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Budget balance is necessary. But who pays for it?

Statement of the Civic Movement “Building Trust” on the Draft Fiscal and Customs Policy for 2027

Fiscal reform is not only about taxes and how much more money can be collected for the budget. It is about the kind of economy we want to build: how we stimulate investment, work and initiative, how we protect purchasing power, and how we distribute responsibility fairly between the state, the economy and citizens.

The Republic of Moldova needs stable public finances, and we understand that balancing the budget may require difficult decisions. However, our analysis of the draft Fiscal and Customs Policy for 2027 gives the impression that the emphasis is placed primarily on identifying new sources of budget revenue, while the economic development component remains secondary.

We can see quite clearly where additional money is expected to come from. What is less clear is how this reform will make the economy stronger.

And this raises the essential question:

Who will ultimately bear the cost of balancing the budget?

A fiscal policy can balance the budget for one year. A genuine fiscal reform must build a stronger economy for the years ahead.

The new draft Fiscal and Customs Policy for 2027 also contains measures that we consider necessary or that move in the right direction. Increasing the personal tax allowance is a positive step. A higher fiscal contribution from the financial sector may be justified. Refunding a significant share of the excise duty on diesel used in agriculture is necessary. Building strategic reserves and gradually moving closer to certain European standards are objectives that we do not dispute.

The problem becomes apparent when we consider the cumulative effect of the entire package.

Measure analysed	Indicative impact	Comment
Increase in the personal tax allowance	+MDL 103/month in net income	Benefit applies only to persons with taxable income who use the allowance
Diesel: excise duty + contribution for emergency stocks	approx. +MDL 1.38/litre in the final price	Direct impact on transport and logistics, with possible pass-through to prices

Measure analysed	Indicative impact	Comment
Natural gas consumption above 150 m³/month	+MDL 2.33 for each additional m³	At 200 m³: approx. +MDL 116 from the new VAT alone; at 500 m³: approx. +MDL 814
Electricity consumption above 100 kWh/month	20% VAT on consumption exceeding the threshold	At 200 kWh: approx. +MDL 71–79, based on the tariffs analysed
Certain goods/services: VAT 8% → 12% or 20%	Higher VAT, with possible pass-through to prices	More significant impact on everyday consumer goods and low-income households
Passenger cars	Excise duties higher by approx. 10%	Increases import costs; larger absolute impact for higher-capacity engines

In this context, for an employee, increasing the personal tax allowance from MDL 29,700 to MDL 40,000 means a maximum tax benefit of approximately MDL 103 per month.

At the same time, the draft introduces a series of additional costs that will be felt directly or indirectly by the population: changes in VAT on certain goods and services, additional taxation of gas and electricity consumption above certain thresholds, higher excise duties on fuel and passenger cars, and increased transport and logistics costs.

The MDL 103 benefit may therefore be absorbed very quickly by an increase in a single utility bill or by price rises passed on through the cost of goods and services.

Moreover, there are people who will not receive even this benefit.

Pensioners who live exclusively on their pensions, people who depend on social benefits, unemployed persons without taxable income, and others without employment income do not benefit from the increase in the personal tax allowance. But they all remain consumers. They will pay the same prices in shops, the same utility bills and the same additional costs passed on through transport and logistics.

This raises an issue of fiscal fairness.

We understand the need for fiscal consolidation. But before asking citizens and businesses to bear several taxes and costs simultaneously, we believe the Government must explain just as clearly:

How did the current budget deficit arise?

What share is determined by external factors and unavoidable state commitments, and what share results from budgetary decisions, spending efficiency or insufficient revenue collection?

What is the state doing to reduce its own costs and inefficiencies?

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How much will be saved by reducing inefficient expenditure, improving public procurement, combating the informal economy, collecting arrears and reassessing tax incentives?

And perhaps most importantly:

Who will ultimately bear the largest share of the adjustment?

It is not enough to calculate how many additional billions of lei will flow into the budget.

We must also calculate how much this policy will cost a family, a farmer, a transport operator, a small business and the economy as a whole.

The Civic Movement "Building Trust" believes that credible fiscal consolidation must be based on three simultaneous responsibilities:

- the responsibility of citizens to pay their taxes correctly;
- the responsibility of businesses to contribute fairly;
- the responsibility of the state to manage every leu collected efficiently.

We cannot demand the first two without also demonstrating the third.

In the coming period, we will publicly present our analysis of the main measures contained in the draft Fiscal and Customs Policy for 2027, as well as the Movement's proposals for improving it.

We do not proceed from the assumption that every tax is wrong or that every adjustment should be rejected. We will support justified measures and propose amendments to those that disproportionately shift costs onto the population and the economy.

Budget balance is important. But equally important is how we achieve it and who pays for that balance.

A responsible fiscal policy must protect purchasing power, maintain the competitiveness of the economy and, above all, strengthen trust between the state and the taxpayer.