p>(în litere)</p>

- informat v: valoarea capitalului legalizat _____ lei _____ bani

(in litere)

- informat v: pre ul este mat al unei valori mobiliare (cu cifre _____
(i cu litere) _____ .

1.2. Valorile mobiliare se transmit / nu se transmit _____ in de inere nominal .

1.3. Brokerul (are / nu are) _____ imputernicirea sa efectueze ac iuni cu valorile mobiliare men ionate in calitate de de in tor nominal.

1.4. Termenul de valabilitate a prezentului Ordin _____

1.5. Prezentul Ordin poate f modificat sau anulat de catre Broker in urm toarele cazuri _____ .

1.6. Prezentul Ordin se execut in conformitate cu conditiile men ionate mai sus. In caz de modificari sau anulare a Ordinului se va efectua not f carea respect v .
Data i ora modific rilor sau anularii Ordinului _____ .

ii. pl ile:

2.1. Pentru efectuarea tranzac iei Clientul se oblig sa transfere in contul Brokerului mijloace financiare in m rimea:

a) in cazul semn rii unui contract de cump rare:

- taxei BVM i DNVM _____ % din valoarea fec rei tranzac ii;
- serviciilor DNVM _____ ;
- serviciilor registratorului _____ ;
- remunera iei Brokerului _____ ;
- taxei CNVM _____ ;
- etc. _____ ;

in total _____ .

b) in cazul semn rii unui contract de vanzare:

- remunera iei Brokerului _____ ;

iii. alte conditii

3.1. Dac in pct. 1.4. nu este indicat termenul Ordinului, acesta este valabil pin la indeplinirea complet sau rezilierea (anularea) lui.

3.2. Alte conditii ce privesc executarea prezentului Ordin sint descrise in contractul-t p de servicii de brokeraj, semnat intre Client i Broker _____

3.3. Prin semnarea prezentului Ordin Clientul confirm c _____ (este/nu este) insider al emitentului valorilor mobiliare care fac obiectul prezentului Ordin.

iv. rechizitele p r ilor:

Client _____
BROKER _____

v. semn turile p r ilor:

Client _____
BROKER _____

Numele, prenumele, func ia i semn tura executorului Ordinului _____

- The buyer – the de facto owner of the stocks under legalization (or his representative) will attach copies of the following documents to the order sent the broker:

- a) the legalization agreement, endorsed by a notary;
- b) the application on the legalization of capital, filed to the State Tax Service;
- c) the payment order, which confirms the payment of the legalization tax;
- d) the stock estimation certificate;

Additionally, depending on the specific case

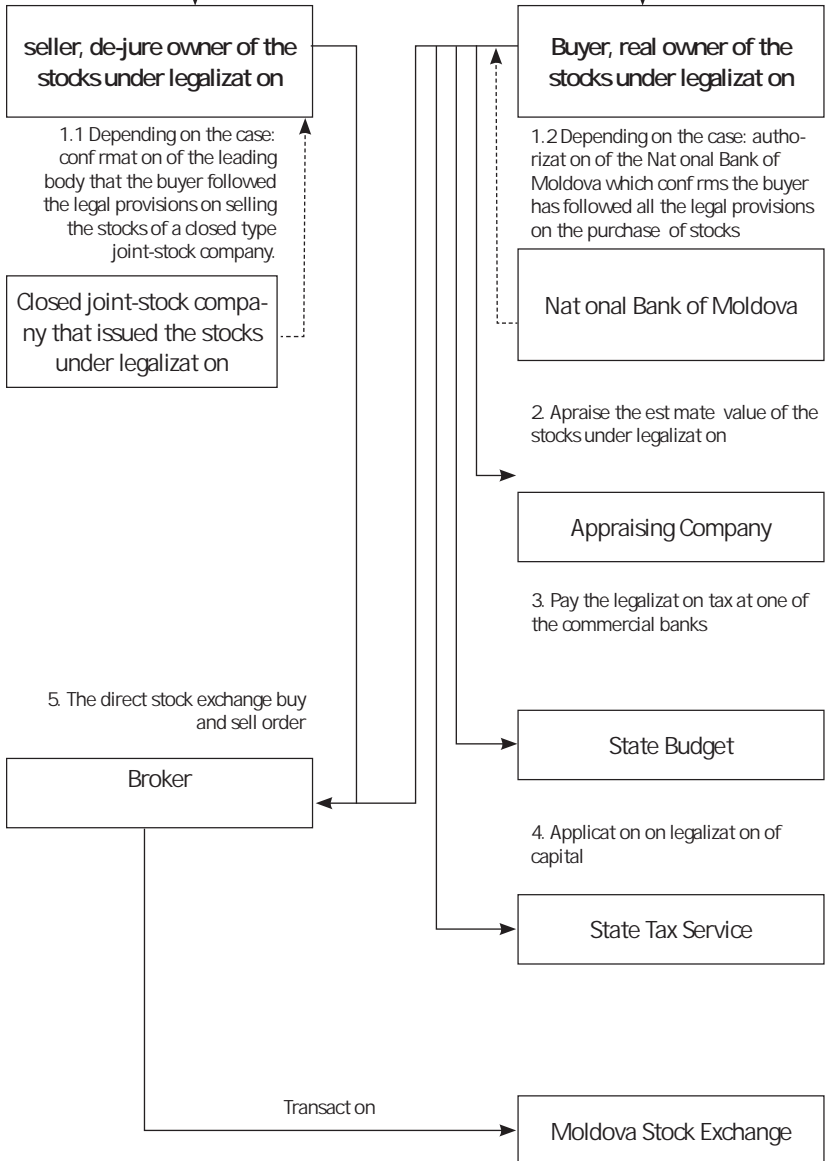
- e) authorization of the National Bank of Moldova that confirms the buyer has followed all of the legal provisions on the purchase and as a result is purchasing stocks under legalization with voting rights issued by one of the commercial banks of Moldova.
- After the verification of all documents the broker will execute the **received orders** in accordance with the legal provisions as well as some derogatory provisions on the legalization of securities on stock-exchange markets.

For selling orders linked with the legalization of capital *the broker only needs to make sure* that the stocks are actually present on the account of the seller, as well as to be certain that the stocks are free of any restrictions (guarantee, blocked access etc.) and can be immediately transmitted for selling at the stock-exchange in the order and form they were received from the clients.

The broker is obliged to include all orders in the Integrated Automated System of Transactions of the SEM and provide the value of the legalized capital attached to the stocks under legalization in accordance with the received orders.

Important: During the transfer activities, (a group of actions taken by the broker-seller in order to fulfill his obligations of delivery of securities at the date of transfer, which is T+3, where T is the day of registration of the transaction at the stock-exchange) there will be a list of *deviations from existent legal norms* attached to the securities legalization transactions admitted to the NDE. Thus, when determining the daily net currency positions of the NDE participants to arrange the final transfers, NDE will not take into account the registrations in the clearing accounts of the participants that fulfill stock exchange orders of securities legalization. For this purpose, NDE may use, in accordance with the operational procedures of NDE, manual corrections (not automated) of the sums of money, in order to determine the final number of payments due by NDE participants.

1. Legalization agreement



Consequences of securities legalization on the subjects of legalization


- The Buyer – the de facto owner of the legalized securities, who individually or along with his affiliated** subjects has, as a result of the capital legalization process, acquired more than 50% of the total amount of stocks with voting rights in an open type joint-stock company, is obliged, after the expiry of one year from the moment of legalization, to propose to other stock holders to sell him the remainder of the stocks with voting rights under a tender⁴ in accordance with the law in force (Law on joint-stock companies). If transactions are performed outside of the capital legalization procedures, the tender of offer should be issued within 3 months from the date the securities are purchased.

**** Note:**

Affiliated persons to a legal entity are the following:

- a) Unitary executive body, the members of the executive body and decision-making persons of the executive body of the respective legal entity.
- b) Members of the Council of Observers, Council of Directors, as well as the members of the Committee of Censors of the respective legal entity.
- c) Other decision-making persons of the respective legal entity.
- d) The legal entity or the physical person which individually or along with its affiliated persons, has a position of control over the capital of the respective legal entity.
- e) An economic entity whose capital is under the control, individually or collectively of the respective legal entity, as well as its affiliated persons.
- f) Legal entity or physical person who participates for the benefit of or on behalf of the respective legal entity.
- g) Legal entity or physical person, for whose benefit or on whose behalf the respective legal entity participates.

⁴ **Tender of offer** - proposal, undertaken obligatorily in cases provided for by law or by the volition of the bidder, on the procurement of a set of stocks with voting rights or other securities that can be converted into such stocks. The tender of offer is made through the means of mass-media, postal notices or other transparent forms of communication, in accordance with the normative acts in force.

- 
- h) Legal entity or physical person who acts together with the respective legal entity.
 - i) Legal entity which, together with the respective legal entity, is under the control of a third party.
 - j) Affiliated persons to the persons specified in letters a) to i) from the present not on.
 - k) Persons whose affiliation is proved by the National Commission or a court of law

Affiliated persons to physical persons are:

- a) Relatives of 1st and 2nd degree of the respective physical person.
 - b) Economic entities whose capital the respective physical person as well as all affiliated persons have, individually or collectively, a position of control.
 - c) Legal entity or physical person acting for the benefit of or on behalf of the respective physical entity.
 - d) Legal entity or physical person, in whose interest or behalf the respective physical person acts.
 - e) Persons whose affiliation is proved by the National Commission or by a court of law
- **on the expiration of a calendar year from the moment of the legalization actions**, as an exemption from the actual legislative provisions, the register/nominal holder (depending on the case) of the stocks of the company that were legalized will inform, in writing, the NCFM about the legalized subject that individually or with its affiliate persons hold the majority control package (more than 50 per cent), and will indicate in the stockholders' list that they have the right of participation at the general shareholders' meeting, and that the respective person (the buyer as a result of the process of stocks' legalization) together with affiliated persons have the right to vote within the limit of 25% of stocks with voting rights of the company.
 - For transactions made in the scope of legalization of securities the register/nominal holder will open a separate register in which it will file the following data:
 - a) Order number.
 - b) Date and hour of receipt of the transfer decision.

- c) The name of the issuer.
 - d) The name and family name of the legalization subjects.
 - e) The name and the family name of the representative (depending on the case).
 - f) The total amount of securities.
 - g) The value of the transaction.
 - h) The date of execution of the transfer decision.
- The performed transactions in the process of legalization of securities on the out-of stock exchange market are to be noted in the specialized reports presented by the register/nominal holder to the NCFM (forms RD – 7S (daily) and RD-7 (monthly) as transactions of the “capital legalization” type, with the indication of the value of the transaction and additionally the value of the legalized capital.
 - The transactions performed in the procedure of legalization of securities from the stock exchange market NSM are to be noted in the register of securities at the stock exchange market as a transaction of “capital legalization” type, with the indication of the value of the transaction and additionally the value of the legalized capital.

The taxes that are to be paid in the process of legalization of the securities and other supported expenditures

It should be mentioned from the beginning, that in the process of legalization of securities, the buyer – the de facto owner of the legalized stocks, covers the expenditures of the taxes and payments for the services provided by the professional participants at the stock exchange market (remuneration of the company that estimated the securities, the National Stock Exchange Market tax, the National Stock Depositor tax, broker's commission and the services of registration) as well as the taxes for the National Commission for Financial Markets.

All the taxes and payments are made during the process of legalization of securities and are deducted from the value of the transaction, that should be equal to the balance sheet value of the securities, registered by the *de jure* owners – legal entities, or the value of purchase of the securities by the *de jure* – physical persons. The procurement value of the

securities will be identified as the registered one in the registry on the date the purchase took place.

For the year 2007 on the stock market there are the following taxes and payments for the services provided:

- NCFM tax for the transactions with securities that are the subject of legalization on the out-of stock exchange market is 0.5% from the value of the transaction.
- NCFM tax for the transactions with securities that are the subject of legalization on the stock exchange market is 0.1 per cent from the value of the transaction.
- The NSM tax for the transactions with securities subject to legalization on the stock exchange market is 0.35% from the value of the transaction.
- The NSD tax (for performance of clearing and of set) for transactions with securities subject to legalization on the stock exchange market is 0.1 per cent from the value of the transaction plus the tax to the fund of participation of NSD amounting to 0.07 per cent from the value of the transaction.
- The register's tariff for the transactions with securities subject to legalization on the out-of stock exchange market is 2 lei plus 0.1 per cent from the transaction value, but not more than 50 lei for each person involved in the transaction, that is not more than 100 lei for the buyer that is actually paying all the fees.
- The amount of the broker's commission is established contractually and can be fixed, a per cent from the transaction value or mixed.
- The remuneration for the company that made the evaluation is contractually agreed and differs according to a list of factors (the size of the estimated package, the time the evaluation took place, etc.).
- Other expenditures as well as additional services of the broker, registrar, and appraising company are not significant.

Note: *In the case of legalization of securities on the out-of exchange market all the taxes and payments related to the transaction are transferred from the buyer to the account of the registrar. When legalizing securities on the stock exchange market all the taxes and payments related to the transaction are transferred by the buyer to the broker's account.*

Fiscal implications of legalization of securities

Advantages

The advantages of legalization of shares at an estimated price which is the real market price, in some cases might be very significant. This situation arises when shares that could be the object of legalization are registered in the name of third persons (de jure owners) at a much lower price than their real price. A short term advantage arises in the case of future intention to sell the shares at their market value, that will be a lot higher than the actual one (of balance sheet or procurement, depending on the case) and then there will be a significant capital increase (the difference between the price of selling and the balance sheet or procurement price, depending on the case) significantly higher than the increase of the capital resulting from the legalization of the respective shares.

As a result, the fiscal impact from the first increase of the capital (the income tax rate * 50 per cent* increase of capital) will be much higher than the one applied on the increase of the capital after the legalization. This impact can be at the same time higher in comparison with the tax on value of 5% levied in the process of legalization of the shares.

The calculation of the fiscal effect may be different from the actual market price of the stocks that could be legalized, the estimated price and on the other side – the actual balance sheet or procurement price of these stocks. The smaller the difference between these two categories of prices the lower is the fiscal effect, and vice versa.

Below are some examples of calculation of the fiscal effect when legalizing securities, more precisely when legalizing stocks issued by joint stock companies (*the data is hypothetical*)

Example no.1

The physical person, Chistruga Valeriu is the de facto owner of a package of stocks of a total 48 per cent (122 155 shares) of JSC „Propire”. The de jure owner of the 122 115 shares issued by the JSC „Propire” is physical person Coval Nicolai, a friend of physical person Chistruga Valeriu. The value of procurement of the issued shares of JSC „Propire” is of 2 lei, the value at which the shares were procured by p.p. Coval Nicolai as a result of the privatization. In order to reduce possible risks, as well as to sell in the future the package of 48 per cent of stocks, p.p. Chistruga Valeriu decided to legalize the above mentioned shares.

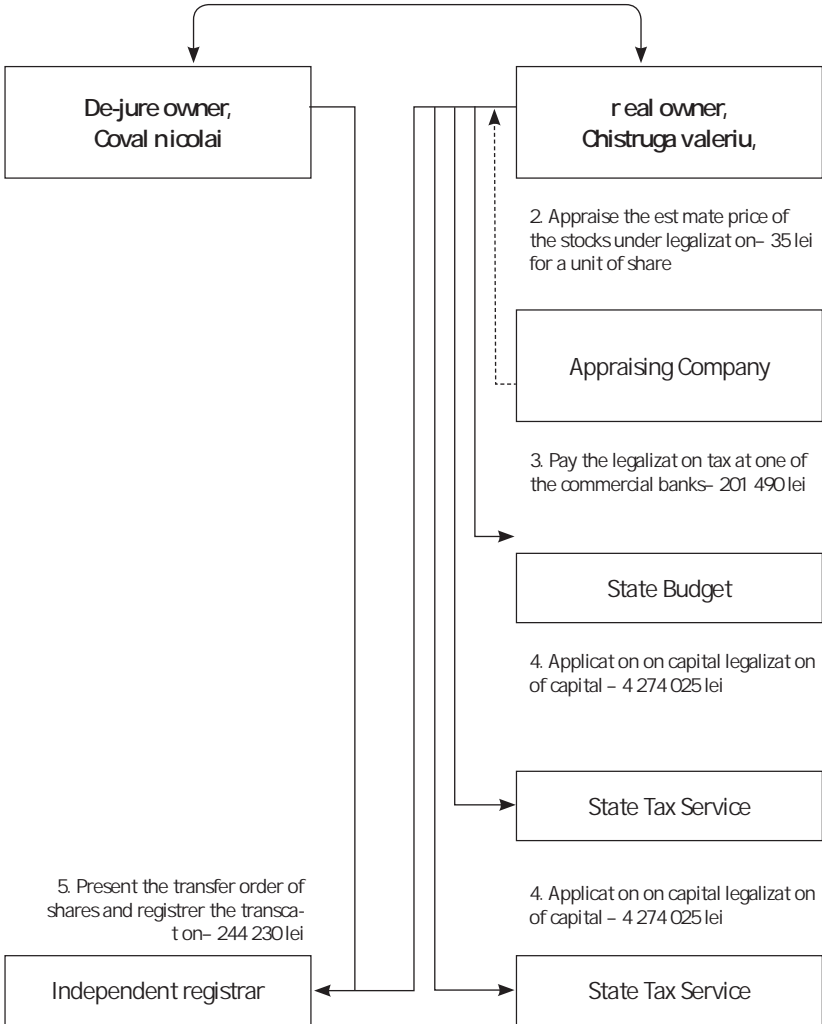
The estimated price of the stocks issued by JSC „Propire”, evaluated by a professional participant on the stock market, is 35 lei/share.

- After legalizing the 122 115 shares, the buyer – p.p. Chistruga Valeriu paid a fee of legalization of 201 490 lei (122 115 stocks * (32 lei – 2 lei) * 5%).
- In the future, being already with legalized stocks, p.p. Chistruga Valeriu intends to sell his stocks, having already a potential investor at JSC „Propire” that offers 41 lei for one unit of stocks. The income tax paid by p.p. Chistruga Valeriu from the increase of the capital from selling the stocks would be **65942 lei** (50% * 122 115 stocks (41 lei – 35 lei) * 18 per cent). *Note: as the taxation of the increase of the capital, only 50 per cent is taken into account; when calculating the amount of the income tax the maximum rate of 20% is applied.*
- If p.p. Chistruga Valeriu did not legalize the 122 115 of stocks and instead bought them from the p.p. Coval Nicolai at the same price of 2 lei/unit of stocks, and later on sold them to the same investor at the price of 41 lei/unit of stocks, the amount of the income tax to pay would be of 428 624 lei (50 per cent * 122 115 stocks * (41 lei – 2 lei) * 18 per cent)
- The fiscal effect for p.p. Chistruga Valeriu in this case is of – **161 193 lei** ((201 490 lei + 65 942 lei) – 428 624 lei), **the sum saved as a result of legalization.**

Here also another situation could occur:

- The respective persons did not benefit from the effects of the legalization, and in the future p.p. Chistruga Valeriu – the de facto owner of the stocks will transfer them to his name being obliged to purchase them at their market value, of 41/share.
- In this case p.p. Coval Nicolai will pay an income tax from the increased capital of **428 624 lei** (50 per cent * 122 115 shares * (41 lei – 2 lei) * 18 per cent).
- The fiscal effect for p.p. Coval Nicolai in this case in comparison to the case if the stocks were legalized is of + **227 134 lei** (428 624 lei – 201 490 lei), **a sum over paid as a result of the non legalization of the stocks**

1. Legalization agreement of 112115 shares issued by JSC „propire”, 2 lei per share



Example no.2.

The physical person, Macari Ion is the de facto owner of 240 stocks issued by the CB „Moldbanksind” JSC. The de jure owner of the 240 stocks is the LLC “Propasire”. The balance sheet value of a unit of stocks issued by CB “Moldbanksind” JSC is of 2 lei, value at which the stocks of LLC “Propasire” were procured. At the moment on the secondary stock market the price of a unit of stocks issued by CB “Moldbanksind” JSC has increased significantly, reaching the maximum of 950 lei/unit of stocks.

- of 875 lei/unit of stocks – price estimate by a specialised estimate company, to the State will be paid a legalization tax of 9300 lei ($240 \text{ stocks} * (875 \text{ lei} - 100 \text{ lei}) * 5\%$). In this case the LLC “Propasire” will sell the stocks at their balance sheet value (*according to the conditions of legalization of securities*) of 100 lei/unit of stocks, respectively LLC “Propasire” will not have a capital increase and will not owe anything to the State. Therefore, the fiscal effect of legalization of the 240 stocks issued by the CB “Moldbanksind” JSC is of **9300 lei** paid by p.p. Macari Ion to the State.
- In the case that the legalization will not be made, LLC “Propasire” will sell to the p.p. Macari Ion the 240 stocks issued by the CB “Moldbanksind” JSC at the market price of 950 lei/unit of stocks, this being the conjuncture of the stock exchange market (selling at a lower price might be risky, and the stocks can be bought by other buyers). In this case LLC “Propasire” will pay to the State an income tax of **15 300 lei** ($50 \text{ per cent} * 240 \text{ stocks} * (950 / 100 \text{ lei}) * 15\%$).
- As a result, the final effect of the legalization of the 240 stocks is of **- 6000 lei** ($9300 \text{ lei} - 15300 \text{ lei}$), making a saving for both parties involved in the transaction.

Example no.3

The physical person, Samson Vitalie is the de facto owner of 315 stocks issued by the CB “Moldova Agroindbank” JSC. The de jure owner of these 315 stocks is an ex-friend p.p. Moroi Anton who bought the stocks during the privatization period at the price of 190 lei/unit of stocks. Now p.p. Samson Vitalie wants to sell the share at the minimum price of 2000 lei/unit of stocks. What will be the fiscal effects if there will be or will not be a legalization of these stocks?

- Following the legalization procedure of securities, at an estimated price of 1749 lei (*hypothetical value*) for a share of the CB „Moldova

Agroindbank" JSC, the buyer p.p. Samson Vitalie, will pay a legalization tax to the state in an amount of **24 554 lei** ($315 \text{ stocks} * (1749 \text{ lei} - 190 \text{ lei}) * 5\%$)

- After, p.p. Samson Vitalie will sell the 315 stocks of CB „Moldova Agroindbank" JSC at the price of 2000 lei/unit of stocks, paying to the State an income tax from the increased capital of 7116 lei ($50 \text{ per cent} * 315 \text{ stocks} * (2000 \text{ lei} / 1749 \text{ lei}) * 18 \text{ per cent}$).
- In total the fiscal payments, following the legalizing the capital, when selling the 315 stocks issued by CB „Moldova Agroindbank" JSC and held by p.p. Samson Vitalie will amount to **31 670 lei** ($24 554 \text{ lei} + 7116 \text{ lei}$)

Clarification of the case of not following the legalization procedure of the capital

- P.p. Samson Vitalie buys 315 stocks issued by CB „Moldova Agroindbank" JSC from the p.p. Moroi Anton at the price of 190 lei/unit of stocks.
- Later on, p.p. Samson Vitalie, as the de jure owner, sells the 315 stocks of CB „Moldova Agroindbank" JSC at the price of 2000 lei/unit of stocks, paying an income tax to the state from the increased capital in an amount of **51 313 lei** ($50\% * 315(2000 \text{ lei} / 190 \text{ lei}) * 18 \text{ per cent}$).
- As a result, the final effect of the legalization of the 315 stocks issued by the CB „Moldova Agroindbank" JSC is - **19 643 lei** ($31 670 \text{ lei} - 51 313 \text{ lei}$), constituting indispensable savings for the buyer.

specimens

Specimen no. 2

To the Head of the State
Tax Inspectorate _____

appl iCaTion on the legalization of capital

The name of the body, institution, organisation

According to the law no.1164-XIII of 24th April 1997 for the application of the titles I and II of the Fiscal Code, I apply for the registration of capital legalization.

The type of legalized capital (real estate, securities, share) _____

The amount of legalized capital (lei) _____

Amount in numbers and letters

Data about the legalization subject:

Title of the economic entity, fiscal code _____

Surname, Given name of the economic entity's administrator _____

Legal address of the subject of legalization _____

Family name, name _____

Residence of the subject for legalization _____

The ID act of the applicant:

Identification number _____ no. _____ series _____, issued _____

date of issue _____

Data about the representative of the subject for legalization (if applicable):

Title of the economic entity, fiscal code _____

Surname, Given name of the economic entity's administrator _____

Legal address of the representative of the subject to legalization _____

Surname, Given name _____

Residence of the representative of the subject to legalization _____

The ID act of the representative:

Identification number _____ no. _____ series _____, issued _____

date of issue _____

Data from the Proxy

Date _____ no. _____, the person who endorsed the proxy _____

I attach the copy of the order that confirms the payment of the legalization tax.

I confirm that the data written in the application are true and declare that the legalized capital is not related to crimes or offences that are foreseen by the Convention on money laundering, identification, arrest and seizure of the incomes from criminal activities (of 8th

November 1990), ratified through the Law of the Republic of Moldova no. 914-XV from 15th March 2002, with the exemption of fiscal offences. I do understand the fact, that if later on, crimes or offences related to the nondisclosure or non-payment, integral or partial, of taxes are discovered, made after the application of the chapter IV of the law no. 1164-XIII 24th of April 1997, sanctions will be applied on me in accordance to the legislation in force.

Date and signature of the applicant _____

The Application is received by the empowered person from the State Tax Service

Surname, Given name, function

Signature _____

Date _____

S.P.



Legalization of shares

Type of legalization

Legalization of shares in the social capital of companies

Legal base

Legal sources that serve as the base for legalization of shares in the social capital of companies are: The amendments and add-ons made to the legislation in force regarding the legalization of capital and fiscal amnesty adopted by the law no.111-XVI of 27.04.2007, The Law no.1164 of 24.04.1997 that enforces 1st and 2nd titles of the Fiscal Code, The Civil Code of the Republic of Moldova of 06.06.2002 published on 22.06.2002

The categories of shares that can be legalized

The shares of companies that are resident in the R. Moldova or in other states that belong to persons, nominal holders and not de facto ones can be legalized. The shares are financial contributions to the company's capital that permit control over the company.

Subjects to legalization

Physical persons and legal entities, residents of the Republic of Moldova, holders of the de facto shares (de facto holders of the companies) are the subject of the legalization of shares of companies.

The nominal holders (those in whose name the shares are registered) either physical persons or legal entities, residents or non-residents of the R. Moldova do not appear as subjects to capital legalization and are exempted from any responsibilities and fiscal obligations.

The stages of legalization

- a) The nominal owners of shares in the social capital of companies can reimburse the shares to the de facto owners. By performing such

measures of reimbursement of shares the following is understood: the coordination of the transaction with other owners of the company as they have preferential rights to buy these shares.

- b) After the coordination and consent of the other owners, the de facto and the nominal holder will conclude a contract of purchase of the shares with the indication of the value of the transaction. This contract should be endorsed by a notary.
- c) With the purchase contract, endorsed by a notary and the company's registration papers, the subject for legalization will address the State Chamber of Registration to perform the modifications in the registration papers where the de facto owner will be registered as the de jure owner.
- d) After performing the modifications in the registration documents at the State Chamber of Registration, the subject of legalization files an application to the State Tax Service, on the legalization of the capital, willingly declaring the value of the shares in the company. The legalization tax is 5% and is paid in advance on completion of this application. The application is completed in two copies, one for the State Tax Service and the other for the subject for legalization. The application will be accompanied by the payment order that confirms the payment of the legalization tax, the purchase contract, and depending on the case, the documents that confirm the registration of the object of legalization on the name of the de jure (nominal) owner of the shares. The application is considered registered when the stamp of the State Tax Service is applied to both copies.
- e) The person that legalizes the shares in a company, pays the legalization tax of 5% of the difference of the declared value and the actual value of the transaction according to letter b) or the value of the transaction after which the legalized object was registered in the name of the de jure owner (nominal) of the shares. This tax is paid through financial institutions, to the treasury account of the Ministry of Finance.

The acts necessary for legalization

The following documents are needed for the legalization of shares in a company: the contract of purchase endorsed by a notary, the application, in two copies according to the model, the proof of payment of the 5% legalization tax and the registration papers of the company.

The taxes that should be paid when making the legalizat on

The de facto owner of the shares in a company will pay the following taxes: 5% legalizat on tax that will be paid at the financial inst tut on to the treasury account of the Ministry of Finance, the tax of endorsement at a notary of the purchase contract and the tax for performing the necessary amendments in the company's registrat on papers made at the State Chamber of Registrat on.

The f scal implicat ons of legalizat on, the advantages of declaring the value of legalizat on at the market price, the calculat on of the f scal effect (taxat on at 5% comparat ve with the taxat on in the future of the increase of the capital at the rate of the income tax):

The opportunity for legalizat on of shares in the companies of the de facto owners is at ract ve because it abolishes in the future the necessity to have a third, declarat ve, person who will administer the company. Also it will not be necessary to invent dif erent methods of obtain the company's prof ts and declare it in other persons' names.

Example

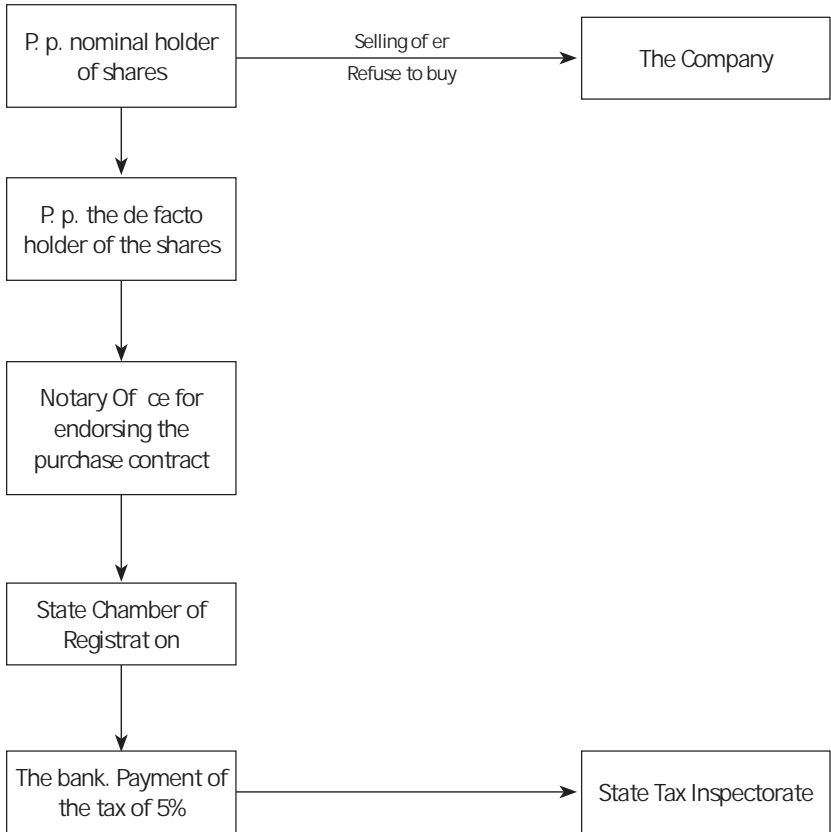
If you are a person holding de facto shares in a company, the legalizat on of the shares presents an opportunity to change the property ttle on it. This change will generate a f scal advantage that will permit you to become the de jure owner with the payment of a reduced tax which amounts only to 5%. Also the nominal owner (the one that is at the moment the holder) will not pay any taxes or fees. A simple transfer of the property rights of the shares to you in the future, without legalizat on means you and the nominal holder will have to pay the taxes according to the legislat on in force. An obvious advantage of legalizat on is that the nominal holder will not pay anything for the transfer. The de facto holder will benef t in the future from this transfer through the fact it will not be necessary to operate the company through a third person and he will be able to receive dividends absolutely legally. In order to be able to register the property rights, for example, to a limited liability company, the transfer should be coordinated with other associates.

The transfer is made by means of a purchase contract between the nominal and the de facto holder. In this case the other associates have the preferent al rights to buy the shares. In order to avoid cases when shares are bought by others associates, the intent ons should be coordinated

with all other associates through the nominal holder. In other words, the refusal of the offer to buy the shares is required. If the nominal holder is a spouse or near relative the other associates do not have preferential right of purchase, and you have the right to transfer the share, without making an offer of purchase to the other associates as long as the statute of the company does not provide otherwise. If you decided to legalize shares belonging to you and you have coordinated this with the other associates, the nominal holder must make a written offer to the company's administrator, stating he intends to sell the shares belonging to him with the indication of the price of the share.

The administrator will bring the contents of the offer to the attention of the other associates within 15 days from the moment it is sent. If the associates of the company do not express their intention to purchase the share in the next 30 days, the nominal owner can sell it to you without any constraints, at a price lower than the one indicated in the offer. For this purpose a contract should be concluded and endorsed by a notary. With this contract you should go to the State Chamber of Registration where you will modify the registration papers of the company on the shareholders. In order for these operations to be possible you will have to pay the tax set by the State Chamber of Registration. With the papers completed at the State Chamber of Registration you will have to go to the State Tax Service where you should file an application in two copies, before which you have to pay the tax of 5% from the declared value in the purchase contract of the share.

The payment is made at any financial institution (bank) to the treasury account of the Ministry of Finance. The company documentation and purchase contract are attached to the application. From the moment you received the two copies of the application, stamped by the Main State Tax Inspectorate, you can consider yourself the de jure owner of the share of the company.



Legalization of depreciation and capital assets

Depreciating assets are assets that have limited operating (exploitation) duration, to which a value is calculated.

The legalization of depreciation and capital assets represents an increase of the balance sheet value of certain categories of assets.

Legal entities that have properties in depreciating assets, and that are registered in the accounting records at a lower value than the real market value, can make their re-evaluation and legalization of this value difference.

The subject for legalization is the legal entity that, by its decision makes the re-evaluation of the depreciating and capital assets at the real market price. The re-evaluation is made by an independent evaluator that has a license for performing evaluation activities of material assets.

After the re-evaluation is performed, the subject for legalization will pay the tax and present the application for legalization of these assets to the Main State Tax Inspectorate.

The tax is paid through a financial institution to the treasury account of the Ministry of Finance. The application (annex 6) is completed in two copies – one for the State Tax Service and the other for the subject of legalization. The application is considered registered from the moment the stamp of the State Tax Service is applied on both copies.

The tax for legalization of the depreciating and capital assets is established at 5% and is calculated from the difference of the declared estimated value and the balance sheet value.

As a result of the legalization, the subject of legalization, at the moment of legalization, is exempted from the payment of the income tax for the capital increase.

The differences of the re-evaluation, at the moment of capital legalization, are included in the base value of the assets.

The advantage of performing the legalization and re-evaluation of depreciating and capital assets resides in the fact that the base value of as-

To the Head of the State Tax Inspectorate _____
appl iCaTion on the legalization of depreciating and capital assets
Name of the physical person, economic entity or organisation _____
According to the law no.1164-XIII of 24th April 1997 for the application of the titles I and II of the Fiscal Code, I applies for the registration of the legalization act, through the procedure of re-evaluation of waste and capital assets. The value of the re-evaluated assets (lei) _____
Amount in numbers and letters _____
Data about the person that is legalizing the capital: Title of the economic entity, fiscal code _____ Surname, Given name of the economic entity's administrator _____ Legal address of the subject of legalization _____
I attach the copy of the order that confirms the payment of the legalization tax. I confirm that the data written in the application are true and declare that the legalized capital is not related to crimes or offences that are foreseen by the Convention on money laundering, identification, arrest and seizure of the incomes from criminal activities (of 8 th November 1990), ratified through the law of the Republic of Moldova no.914-XV from 15 th March 2002, with the exemption of fiscal offences. I do understand the fact, that if later on, crimes or offences related to the non disclosure or non-payment, integral or partial, of taxes are discovered, made after the application of the chapter IV of the law no. 1164-XIII of 24 th of April 1997, sanctions will be applied on me in accordance with the legislation in force. Date and signature of the applicant _____ The Application is received by the empowered person from the State Tax Service _____
Surname, Given name, function _____
Signature _____ Date _____
No. of registration of the application _____ S. P.

sets is increased, which increases the expenditures (depreciation) for the period and respectively minimizes the amount of the income tax and the sum for the payment of dividends. In this case the economic entity holds at its disposal additional means for financing its activities.

Example: Economic entity "X" is the owner of a deposit that is registered in the accounting records at the value of 100 000 lei. This value serves as the basis for the calculation of depreciation. For this deposit depreciation is calculated by the linear method at a proportion of 10 per cent annually (in this case equal to 10 000 lei). As a result of re-evaluation the market value of this asset is assessed at 300 000 lei. In this case, the economic entity legalizes the re-evaluated asset and pays a tax for legalization of 10 000 lei ($(300000 - 200000) * 5\%$). After legalization, re-evaluation and inclusion in the base value of the asset, the depreciation will be calculated from the sum of 300 000 lei and will constitute 30 000 lei, which in effect will reduce taxable income by 20 000 lei.

Another effect of the legalization of the real value of assets is the registration of the new value as a base value, in order to subsequently establish capital increase in future transactions. Also, the increase of the value of assets of an economic entity will provide for an increased capacity of the enterprise to attract capital injections through credits and emissions on the capital markets.



0% TAX ON INCOME

Essence

Establishing the 0% tax on income means unconditionally exempt from tax. The income tax is applied only after income is distributed between the shareholders (associates).

scope

The implementation of this reform will provide incentives to investors to reinvest profit into the extension and development of their businesses, to invest the incomes of economic entities, including the amount from income taxes not paid, to the budget in purchasing goods and services for which VAT is applicable, as well as halting or significantly reducing different schemes of evasion from income tax payment when importing goods or services.

Legal base

The 0% tax on income was implemented by the art.1 of the law No.111-XVI from the 27th April 2007, which foresees the amendment of the Fiscal Code and of the law on the application of the 1st and 2nd titles of the Fiscal Code.

subjects

Subjects of taxation are physical persons and legal entities except organisations specified in art.5, p.9) of the Fiscal Code, which during the fiscal period obtain income from any sources whatsoever in the Republic of Moldova, as well as legal entities that obtain income from any sources outside the Republic of Moldova.

area of application

Taxable income represents gross income including facilities provided by the employer, obtained by the taxpayer from all sources in a specific fiscal period, with the exemption of deductions and exemptions, related

to this income, to which the taxpayer has rights according to the fiscal legislation.

Gross income includes:

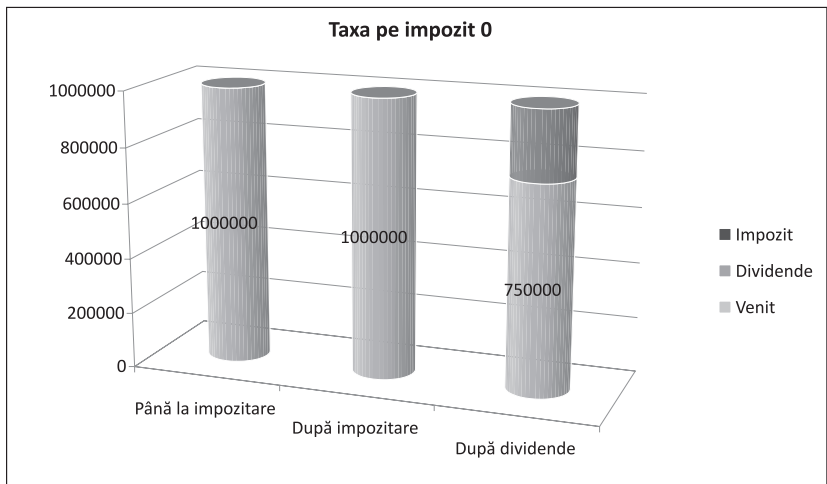
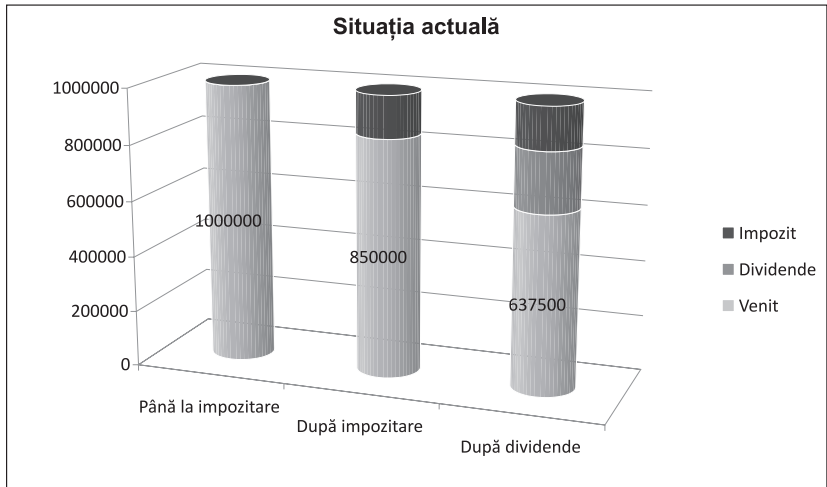
- Income obtained from practicing the activity of entrepreneurship, from professional activity or other similar activities.
- Income from the activity of companies obtained by the managers, partners and owners and income obtained by shareholders of investment funds.
- Payments for jobs and services done (including salaries), facilities provided by the employer, honoraria, commissions, bonuses and other similar payments.
- Income from rent.
- Capital increase.
- Capital increase over the loss of capital not taken into account in other types of income.
- Income obtained as a form of profit.
- Royalties.
- Annuities including those received as base for international treaties to which the Republic of Moldova is a party, amounts and compensations received from insurance and co-insurance contracts.
- Income resulted from non payment of debts by the economic entity, with the exception of cases when the debt is a result of the bankruptcy of the taxpayer.
- State subsidies, bonuses and awards that are not mentioned as non-taxable in the laws that regulate these payments.
- Amounts obtained as a result of the agreements (conventions) of non participation in competition.
- Dividends.
- Income obtained, according to the legislation, as a result of application of the penalty clause, in the form of reparation for income loss and as a result of retaining of advance payments or restitution of advanced money.
- Other income not specified above.

implications

As a result of establishing the 0% tax on income, economic entities will be exempted from paying income tax. Moreover, individual entrepre-

neurs such as peasants (farmers) will be integrally exempted from tax on income. However, the dividends paid to physical persons will be taxed.

We can see from the diagrams the consequences for economic entities and stocks holders when 0% corporate tax applies.



For example if today an enterprise registers an income of 1 mln lei, it is supposed to pay 150,000 lei as income tax. As a result the net income that can be reinvested or distributed between stocks holders by means of

dividends is 850,000 lei. In the second case, if the corporate income tax equals to 0%, the economic entity and stocks holder have the entire profit of 1 mln. Lei at their disposal.

If the stocks holders decide to distribute 25% of the net profit by means of dividends, the third column scenario from the diagram will be registered.

Thus, in the current situation, 25% of the profit available after corporate taxation will be distributed by means of dividends, which would constitute 212,500 lei. The undertaking will have at its disposal 637,500 lei for reinvestment.

If 0% corporate tax is applied instead, the stocks holders will receive 250,000 lei, whilst the undertaking will have 750,000 lei at its disposal. The beneficial effect of the 0% corporate tax is obvious, the amount being around 18% higher than in the current state of affairs.

As a result of the taxation of dividends distributed to stocks holder, as provided for in the previous example, the following scenario will appear:

	Current situation	0% Corporate tax
The amount of dividends	212 500	250 000
The amount of tax paid by stocks holders - legal entities	31 875	0
Dividends received by stocks holders - legal entities	180 625	250 000
The amount of taxes paid by stocks holders - physical persons	0	37 500
Dividends received by stocks holders - physical persons	212 500	212 500

Under the current scenario legal entities would receive an income in form of dividends of 180,620 lei, whilst in the case of 0% tax on income, income would constitute 250,000 lei. In case of stocks holder – physical person, the value of the received dividends would constitute 212,500 lei in both cases, but when the 0% corporate income tax is applied, the amount of the profit reinvested in the economic entity is considerably higher, which would subsequently increase the basis for future profits of the stocks holders.



FISCAL AMNESTY

Concept

Fiscal amnesty represents the annulment of the debts and debts of the taxpayers to the State until 1st of January 2007.

scope

The scope of performing fiscal amnesty is to provide to certain enterprises that have not been able to function normally, because of their debts towards the budget, the possibility to remedy their situation. Taking into account that a significant part of the existing debts is very difficult or impossible to recover the general effect of the fiscal amnesty is expected to be a positive one.

Covered area

The fiscal amnesty will cover the debts that refer to the following types of payments:

- Taxes, fees and other payments, delay penalties and fines related to the state budget and budgets of administrative-territorial units.
- State social insurance contributions.
- Compulsory health insurance payments.
- Delay penalties and fines related to non-payment to the state budget of social insurance and the fund for compulsory state medical insurance.

The amnesty covers the amounts that were not paid until the moment of entry in force of the law, including the postponed and recalculated amounts.

Effects

According to the data from the State Main Tax Inspectorate, up to the present time the system of evidence of the Tax Service, has registered

information on the debts to the state budget of 32 065 economic entities, with debts totalling 3 099,2 mln lei, a sum that includes: 1 270,9 mln lei - debts to basic payments, 1 048,8 mln lei - debts as penalties and 779,5 mln lei - debts as fines.

Also, the debts related to compulsory state health insurance have been annulled for 7 029 taxpayers. The sum of the annulled debts constitutes 8,3 mln lei, including the basic payments - 2,7 mln lei, penalties - 4,9 mln lei and fines - 0,7 mln lei.

Through the record system it administers, The National Agency for Social Insurance, annulled the amount of debts related to the state budget for social insurances amounting to 947,88 mln lei, including unpaid contributions of the employers totalling 514,35 mln lei, individual contributions totalling 221,06 mln lei, penalties and fines totalling 212,47 mln lei.

In total, in order to ensure the implementation of the Law 111-XVI of 27th April 2007 on fiscal amnesty, debts to the state budget in total of 4 055,38 million lei were annulled.



METHODS OF VERIFICATION

Essence of the measures

One of the basic conditions for ensuring the functioning of the fiscal amnesty and capital legalization mechanism is to ensure certain guarantees to persons who will benefit from these opportunities. One of the mechanisms proposed by the law is to limit the number of verifications of fiscal nature starting from 1st of January 2007.

Legal base

The method in which controls are made is established by article 3 and 4 of the law no.111 that complements article 4 of the law no.408-XV of 26th of July 2001 for the application of the 5th title of the Fiscal Code (republished in the Monitorul Oficial, special edition of 8th of February 2007).

subjects of the provisions

The provisions regarding the method of performing controls cover all economic entities, physical and legal persons.

area of application

From the moment of application of Law 111, checks on the correctness of calculation of certain categories of payments by taxpayers were prohibited, namely:

- Taxes, fees and other payments, delay penalties and fines related to the state budget and budgets of administrative-territorial units.
- State social insurances contributions.
- Compulsory health insurance payments.
- Delay penalties and fines related to non-payment to the state budget of social insurance and the fund for compulsory state medical insurance.

The time frame in question

The prohibition of the checks is referring to the periods until 1st of January 2007. The checks made in the period before this date can be performed only in the following cases:

- On the request of the taxpayer.
- In case of request of restitution of VAT tax, of other duties or if overpaid.

applicable to all relevant state institutions

The prohibition to perform checks is applied to the relevant state institutions responsible for fiscal administration.

guarantees offered by public administration authorities

The state, as represented by the public administration authorities, will provide the following guarantees following the legalization of capital:

Non prosecution of subjects for legalization

The subjects for legalization will not be prosecuted (administrative or criminal liability) by the public administration authorities empowered with the administration of the non payment of taxes, fees or other payments to the state budget and administration of contributions to the state social insurances, compulsory state medical insurance payments, on condition that this capital does not fall under the Convention on money laundering, identification, arrest and seizure of income deriving from criminal activities (of 8th November 1990), ratified by the law of the Republic of Moldova no.914-XV from 15th March 2002.

Non admission of discriminatory measures

Discriminatory measure will not be permitted on the taxation of subjects of legalization. After the conclusion of the procedures of legalization of the capital, the subjects of legalization will not be obliged to pay any additional taxes, fees or other payments to the state budget, fines or penalties for delays, except those provided for by the general norms of the legislation in force.

guarantees offered by the Fiscal amnesty

Prohibition of verifications

Verifications will not be conducted on the correctness of calculations and payment of taxes, fees and other payments to the state budget, budget of the territorial administrative units, on contributions to the state social insurances, compulsory state medical insurance payments, fines or penalties for delays to the state budget for social insurance and to the fund for compulsory state medical insurance, for the fiscal periods up to 1st of January 2007.

EXCEPTIONS AND LIMITS TO THE LEGISLATIVE AMENDMENTS

The amendments adopted by the Parliament of the Republic of Moldova on the 27th April 2007 cover a set of laws, especially the Fiscal Code and the laws on the application of certain titles of the Fiscal Code and that applies to all economic entities, physical and legal persons.

Exceptions and limits to capital that can be legalized

However, no matter how liberal and permissive the respective measures are, the law provides for some restrictions and exemptions. First, the provisions amending the respective legislation, do not apply to income obtained after the 1st of January 2007. Thus, the legalization will be possible only for the financial means, mobile or immovable, purchased (in case of real estate purchase and/or finalized) up to 1st of January 2007. Any income, in the form of capital, obtained after 1st January 2007, is not object to the present law.

Art.2 of the law complements the Fiscal Code of the R. Moldova with chapter IV, articles 25 – 41. Consequently, **art.25 paragraph (3) letter a)** mentions that chapter IV of the Fiscal Code, which regulates the procedures of capital legalization, does not refer to the entire capital that the physical persons or legal entities dispose of and want to legalize it. These provisions refer exclusively to the type of capital that is intended to be legalized. Thus, all the taxes and measures imposed by the procedure for legalization will cover exclusively only the capital that is targeted for legalization.

The same paragraph, **letter b)** mentions that the “special attitude” foreseen in the law, will not be granted to capital that falls under the Convention on money laundering, identification, arrest and seizure of incomes from criminal activities (of 8th November 1990, ratified by the law of the Republic of Moldova no.914-XV on 15th March 2002). As a result, any capital suspected of being involved in money laundering operations, obtained through criminal activities or supporting terrorism, will not be legalized through the procedures described in this law.

At the same time, capital that is proven to be gained from criminal activity and is seized or confiscated by the institutions with responsibility for fiscal administration in order to ensure the payment of certain debts to the state, will not benefit from the provisions of the art. 34, in other words – the capital will not be released.

Exemptions and limitations to the use of the legalized capital

art de 36 provides for a series of limitations on the use of legalized capital. In the majority of cases these limits refer to exporting legalized capital. Thus, a person who has legalized capital can use it freely according to their personal wishes, with the exemption of transferring the capital abroad. If capital is transferred abroad within three years from legalization, a tax will be applied, as follows:

period of transfer abroad	The tax applied
During the first year from legalization	13%
During the second year from legalization	6%
During the third year from legalization	3%

In case the total amount of transferred capital is larger or smaller than the legalized amount, the tax will not exceed 13 per cent (6 per cent and 3 per cent) from the total of the legalized capital.

Exemptions and limitations to the statute of resident or non-resident of subjects of legalization

art. 1 of the law no.111 provides that resident economic entities will be exempted from the 15% tax that applies on income obtained from investment activities namely income in the form of dividends. These exemptions are not applicable to non-residents of the R. Moldova. Thus, persons that are not residents and obtain an income in the form of dividends will have to pay a tax of 15% from the respective income at their source of payment. At the same time, for physical persons and legal entities that are non resident, a tax of 15% is withheld from payments and from capital in monetary or non monetary forms provided to them, sums that cannot be deducted for fiscal purposes.

Criterion	r esident undertakings	n on resident undertakings
Tax of 15% from the received dividends	Exempted	Not Exempted
Tax of 15% from payments	Exempted	Not Exempted

In the same article, at para 7, it is also provided that the 15% tax will be withheld from incomes directed for payment of individual entrepreneurs and self-employed farmers. However the exemption from this provision is only for individual entrepreneurs and self-employed farmers receiving incomes lower than 3 mln lei per year and where the number of employees does not exceed nine.

art. vi, paragraph. 6 of the present law for amendments, provides for the addition of art. 18 of the Fiscal Code. The add-on provides that income in form of dividends obtained by resident physical persons for the fiscal period before 1st of January 2008 from an economic entity is not liable to income tax.



QUESTIONS AND ANSWERS

Quest on: What is the period for legalizat on of cash and deposits by physical persons?

answer: The legalizat on of cash and deposits by physical persons starts on 11.05.2007 and ends on 30.12.2008 with the end of the working day of the f nancial inst tut ons.

Quest on: What is the minimum or maximum amount of the sum that can be legalized?

answer: There are no limits for the sums that can be legalized. Also cash and deposits in other currency than the nat onal one also can be legalized.

Quest on: Will I be able in the future to benef t without restraints from the money that I've legalized?

answer: Of course, with no limit on the use of the money on the territory of the Republic of Moldova. When transferring the money abroad you will have to pay addit onal taxes.

Quest on: The tax of 5% is the only tax that will be levied when making the legalizat on of cash and deposits?

answer: This tax is the only one that is levied by the state. No other tax will be paid to the state. The f nancial inst tut on can ask for a commission for opening and managing the named bank account where the cash will be deposited or deposits transferred.

Quest on: In case of legalizat on of shares that I de facto own, will I have to pay the taxes for all the period of company's act vity?

answer: No, the only payment that should be made is the one of 5% from the dif erence between the declared value and the value of the transact on or the value of transact on af er which the object for legalizat on was registered on the name of the de jure (nominal) owner of the shares. No other taxes and payments, apart from notary fees and the State Chamber of Registrat on fees, are legally applicable.

Quest on: How can I get the agreement of the company's associates in order to legalize the shares that I own?

answer: Taking into consideration the fact that sale is transmitted from the nominal holder to the de facto holder through a purchase contract; additional principles should be respected, set by the Civil Code of the Republic of Moldova. When selling shares of a company the associates of the company have the first right to buy. The de facto owner of the share, not being listed or a member of the company has no legal relation with the company. Thus, he can have the right to buy the shares only after the associates of the company have refused to do so. Managing the process of gaining the consent of the company associates not to buy the shares is up to the nominal owner and his good relations with the associates. The consent of the associates is not needed in the case when the shares are sold to the spouse of a company member, in this case the associates do not have the preferential right to buy. This also applies to directly related members of the family unless the statute of the company specifically prevents this. In all other cases the nominal associate will transfer a written offer to the administrator of the company stating the intention to sell the shares. The administrator should transmit the contents of the offer to the other associates within 15 days from the day of receipt. If within 30 days from the date the offer was sent, the associates or the company do not buy the shares, the nominal holder can sell the shares to a third person (the de facto holder) at a price lower than the one indicated in the offer to the associates or the company, according to the procedure described above.

Quest on: Will the nominal owner pay any taxes after the transfer of the shares into the name of the de facto owner?

answer: No. The nominal owner will not have to pay any taxes when making the transfer.

Quest on: Which is the method to use on the subjects for legalization of the capital on the stock exchange market to follow the provision of the art.27 of the Law.1134-XIII of 02.04.1997 „On the Joint Stock Companies“?

answer: The Seller – the de jure owner of the shares that will undergo the mandatory legalization, prior to conducting the legalization process will undertake all necessary measures in order to follow the provisions of the legislation on selling shares of a privately owned company (see compartment VI, point. 1).

Question: What is the possibility of legalizing the capital from the stock exchange market, in the case that the shares constitute the object of litigation in the court of law?

Answer: According to the provisions of the legislation cases that are under litigation in a court of law are blocked in the register of securities holders. As a result, these shares cannot constitute the object of legalization.

Question: At what value will legalized shares be registered (balance sheet value or the capitalized value) in the registry for share holders?

Answer: The legalized shares in the name of the buyer will be registered at the estimated value, in other words at their legalization value.

Question: Do privileged shares issued by the commercial banks require an authorization from NBM to legalize them?

Answer: The NBM authorization for the buyer – the de facto owner of the privileged shares will be required only if these shares have voting rights, according to the statute of the bank.

Question: How are shares that are in the name of more than one person, de jure owners legalized, if the de facto owner is only one subject?

Answer: In this case the buyer – the de facto owner of these shares will have to conclude a separate legalization agreement with each of de jure owners, and respectively to follow the procedure of legalization of the shares.

Question: What period of time would be subject to scrutiny if this is requested by the taxpayer?

Answer: Fiscal controls can take place with the taxpayer for periods even before 01.01.2007, subject to the condition that the applicant specifies precisely the exact period requested for verification. If the result of the verification done for periods before 01.01.2007 reveals breaches of fiscal legislation, then the taxpayer would be subject to the general rules provided for in the Fiscal Code.

Question: How would the deliveries' threshold be verified if the economic entity applies to register as a VAT taxpayer?

Answer: If the economic entity files an application to register as a VAT taxpayer, for purposes of correctness of registration, periods before

01.01.2007 will be verified as well and the moment when the deliveries threshold was reached determined. In all other cases, as a means of evaluating the correctness of VAT taxpayer registration, the values declared by the economic entity at the date of 01.01.2007 will be used.

Question: What period will be subject to scrutiny if the economic entity changes its legal address or its founders?

Answer: In this case verification will take place starting from 01.01.2007.

Question: Which is the way to present corrected fiscal reports?

Answer: The corrected fiscal report presented by taxpayers before 11.05.2007, should have been received by fiscal bodies in a general established way. In case, the taxpayers find some errors in the fiscal reporting for the period before the 1st January 2007, and consider appropriate to introduce respective corrections in the Evidence system of the State Tax Service, then, the taxpayers will ask the fiscal body through an application to start the verification of this case, attaching to the application both the confirmative documents that certify a possible error, and the copy of the corrected fiscal report. If after receiving the control results the fiscal body found out the solidity of the taxpayer's application, it adopts a decision to register the corrected fiscal reporting in the Evidence system of the State Tax Office.

Question: Which are the actions of the State Tax Service if as a result of the verifications it is revealed that there is no record of the fiscal reporting, record papers, total or partial accounting records for the periods before and after 01.01.2007?

Answer: In accordance with the provisions of Law on accounting, the taxpayer is obliged to restore accounting records both for the periods before and after 01.01.2007. The fine provided for in article 257 of the Fiscal Code will be applied only if fiscal reporting is not backed-up with record papers, if there is a total or partial lack of accounting records for the periods after 01.01.2007.

Question: For reasons given to the implementation of 0% tax on corporate income, will it be necessary to submit the income tax return?

Answer: According to the amendments made to Article 15 of the Fiscal Code through the Law on Amendments and Addenda to certain Legislative Acts No. 111-XVI from 27.04.2007 (Monitorul Oficial No. 64-66

from 11.05.2007), starting with the fiscal period of 2008 the income tax rate levied on taxable income/proceeds will be equal to zero for legal entities.

At the same time, the legal entities will be obliged to submit the income tax return and a document/statement with respect to the entity/firm proceeds in conformity with Article 83 of the Fiscal Code; to determine the taxable income by having adjusted both the proceeds and expenses in the general established manner. Likewise, it will be necessary to compute the depreciation/amortization for fiscal purposes.

Also, through the Law No. 177-XVI from 20.06.2007, amendments have been made to Article 260 paragraph (5) of the Fiscal Code, according to which in case the Taxpayer that applies the zero rate tax on income lowers (diminishes) the declared taxable income, it will be subject to a fine in the amount of 25% of the non-declared (diminished) amount of the taxable income.

Question: Will it be necessary to withdraw 15% from the amounts of dividends paid out for the periods before 2008?

Answer: According to the amendments made to Article 18 letter m) of the Fiscal Code through the Law on Amendments and Addenda to certain Legislative Acts No. 111-XVI from 27.04.2007 (Monitorul Oficial No. 64-66 from 11.05.2007), dividends will be treated as source of taxable income starting with the fiscal period of 2008.

At the same time, through the Law No. 177-XVI from 20.06.2007 (Monitorul Oficial No. 117-126 from 10.08.2007) Article 18 letter m) of the Fiscal Code has been completed at the end with the words ", except for those paid out to resident natural persons for the fiscal periods preceding January 01, 2008".

Hence, in case of paying out dividends to resident physical persons for the fiscal periods before the 1st January, 2008, there will be no need to withdraw 15% from the amounts paid.

Question: Will the amortization for fiscal purposes be recognized in case of legalizing the fixed assets?

Answer: Based on the Law No. 111-XVI from 27.04.2007, certain amendments have been made to Article 27 of the Fiscal Code, which provides that the fixed assets value basis for each category of property is adjusted with the positive differences that resulted from the re-evaluation of assets carried out in conformity with Chapter IV on „Legalization

of Capital and Fiscal Amnesty" of the Law No. 1164-XIII from 24.04.1997 for implementation of Titles I and II of the Fiscal Code.

At the same time, records in accounting and for fiscal purposes about the increase of the legalized fixed assets value with the legalized amount shall be made based on the documents that confirm the payment of the legalization fee and the applicant's registration at the State Tax Service.

Thus, in case of legalizing fixed assets, the amortization computed for fiscal purposes will be recognized.

Question: Will it be necessary to withdraw 5% according to Article 90 of the Fiscal Code while the 0% tax rate on income is applied?

Answer: It will be not necessary to withdraw 5% as per Article 90 of the Fiscal Code during the period of applying the 0% tax rate on income.

Question: Which are the documents that confirm the legalization procedure?

Answer: Confirmation of the legalization procedure is based on the document that ascertains the payment of the legalization fee and the applicant's registration at the State Tax Service.

Likewise, the documents stated below will be requested depending on the type of the legalized asset/property:

- In case of legalizing real estate: the applicant shall also enclose the payment order, which confirms the payment of the legalization fee, the selling-purchase contract and, upon case, the documents ascertaining the registration of the legalized asset/object in the name of the de-jure owner (the nominal owner) of the real estate.
- In case of legalizing securities: the applicant shall also enclose the payment order, which confirms the payment of the legalization fee, the legalization order, the securities' appraising certificate, documents that ascertain the registration of the object of legalization in the name of the de-jure owner of securities.
- In case of legalizing shares in the commercial entity social/statutory capital: the applicant shall also enclose the payment order, which confirms the payment of the legalization fee, the selling-purchase contract, and, upon case, the documents ascertaining the registration of the legalized object in the name of the de-jure owner (nominal owner) of shares.

- In case of legalizing the real value of the capital: the applicant shall also enclose the payment order, which confirms the payment of the legalization fee, documents that ascertain the estimate value as well as the value before the appraising.
- In case of legalizing the real value of depreciating and capital assets at their true market value: the applicant shall also enclose the payment order, which confirms the payment of the legalization fee, documents that ascertain the estimate value as well as the value before the appraising.

Question: Which is the manner for the submission of the delayed tax returns/reports?

Answer: The tax returns/reports for the fiscal periods before the 1st January, 2007:

- a) in case the returns were due before the 1st January 2007: they are collected by the fiscal bodies with subsequent verification, upon need, whether the fiscal amnesty applies to fiscal duties stated in the respective fiscal returns;
- b) in case the returns were due during the fiscal year 2007: they are collected by the tax without any indoor verification or application of sanctions. The duties stated in those returns are not subject to fiscal amnesty.

Question: What is the correlation between the subjects of capital legalization and the subjects of fiscal amnesty?

Answer: The subjects of fiscal amnesty benefit from the annulment of their debts regardless of the fact whether they ensured or will ensure the capital legalization.

Question: What is the procedure for cash legalization by the legal entities?

Answer: In compliance with the notion of capital legalization, only physical persons are entitled to legalize cash.

Question: What are the competences of the State Tax Service in registration of capital legalization?

Answer: The State Tax Service bodies register the capital legalization only after having verified the payment of the legalization fee to the State Budget, as regards the amount under legalization. Likewise, the tax bodies shall ensure confidentiality of the fact of capital legalization registration.

Quest on: Which is the deadline set up for applying the f scal amnesty on f scal dut es incurred by the administrat ve-territorial unit budgets?

answer: The Law No. 111-XVI from 27.04.2007 sets forth the right, not the obligat on, of local public administrat on authorit es in terms of taking their own decisions on f scal amnesty. Due to the fact that records in the personal accounts of taxpayers about the f scal dut es onset, change and clearance are specif ed for one f scal year with the possibility to carry over the balance from the previous year to the next year, the f scal amnesty of debts as of the 1st January 2007 will be applied through the 31st December 2007. The due f scal liabilit es balances will be recorded in personal accounts related to year of 2008 as of the 1st January, 2008.

