

Non-Fiscal Taxes in The Republic of Moldova: Their Role and Impact through the Prism of Revenues to the National Public Budget

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Abstract

"Parafiscal" charges are charges levied by public or private agencies on the production or marketing of agricultural products with a view to financing activities for the benefit of the sector as a whole. [3] Specific of parafiscal taxes is the fact that they are - like taxes - mandatory (being established by law), and are tracked and collected either through the tax administrations. While the taxes are being collected with the dual purpose of imposing a certain conduct in the social-economic environment and able to cover the general and common needs of society, parafiscal taxes are collected exclusively to ensure complementary incomes at the disposal of the legal beneficiaries of these funds and only from natural and/or legal persons who are expressly covered by the normative acts laws by which those taxes were established. [11]

On the one hand, the multitude of parafiscal taxes implies a high cost for payers. On the other hand, economic agents must make serious efforts to be up-to-date with these taxes and tariffs and, more than that, they must give time to their administration. to the state budget obtained from these taxes being significant. [16]

Keywords: non-fiscal tax, fee, services, budget revenues, special funds, payers, tax obligations

1. INTRODUCTION

The budget revenues that are obtained from taxes, fees (fiscal), contributions and/or loans are essential to ensure the funds necessary to cover the main expenses that must be incurred in the application of the budget provisions, but these resources are (seldom and nowhere in the world!) sufficient; therefore, legal ways were sought - and found - to provide additional resources to public institutions and/or organizations/organizations of public interest, with the help of which they could properly fulfil the mission for which they were established. Such revenues come from parafiscal taxes.

Parafiscal taxes are those sums of money that are collected - either by the fiscal authorities, or directly by the beneficiaries of the respective revenues - under legal rules adopted specifically for this purpose, but which are paid into the accounts of certain public institutions or other collective entities, public or private, other than local public authorities or administrative establishments. [11]

Parafiscal taxes represent a distinct, special category of revenues that are legally directed to the benefit of various institutions and/or authorities for which the state considers it appropriate to ensure the realization - in this way - of some financial resources.

In the case of "**non-fiscal taxes**" we have: [15]

- the less state-owned provider units most being "private of public interest", are competitive in offering the same good and/or service, and have negotiable rates;
- payers, who are individuals or entities, resort optionally and voluntarily to obtain taxable goods and/or services, for which the payment of their consideration is both voluntary and mandatory when they need the taxed service, and at a negotiable level.

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The university professor, the judge of the Constitutional Court of Romania, Minea Mircea Ștefan, appreciates that these special forms of setting up complementary funds at the disposal of some public entities find their purpose. Even if they increase the burden placed on the shoulders of taxpayers, these taxes contribute - on the one hand - to the partial relief of the budget (in terms of bearing/covering certain expenses), and - on the other hand - the establishment of such special taxes (parafiscal) is likely to ensure a more equitable distribution of fiscal and non-fiscal burdens between the different categories of taxpayers, which is in full agreement with constitutional principles. [11]

2. METHODOLOGY

The applied method was exploratory research, which consisted in consulting and examining web sources, including the opinions and conceptual approaches proposed by experts or scientists in the field. The analyzed data were collected from the official page of the State Tax Service (www.sfs.md) from the STS Catalog of government data. Examining the national legislation that regulates non-fiscal taxes made it possible to understand the need to collect these revenues, to whom the payment obligation falls and what is their final role.

The research methodology includes a set of distinct investigation methods such as: research and comparison, synthesis and logical analysis, as well as the use of graphic representations, figures and tables in order to reflect the evolution of the statistical data analyzed and the interpretation of the results to formulate the appropriate conclusions.

3. RESULTS

The notion of parafiscal taxes is widely spread in Romania. In the Republic of Moldova, parafiscal taxes are charged as non-fiscal taxes, especially because they are collected in other funds, according to their destination. They belong to the category of non-tax payments:

- State social insurance contributions and mandatory medical assistance insurance premiums;
- Ecological taxes (tax for environmental pollution);
- Entrepreneur's license;
- Confiscated goods;
- Taxes in the vineyard and wine fund;
- Fees for mobile phone services;
- Mandatory additional fees for the sale of foreign currency through exchange offices;
- Portability fee;
- Airport tax, etc.

3.1 State social insurance contributions

The social insurance contribution (SIC) represents an amount compulsorily owed by the participant to the public social insurance system. [7] According to art. 17 of the Law, participants in the formation of the state social insurance budget can be, as the case may be:

- a) insured persons who owe individual social security contributions;
- b) employers;
- b1) employers in the field of road transport of people by taxi;
- c) legal entities assimilated, under the terms of this law, to the employer, where the insured persons provided for in art. 4 point 2);

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- c1) persons who independently exercise the profession of doctor in one of the forms of organization of professional activity provided for by the Health Protection Law no. 411/1995;
- d) persons concluding an insurance contract;
- e) persons who carry out their activity, based on an individual employment contract, with employers who are not registered as residents in the Republic of Moldova;
- f) residents of information technology parks who have the capacity of employers.

The realization of the state policy regarding the record of payers and social insurance contributions to the State Social Insurance Budget (SSIB) is ensured by the National Office of Social Insurance of the Republic of Moldova (NOSI): a central administrative authority subordinate to the Government, with legal personality, which administers and manages the public social insurance system. The evolution of receipts from social insurance contributions is reflected in Fig. 1.

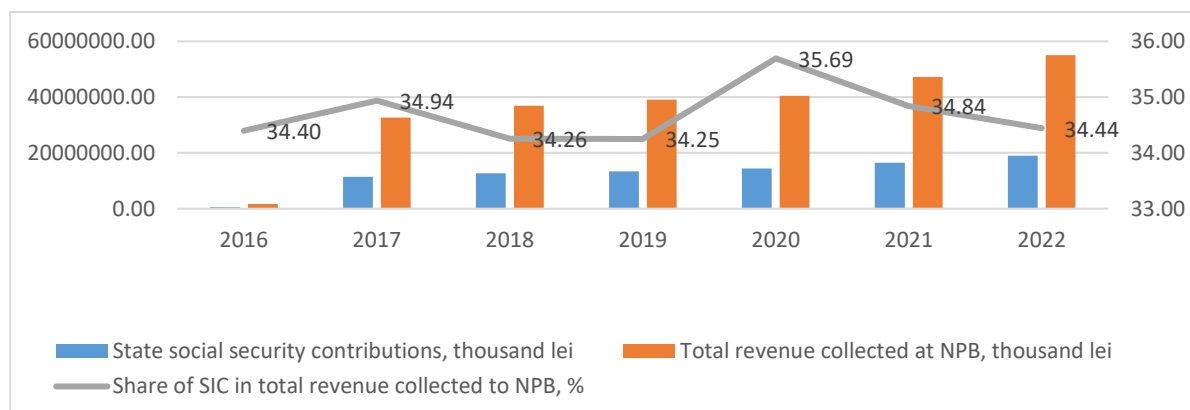


Figure 1. The evolution of receipts from social insurance contributions for the years 2016-2022.

Source: developed by the author based on the Information on receipts at the National Public Budget (NPB) corresponding to the classification of budget revenues administered by the State Tax Service (STS)

Based on the data analyzed above, we observe that the SIC evolution is significant in the following years after 2016 - an evolution that registers a positive upward trend. We can also note the significant share of these receipts in total NPB revenues that vary between 34-35%.

3.2. Compulsory health insurance premiums

Compulsory health insurance represents an autonomous state-guaranteed system of financial protection of the population in the field of health protection through the establishment, on the principles of solidarity, from the account of insurance premiums, of funds intended to cover the costs of treating conditions conditioned by the occurrence of insured events (illness or condition). The mandatory health care insurance system offers the citizens of the Republic of Moldova equal opportunities to obtain timely and quality medical care. [6, art.1]

The compulsory health insurance premium (CHIP) in the form of a percentage contribution to the salary and other rewards, calculated for the categories of payers specified in Annex No. 1 to Law No. 1593/2002 on the amount, method and terms of payment of compulsory health insurance premiums, is set at 9.0%.

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The lump-sum compulsory health insurance premium, calculated for the categories of payers provided for in Annex No 2 to Law No 1593/2002 on the amount, method and terms of payment of compulsory health insurance premiums, shall be determined, in accordance with the provisions of Article 17 para. (4) of Law No 1585/1998 on compulsory health insurance, in the amount of 12636 lei. [5]

For compulsory health care insurance, the National Health Insurance Company shall establish and manage the following funds from the total accumulated funds:

- a) the fund for the payment of medical services;
- b) the reserve fund of the compulsory health insurance;
- c) the substance of prophylactic measures;
- d) the fund for the development and modernisation of public healthcare providers;
- (e) the administration fund of the compulsory health insurance scheme.

Compulsory health insurance funds are an integral part of the national public budget and are administered independently of other national public budgets. [6, art.16]

The evolution of receipts from compulsory health insurance premiums is shown in Fig.2.

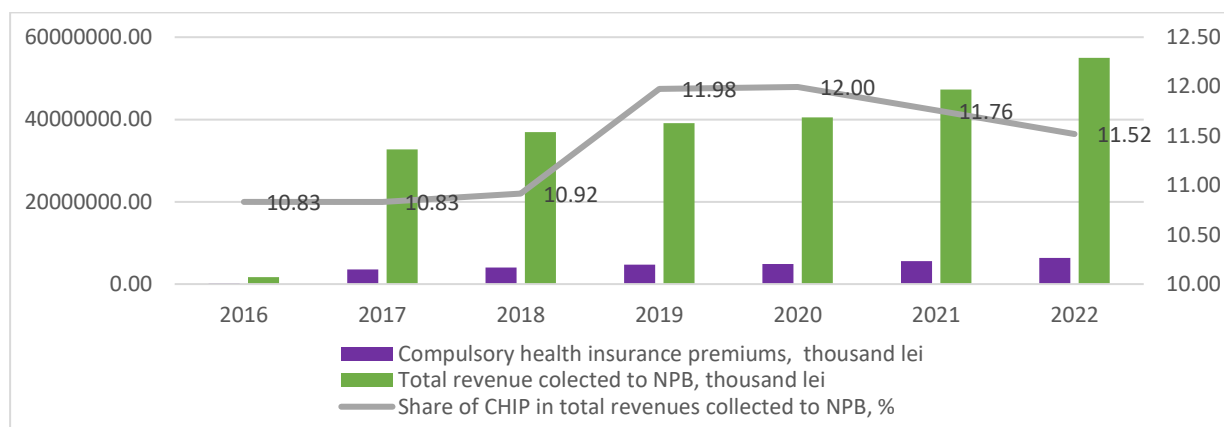


Figure 2. The evolution of receipts from compulsory health insurance premiums for the years 2016-2022.

Source: developed by the author based on the Information on receipts at the National Public Budget (NPB) corresponding to the classification of budget revenues administered by the State Tax Service (STS)

3.3. Environmental fees (environmental pollution fee)

According to the Law on payment for environmental pollution no.1540-XIII of 25.02.1998, in the wording of the Law on modification and completion of some legislative acts no.281 of 16 December 2016 (Official Gazette no.472-477 of 27 December 2016), the following payments are established for environmental pollution:

- 1.Payment for pollutant emissions from stationary sources (Art. 6).
- 2.Payment for pollutant discharges (Art. 9).
- 3.Payment for storage of production waste (Art.10).
- 4.Tax on goods which, in the process of use, cause environmental pollution (Art.11). [9]

According to Article 11 of the Law no.1540 of 25 February 1998 on payment for environmental pollution, the object of taxation of goods which, in the process of use, cause environmental pollution is:

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- the goods listed in Annex No 8 to the said Act;
- primary packaging of plastics (classified under headings 3923 21 000, 3923 29 and 3923 30) containing products;
- composite primary packaging (classified under tariff heading 4819 20 000) containing products;
- aluminium primary packaging (classified under tariff heading 7612) containing products.

According to Article 14 of the *Law on payment for environmental pollution no.1540-XIII of 25.02.1998*, the obligation to pay the tax for goods which, in the process of use, cause environmental pollution is declared to the State Tax Service according to the Statement on the tax for goods which, in the process of use, cause environmental pollution (form POLMED17), approved by the order of the Ministry of Finance no.5 of 11 January 2017. [12]

The obligation to pay tax on categories of goods causing environmental pollution arises on the date of import of the goods in question, on the date of delivery by the manufacturer of goods of his manufacture or on the date of purchase of the goods from natural and legal persons on the territory of the Republic of Moldova who have no fiscal relations with its budgetary system.

The evolution of receipts from environmental pollution payments is shown in Fig. 3.

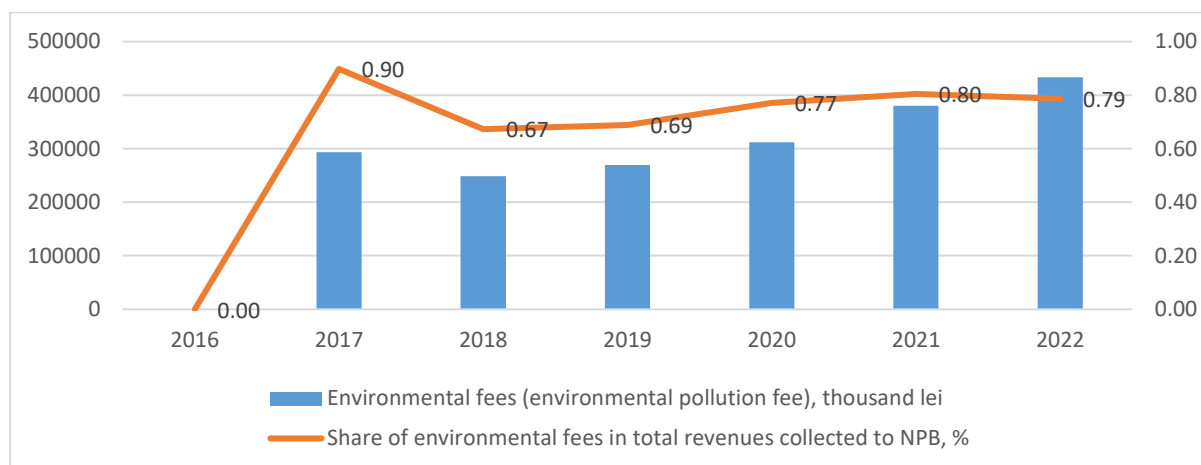


Figure 3. The evolution of receipts from environmental pollution payments for the years 2016-2022.

Source: developed by the author based on the Information on receipts at the National Public Budget (NPB) corresponding to the classification of budget revenues administered by the State Tax Service (STS)

Based on the data above, we note that receipts from ecological taxes starting with 2017, their evolution being an invariable one. During the years 2017-2022, these receipts fell within the range of 0.7-0.9% as a share of total revenues collected at NPB - an insignificant share, but the role of these taxes results in the formation of the National Ecological Fund.

3.4. Entrepreneur's patent

The entrepreneur's patent is a nominative state certificate attesting the right to carry out the type of entrepreneurial activity indicated therein during a certain period (*Art. 1 para. (1) of the Law on Entrepreneur's Patent No. 93-XIV of 15.07.1998*). The administration of the

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entrepreneurial patent is carried out based on the *Law on Entrepreneurial Patent No. 93-XIV of 15.07.1998*.

The holder of an entrepreneur's patent can be any citizen of the Republic of Moldova with the capacity to exercise (who has reached the age of 18), any foreign citizen or stateless person (person who has neither the citizenship of the Republic of Moldova nor the citizenship of another state), who permanently resides in the Republic of Moldova and has the right to carry out entrepreneurial activity, who has declared his intention to obtain the patent and meets the qualification requirements for this type of activity (*Art. 2 of the Law on Entrepreneur's Patent No. 93-XIV of 15.07.1998*). [8]

The types of activity that can be carried out under the use of the entrepreneur's patent are: [1]

- retail trade
- production of goods, execution of works and provision of services.

According to Art.3 para. (1) of the Law, the entrepreneurial patent is issued for one of the types of activity, according to the list annexed to this Law.

From 1 July 2023, patent-based activity is replaced by a simplified tax regime - *self-employment*. This means that all those who carry out retail trade in markets or commercial establishments are obliged to switch to this tax regime.

Unlike the entrepreneur's patent, self-employment offers more government support, but also many advantages for business development:

- the period of validity is unlimited - it does not require renewal every year;
- increased sales ceiling - 1.2 million lei annually;
- the lowest income tax in Europe - 1% of sales revenue; - a 10,000 lei non-reimbursable grant from the Organisation for the Development of Entrepreneurship (ODE) (for the purchase of home appliances and more);
- exemption from payment of local taxes - land-use planning tax, tax for commercial establishments/services;
- no accounting, archiving and reporting to the State - the State Tax Service will receive sales data in real time; -
- transparency of the quality of goods and services - guaranteed by issuing cash receipts to consumers.

In order to register self-employed activity, traders must submit an application to the subdivision of the State Tax Service in whose territorial service area they have their home address. They will also then be able to register their newly purchased cash register and control equipment, which will then be compensated by the State through the ODE. [17]

The evolution of receipts from payments for entrepreneurship patents is shown in Fig. 4.

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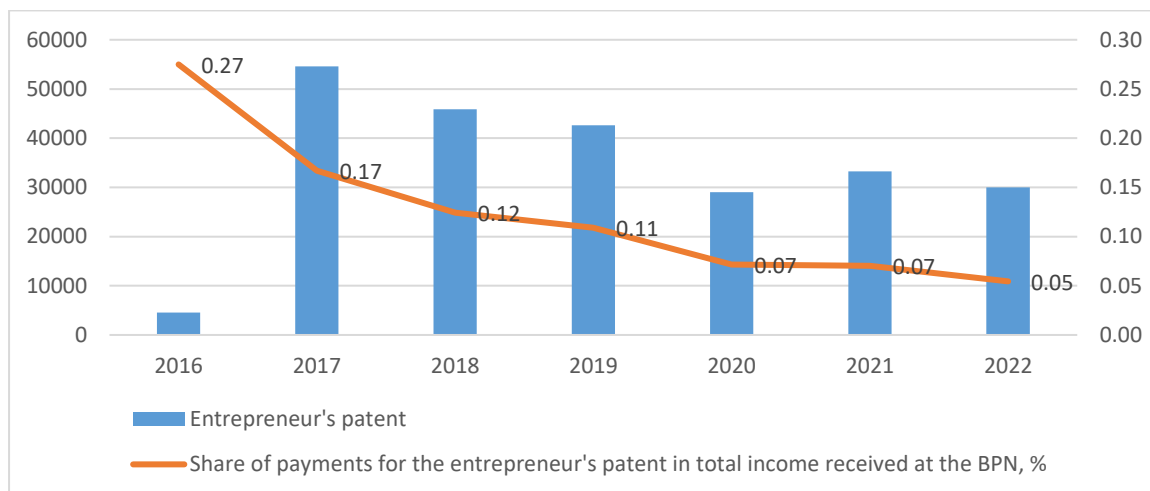


Figure 4. The evolution of receipts from payments for entrepreneurship patents for the years 2016-2022.

Source: developed by the author based on the Information on receipts at the National Public Budget (NPB) corresponding to the classification of budget revenues administered by the State Tax Service (STS)

Based on the data in Fig. 4, it can be seen that the receipts based on the entrepreneur's patent registered a jump in 2017 and a downward trend in the following years. Also, the share of this tax is small compared to other non-fiscal tax.

3.5. Confiscated assets

The State Tax Service, in addition to the duties provided for by the Tax Code, also performs the tasks of registration, evaluation and sale of confiscated goods, goods without owner, seized perishable goods or goods with a limited shelf life, bodies of crime, goods that have passed into state property by right of inheritance and treasures.

Confiscation of property is an insurance measure that is applied according to jurisdiction by the prosecution authorities or the courts to property that was used in the commission of the offence, or results from the offence. Thus, the State Tax Service does not participate in the process of confiscation or seizure of property but intervenes in the process of administration of confiscated property, which is subject to the Regulation approved by the [Government Decision No 972/2001](#) only after receipt of final and enforceable decisions on the confiscation of property.

On the website of the State Tax Service, under the heading "Confiscated and criminal assets", subheading "[Confiscated goods](#)" you can consult the information on the list of confiscated goods that are proposed for sale. [4]

The proceeds from the sale of confiscated goods are collected in the national public budget, the evolution of which is reflected in the figure below (Fig. 5).

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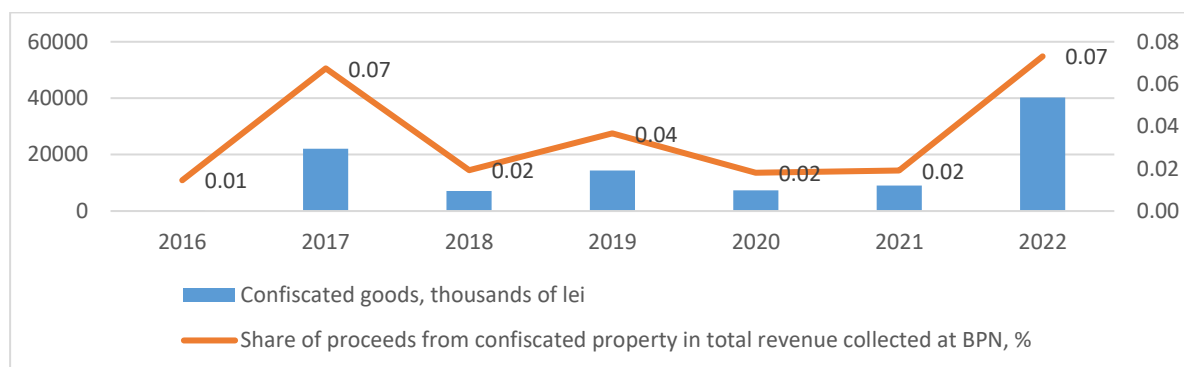


Figure 5. The evolution of receipts from the sale of confiscated goods for the years 2016-2022.

Source: developed by the author based on the Information on receipts at the National Public Budget (NPB) corresponding to the classification of budget revenues administered by the State Tax Service (STS)

3.6. Vine and Wine Fund

According to Art. 32³ para. (6) and (7) of the Law on Vine and Wine no. 57/2006, the obligation to contribute applies to all taxpayers resident in the Republic of Moldova and takes effect on the date of issue of the tax invoice, the tax payment voucher or the date of submission of the export declaration. [10, para 6 & 7]

According to Art. 32³ para. (4) of the Law, the subjects contributing to the Fund are:

- (a) producers of vine propagating material of wine varieties;
- (b) exporters of fresh or crushed grapes of wine varieties, exporters of must of all categories;
- (c) producers of wine, must-based products and aromatised wine products;
- (d) producers of wine-based products.

The rates of compulsory contributions to the Fund are as follows:

- a) 0,12 lei per grafted vine of wine varieties marketed;
- b) 35,0 lei per tonne exported of fresh or crushed grapes of wine varieties and must of all categories;
- c) 0,1 lei per litre marketed of wine, must-based products, wine-based products with an alcoholic strength of less than 25% vol. and aromatised wine products;
- (d) 1,2 lei per litre of absolute alcohol marketed of a product obtained from wine with an alcoholic strength of at least 25% vol. [5, para 5]

The evolution of the receipts from the Wine Fund is shown in Fig. 6.

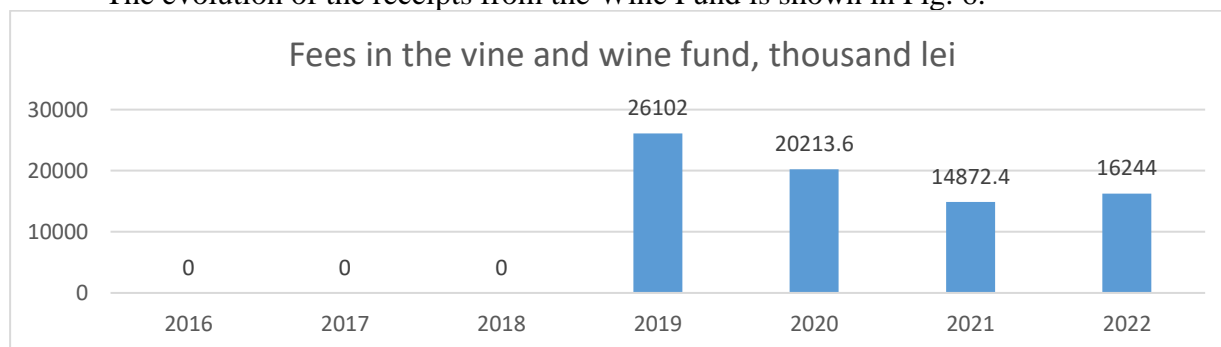


Figure 6. The evolution of receipts from fees in the vine and wine fund for the years 2016-2022.

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Source: developed by the author based on the Information on receipts at the National Public Budget (NPB) corresponding to the classification of budget revenues administered by the State Tax Service (STS)

In addition to the fee for the provision of mobile telephone services, the portability fee, the airport tax, the transfers obtained from the mandatory additional payment in the amount of 0.1% of the amount paid when individuals purchase foreign currency in cash and traveller's cheques in foreign currency against cash at exchange offices and banks, sponsorship and other receipts that do not contravene legislation - all are taxes that are a source of financing for the Population Support Fund from which special-purpose programmes in the field of social assistance, social services, financing of social canteens, etc. are subsequently financed.

The sources of funding for the Population Support Fund are:

- **portability fee**, amounting to 50 per cent of the monthly payment for the operation, administration and maintenance of the centralised database for the implementation and realisation of number portability. By Law No. 207 on the amendment of some normative acts (strengthening of the regulatory authority in the field of electronic communications and synchronization of the term of validity of licenses for the use of radio frequencies), approved on 20 July 2023, from Law No 847/2000 the notion of portability fee is excluded. The provisions entered into force on the day of publication of the amendments in the Official Gazette - 27 July. [14]
 - **airport tax**, in the amount of 50 per cent of the amount accrued monthly from the airport modernization fee. The subject of the airport tax is the legal entity that manages the assets under the economic management of the state entity "Chisinau International Airport". In June this year, the 9 euro fee for the modernization of the Chisinau International Airport was halved to 4.5 euro from 1 July 2023. An order to this effect was signed by the Minister of Infrastructure and Regional Development and published in the Official Gazette, 2023, no.197-199, art.565.
 - **a charge for the provision of mobile telephony services**, amounting to 2.5 per cent of the revenue from sales of these services. The mobile fee is paid by operators in the market and was introduced in 2000 as a "luxury tax". Previous estimates show that the annual amounts paid annually as a fee amount to 80 million lei and are an important source of supplementing the Population Support Fund. At the same time, business associations have been calling on the Moldovan authorities for several years to abolish this tax, given that mobile telephony is no longer a luxury and is accessible to various categories of consumers, including beneficiaries of payments from the Population Support Fund. [2]
 - transfers obtained from the mandatory additional payment in the amount of 0.1 per cent of the amount paid when individuals purchase foreign currency in cash and traveller's cheques in foreign currency against cash funds at foreign exchange offices and licensed banks that carry out currency exchange activity in cash with individuals, including through foreign exchange machines;
 - sponsorships and other receipts that do not contravene the law. [13]
- The evolution of the above-mentioned fees is reflected in the figure below.

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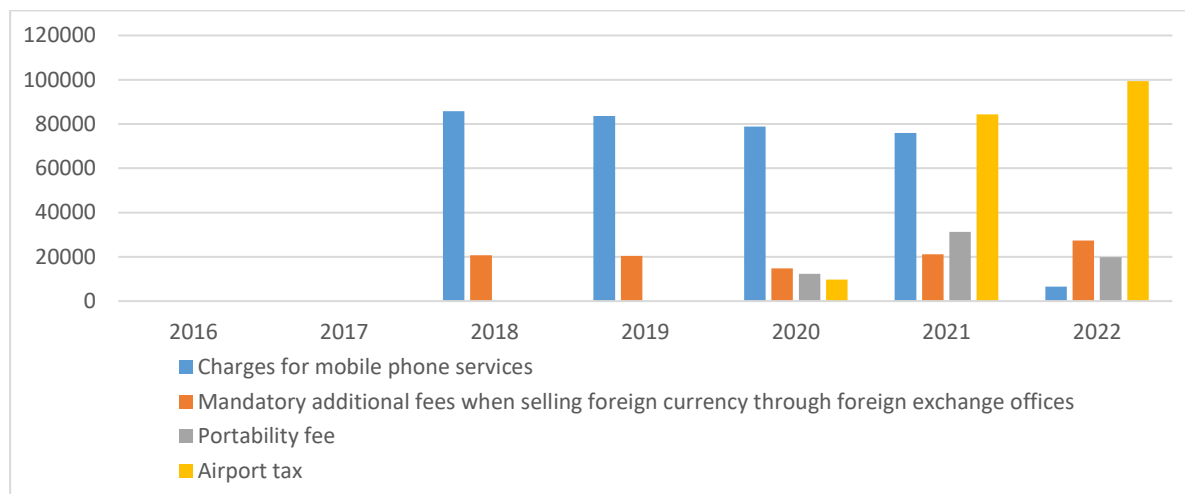


Figure 7. The evolution of the above-mentioned fees for the years 2016-2022, thousand lei.

Source: developed by the author based on the Information on receipts at the National Public Budget (NPB) corresponding to the classification of budget revenues administered by the State Tax Service (STS)

4. Conclusions

In short, we can state that the characteristic of parafiscal taxes is that they are, like taxes, compulsory (being instituted by law), are pursued and collected either through tax administrations or directly by legally designated beneficiaries in whose accounts they are concentrated and constitute extra-budgetary income of public or private legal entities. However, whereas taxes are collected for the dual purpose of imposing certain conduct in the social and economic environment and covering the general and common needs of society, parafiscal charges are levied solely to provide additional revenue to the legal beneficiaries of these funds and only from persons (natural and/or legal) who are expressly targeted by the legal regulations which introduced them. Parafiscal charges are therefore a distinct, special category of revenue which is legally earmarked for the benefit of the various institutions and/or authorities which the State considers it appropriate to provide additional financial resources in this way.

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