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A FISCAL POLICY FOR DEVELOPMENT, FAIRNESS AND SOLIDARITY

Proposals of the Civic Movement "Building Trust" for the New Fiscal Policy

The withdrawal of the draft fiscal policy, following criticism from society and the business community, gives the Government an opportunity to return with a more balanced approach.

We believe that the new fiscal policy should not merely be an adjusted version of the withdrawn draft. What is needed is a reconsideration of how the tax burden is distributed and of the economic behaviours the state intends to encourage.

The Republic of Moldova needs sufficient revenues for education, healthcare, infrastructure, security and social protection, but it equally needs investment, competitive businesses, viable agriculture and well-paid jobs.

We therefore propose that the new fiscal policy be based on a simple principle:

tax less what we want to grow — work, investment and production; protect essential consumption and vulnerable people; and where the ability to pay is greater, the contribution to the budget should also be greater.

This principle should be reflected throughout the tax system: in the way income, consumption and profits are taxed, in the incentives granted for investment, and in the protection provided to families and vulnerable people.

Based on this approach, we propose several concrete solutions for the new fiscal policy.

1. THE TAX BURDEN MUST BE DISTRIBUTED FAIRLY

A fiscal policy cannot be assessed only by the additional amount it brings into the budget. An equally important question is: **who pays that amount?**

An additional tax of MDL 100 does not have the same impact on a family that is barely able to cover its monthly expenses as it does on a person with a very high income.

We therefore support maintaining moderate taxation for low and middle incomes and introducing reasonable progressivity for very high personal incomes.

The higher rate should apply only to the portion of income exceeding an established threshold, not to the entire income.

At the same time, we propose gradually increasing the personal tax allowance and deductions for families with children, so that fiscal policy reflects the real ability of households to pay.

Fiscal solidarity means that those who can contribute more do so, while vulnerable people are protected.

2. A COMPROMISE FOR AGRICULTURE: 11% VAT ACROSS THE ENTIRE AGRI-FOOD VALUE CHAIN

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We understand the need to strengthen budget revenues and simplify the VAT system. However, we do not believe that the solution should be to place an additional tax burden on food.

As a compromise, the Civic Movement "Building Trust" proposes applying **11% VAT across the entire agri-food value chain** — from primary agricultural production through processing and the sale of food products.

Applying the same rate throughout the chain would reduce distortions between producers, processors and retailers, simplify administration and could reduce problems caused by differences between VAT paid and VAT collected.

This represents a compromise between three legitimate interests: the need for budget revenues, maintaining the competitiveness of domestic producers and processors, and protecting the affordability of food for the population.

3. WE DO NOT SUPPORT AN INCREASE IN VAT ON MEDICINES AND CHILDREN'S FOOD

The Civic Movement "Building Trust" reaffirms the position it expressed regarding the previous draft: **we do not support, under any circumstances, an increase in VAT on medicines and products intended for children's nutrition.**

Medicines are not optional consumption. For pensioners, people on low incomes and families affected by health problems, any additional price increase may mean giving up other necessities or even treatment.

Likewise, in a country affected by demographic decline and migration, it is not logical for the state to declare support for families a priority while at the same time increasing taxation on products necessary for raising children.

We therefore propose maintaining the existing preferential regime for medicines and products intended for children's nutrition.

If the state needs additional revenue, it should seek it primarily where there is a greater ability to contribute, not in medicines and children's food.

4. INVESTMENT SHOULD BE ENCOURAGED, NOT PENALISED

We support maintaining the principle of preferential taxation or a zero rate for reinvested profits, but the incentive should encourage genuine investment in the economy.

It should primarily target investment in equipment, technologies, digitalisation, energy efficiency, production and processing capacity, research and development.

We also propose additional incentives for productive investment made in rural areas and regions with limited economic opportunities, particularly where such investment creates jobs.

Simple tax and reporting regimes should be developed for micro-enterprises, small farms and rural economic activities.

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The rule should be clear: **it should be easier to operate legally than informally.**

5. EXCEPTIONAL PROFITS SHOULD CONTRIBUTE TO SOLIDARITY

Profit is necessary for the economy and should not be treated as something that must be penalised. However, ordinary profit and windfall profit earned under exceptional economic circumstances are not the same thing.

We propose developing a mechanism for the temporary taxation of windfall profits when they result from extraordinary circumstances, economic shocks or exceptional market conditions.

The mechanism should be based on clear criteria, be predictable and limited in time, so that it does not penalise businesses that increase their profits through investment, innovation and higher productivity.

We do not want to penalise success. We want exceptional benefits obtained during exceptional periods to entail additional responsibility towards society.

6. A SPECIAL CONTRIBUTION FROM THE BANKING SECTOR

The banking sector is essential to the economy and must remain stable, well capitalised and capable of financing households and businesses.

At the same time, fiscal consolidation cannot be built predominantly on additional contributions from consumers, employees and small businesses.

We therefore propose introducing **a special tax on the turnover of commercial banks in the Republic of Moldova**, with the calculation base specific to banking activity clearly defined in legislation.

Its application should be accompanied by monitoring of the impact on interest rates, fees and lending, so that the contribution is not simply passed on to customers.

Revenue generated by this contribution should be used transparently, primarily for development investment, support for SMEs and agriculture, and targeted social measures.

7. SUPPORT MUST REACH THOSE WHO NEED IT

Not all general tax incentives are the best form of social protection. In many cases, the same incentive benefits both a vulnerable family and a family with very high incomes.

Where possible, we propose a gradual shift from general incentives towards **targeted support for low-income families, families with children, vulnerable pensioners and other people in difficult circumstances.**

However, one rule must be respected: **no incentive with a social impact should be removed before the state demonstrates that a functioning mechanism exists to protect vulnerable people.**

8. BEFORE ASKING FOR MORE, THE STATE MUST MAKE BETTER USE OF WHAT IT ALREADY COLLECTS

Fiscal fairness concerns not only taxpayers. It also concerns the state.

Before introducing new taxes or increasing the tax burden, the Government must demonstrate that it uses the resources it already collects efficiently.

We propose systematic evaluation of public expenditure and programmes, the elimination of unjustified administrative spending and the review of tax incentives that do not produce measurable economic or social results.

At the same time, combating the informal economy and tax evasion should become a priority source of increased budget revenues.

It is not fair to keep asking more from those who already pay while others continue to remain outside the tax system.

9. NO FISCAL REFORM WITHOUT CALCULATING ITS REAL IMPACT

One of the lessons from the withdrawn draft is that fiscal measures cannot be analysed separately. Ten apparently small changes can together have a significant impact on the budget of a family or a business.

We call for the new draft to be accompanied by public simulations showing the cumulative effect on the main categories of taxpayers: low- and middle-income families, families with children, pensioners, employees, self-employed workers, micro-enterprises, farmers, SMEs and large companies.

For each category, the Government should answer three simple questions:

How much do they pay today? How much will they pay after the reform? What justifies the difference?

For every new tax or significant increase, the Government should publicly present the estimated budget revenue, who will bear the cost, the economic and social impact, and the alternatives considered.

A NEW FISCAL CONTRACT

The Republic of Moldova does not merely need different tax rates. It needs a fairer fiscal contract between citizens, the economy and the state.

Citizens should know that the system does not penalise them for working.

Entrepreneurs should know that investment and development are encouraged.

Families should know that medicines and children’s food are not the first areas in which the state seeks additional revenue.

Vulnerable people should know that they will not bear a disproportionate share of the cost of fiscal consolidation.

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And those with significantly higher incomes and economic capacity should accept a corresponding contribution.

At the same time, the state must assume its own part of this contract: spend more efficiently, combat tax evasion, eliminate unjustified tax privileges and transparently explain every additional leu it asks taxpayers to contribute.

The Civic Movement "Building Trust" proposes that the Government design the new fiscal policy not around the question **"which taxes can we increase?"**, but around three questions:

How do we encourage the economy to produce and invest more?

How do we distribute contributions to the budget fairly?

How do we protect people for whom every leu matters?

A good fiscal policy is not one that simply collects more. It is one that collects fairly, stimulates development and uses what it collects responsibly.