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VAT REFORM SHOULD NOT MEAN HIGHER BILLS FOR PEOPLE

Statement by the Civic Movement "Construim Încredere"

on the VAT changes proposed for 2027

A fiscal reform is not merely about tax rates or how much additional revenue can be collected for the state budget. **It is about the kind of economy we want to build, what we encourage businesses to produce and invest in, and how we distribute the fiscal burden fairly between the state, the economy and citizens.**

We have analysed the VAT amendments proposed in the draft fiscal policy for 2027. Our conclusion is concerning: **in too many cases, the reform simply means more VAT.**

From 8% to 12%.

From 8% to 20%.

From 0% to 20% on part of the electricity consumed.

And VAT does not remain in a Ministry of Finance spreadsheet. **Ultimately, it appears in bills, prices and every family's household budget.**

More VAT on food

The draft introduces a new 12% rate and moves a significant share of agricultural products that currently benefit from the 8% rate into this category.

For products moving from 8% to 12%, the amount of VAT charged increases by **50%**.

For a number of products, however, the change is even greater. Certain vegetables and other products that currently benefit from the 8% rate no longer appear on the reduced-rate lists and would therefore move to the standard 20% rate. These include peppers, aubergines, mushrooms, spinach, courgettes, celery, asparagus, herbs and sweet potatoes.

The list of bakery and dairy products benefiting from the 8% rate is also narrowed. Certain bakery products, concentrated or sweetened milk, fermented dairy products, yoghurt and some fresh cheeses may move from 8% to 20%. Beet sugar is also no longer included in the list of reduced-rate products.

If the pre-VAT price remains unchanged, moving from 8% to 20% could result in an increase of approximately **11.1% in the final price**.

When VAT is increased on everyday food products, luxury consumption is not being taxed. Everyday consumption is.

This tax also affects lower-income households proportionally more, because they spend a greater share of their income on food and basic necessities.

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More VAT for HoReCa and accommodation

For food-service and accommodation services, VAT would increase from 8% to 12%.

It may appear to be a difference of only four percentage points. In reality, **the amount of VAT charged increases by 50%**. If the pre-VAT price remains unchanged, the effect on the final price is approximately 3.7%.

For a sector in which many small and medium-sized enterprises operate and which contributes directly to tourism development, this means additional pressure on prices and competitiveness.

100 kWh for everyone. But not all families are the same

At present, electricity supplied to households is subject to 0% VAT regardless of consumption.

The draft would retain this benefit only for the **first 100 kWh per month**. Consumption above this threshold would be subject to 20% VAT.

The problem is the artificial simplicity of this rule.

100 kWh is the same threshold for a person living alone and for a family with three children.

A household consuming 200 kWh would pay an additional MDL 71–79 per month solely as a result of VAT, while at 500 kWh the impact would rise to approximately MDL 285–316, depending on the supplier analysed.

The threshold can easily be exceeded by households using electric water heaters, electric hobs, air-conditioning units, heat pumps or medical equipment. A single 2 kW heater used for two hours per day consumes approximately 120 kWh per month.

Social policy cannot assume that all families have the same needs simply because they have the same type of meter.

150 m³ of gas — regardless of how many people live in the home

The same approach is proposed for natural gas.

The 8% rate would be retained for the first **150 m³ per month**, while consumption above the threshold would be taxed at 20%.

According to calculations in the analysis of the draft, at a consumption level of 200 m³, the additional impact attributable solely to VAT would be approximately **MDL 116 per month**. At 300 m³, it would be approximately **MDL 349**, while at 500 m³ it would amount to around **MDL 814 in a single month**.

Yet the threshold does not take into account the number of people in the household, the size and energy efficiency of the dwelling, whether there are children or elderly people in the household, or the fact that the same family may use gas for heating, hot water and cooking.

Moreover, the impact is concentrated precisely in the winter months.

A family does not consume more gas in January because it is better off. It consumes more because it is cold.

A rigid threshold therefore risks turning a social benefit into a benefit that works least effectively precisely when people need it most.

More VAT on energy also means pressure on prices across the economy

The amendment does not affect households alone.

For gas used by businesses, the draft would, in principle, result in a shift from 8% to **20% on the entire volume consumed**.

For businesses that can fully deduct VAT, this is not necessarily a definitive tax cost, but it means temporarily tying up more cash and requiring more working capital. For businesses that are not registered for VAT or that have limited deduction rights, the difference may become a real cost.

The sectors exposed include food processing, bakeries, greenhouses, HoReCa and small manufacturing units.

If producer costs are increased, we should not be surprised when part of those costs is ultimately passed on to consumers.

Are we also increasing the tax burden on recycling investments?

The draft removes VAT incentives for certain machinery and specialised equipment used in waste collection and recycling.

For equipment costing MDL 1 million, an operator would need to finance an additional **MDL 200,000 in VAT** until it is recovered. For an investment of MDL 5 million, the temporary additional financing requirement could reach **MDL 1 million**.

We can understand the VAT-neutrality argument in relation to certain transactions involving recyclable raw materials. However, removing the incentive for investment in equipment is far more difficult to justify at a time when the Republic of Moldova needs to invest precisely in separate waste collection, recycling and the circular economy.

We cannot declare the green economy a priority while simultaneously making recycling investment more difficult to finance.

Small online purchases will also become more expensive

For parcels worth up to EUR 150 ordered by individuals from foreign platforms, the draft proposes VAT, generally at 20%, plus a fixed handling fee of **MDL 12 per parcel**.

We understand the need for more equitable tax competition between local retailers and foreign platforms.

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But a fixed charge has a disproportionate effect on small orders. On an order worth MDL 50, VAT and the handling fee could total MDL 22 — an additional cost of **44%**. On an order worth MDL 100, the calculated additional cost is 32%.

Moreover, if a platform splits one order into several parcels, the fee may be charged repeatedly even though the recipient may have no control over how the order is shipped.

Fiscal reform should develop the economy, not merely collect more revenue

Taken separately, each of these amendments may have a fiscal rationale.

Taken together, however, they raise a much more important question: who will ultimately pay for this reform?

More VAT on certain food products.

More VAT on restaurants and accommodation.

More VAT on electricity above 100 kWh.

More VAT on gas above 150 m³.

More fiscal pressure on businesses using gas.

More capital required for recycling investments.

More taxes on online purchases.

We can see quite clearly **where the additional revenue is expected to come from**.

What is far less clear is **how these amendments will make the economy more competitive, stimulate investment and increase people's incomes**.

For this reason, the Civic Movement "Construim Încredere" calls for the proposed VAT amendments to be reviewed before they are submitted to Parliament and for a transparent impact assessment to be presented covering households, small businesses, agriculture, the food industry, HoReCa and energy-intensive sectors.

We consider it necessary to **recalibrate the gas and electricity thresholds** so that protection reflects the realities of households rather than merely the meter; to reconsider the transfer of everyday food products from 8% to 20%; to assess separately the impact on small businesses and producers; and to retain incentives supporting the investments required for the transition to a circular economy.

The Republic of Moldova needs budget revenues. But it also needs families that can pay their bills, businesses that can invest and producers that can remain competitive.

A fiscal policy may collect more money for the budget in a single year. A genuine fiscal reform must build a stronger economy for the years ahead.

It is not enough to know how much additional revenue the state will collect. People have the right to know how much it will cost them.

ANALYSIS OF THE PROPOSED CHANGES TO VALUE ADDED TAX

Draft Fiscal Policy for 2027

Summary of the main changes

Area	Current regime	Proposed regime	Main effect
Online orders from outside Moldova	Preferential regime for low-value parcels	20% VAT + MDL 12 handling fee per parcel	Increases the cost of orders, particularly small ones
HoReCa and accommodation	8% VAT	12% VAT	VAT charged increases by 50%; final price may rise by approximately 3.7%
Selected agricultural products	8% VAT	12% VAT	Increase of 4 percentage points
Certain food products and essential goods	8% VAT	20% VAT	VAT charged increases 2.5 times; final price +≈11.1%
Natural gas for residential use	8% VAT on full consumption	8% up to 150 m³/month; 20% on excess	Impact concentrated in colder months
Electricity for residential use	0% VAT on full consumption	0% up to 100 kWh/month; 20% on excess	Increases bills for households above the threshold
Waste and recycling sector	VAT exemptions for certain equipment and waste streams	Exemptions removed	Pressure on liquidity, investment and certain sectoral costs

1. Taxation of parcels ordered from Temu, AliExpress, Alibaba, Joom and other foreign platforms

The draft proposes two distinct charges on online purchases made by individuals in the Republic of Moldova from foreign platforms such as Temu, AliExpress, Shein and similar services: the application of VAT, generally at the standard rate of 20%, to goods imported in parcels with an intrinsic value of up to EUR 150, and a fixed handling fee of MDL 12 for each parcel delivered to the recipient.

The special regime applies to B2C sales to individuals who do not carry out business activities and covers non-excisable goods with an intrinsic value of no more than EUR 150 per parcel.

The simplified formula for the additional cost is: 20% VAT on the value of the goods + MDL 12 for each parcel.

The fixed fee has a larger percentage impact on low-value orders and may be applied repeatedly if a single order is divided into several shipments.

Parcel value	20% VAT	Fixed fee	Total additional cost	Effective increase
MDL 50	MDL 10	MDL 12	MDL 22	44%
MDL 100	MDL 20	MDL 12	MDL 32	32%
MDL 300	MDL 60	MDL 12	MDL 72	24%
MDL 500	MDL 100	MDL 12	MDL 112	22.4%
MDL 1,000	MDL 200	MDL 12	MDL 212	21.2%

Conclusion

The measure seeks to bring the tax treatment of foreign platforms closer to that applying to domestic retailers and to cover administrative processing costs.

For consumers, however, the tax advantage of low-value orders would be significantly reduced.

The fixed nature of the MDL 12 fee makes it disproportionate for low-value purchases, while splitting a single order into several parcels can further increase the cost even where the recipient does not have control over the shipping method.

2. Restructuring VAT rates — Article 96 of the Tax Code

The new wording of Article 96 is not merely a technical reorganisation.

The draft introduces a reduced 12% rate, increases the rate from 8% to 12% for certain sectors, narrows the list of goods that remain subject to 8%, and transfers some products to the standard 20% rate.

2.1. Introduction of the 12% reduced rate

The 12% rate is proposed for food-service activities, accommodation services, a significant share of agricultural production and certain fruit.

Moving from 8% to 12% represents an increase of four percentage points; the amount of VAT charged rises by 50%, and if the pre-VAT price remains unchanged, the final price may increase by approximately 3.7%.

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Example	Price excluding VAT	Price at 8%	Price at 12%
Service/meal	MDL 500	MDL 540	MDL 560
Accommodation	MDL 1,000	MDL 1,080	MDL 1,120

2.2. Agricultural products: split between 8%, 12% and 20%

A broad list of agricultural products currently benefiting from the 8% rate is divided under the draft into categories with different tax treatment.

Products transferred to the 12% rate include, among others, certain live animals and breeding chicks, seedlings and planting material, some pulses, nuts, melons, cereals, soybeans, rapeseed, sunflower seeds and certain animal-feed products.

Another group of vegetables and fruit would remain subject to the 8% rate, while some positions no longer appear on either the 8% or 12% lists and would therefore move to the standard 20% rate.

These include lettuce, asparagus, aubergines, celery, mushrooms, peppers, spinach, courgettes, capers, fennel, sweetcorn, dill, parsley and sweet potatoes.

Regime	VAT	Final price on a MDL 100 base	Increase compared with current 8% regime
Current	8%	MDL 108	—
Move to 12%	12%	MDL 112	+3.7%
Move to 20%	20%	MDL 120	+11.1%

2.3. Bakery and dairy products

The list of products remaining subject to the 8% rate is narrowed.

Bread under tariff heading 190590300 and products under headings 0401, 0405 and 040610500 would remain subject to 8%.

Certain bakery products, concentrated or sweetened milk, fermented milk and yoghurt, as well as a category of fresh cheeses, no longer appear in the reduced-rate list.

Unless they benefit from another relief, they would move from 8% to 20%, with a potential effect of approximately 11.1% on the final price if the pre-VAT base remains unchanged.

2.4. Sugar and feminine hygiene products

Sugar produced from sugar beet no longer appears on the reduced-rate list and would, in principle, move from 8% to 20%.

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The increase may also be passed on to the prices of food products in which sugar is used as a raw material.

Tampons, sanitary pads and menstrual cups are also absent from the new reduced-rate list.

Moving from 8% to 20% could increase the final price by approximately 11.1%.

From a social-policy perspective, this is a sensitive measure because it concerns products that constitute an objective necessity.

Conclusion on Article 96

The new structure does not clearly simplify the VAT regime. Instead, it introduces three tax levels — 8%, 12% and 20% — for products that are sometimes similar in nature and purpose.

For products moving from 8% to 12%, the amount of VAT increases by 50%; for those moving from 8% to 20%, the VAT charged increases 2.5 times.

The effect is particularly sensitive for everyday food products and other necessities because VAT is ultimately borne by the consumer, and lower-income households devote a larger share of their income to such expenditure.

3. VAT on natural gas and electricity

3.1. Natural gas — impact on households

The draft limits application of the reduced 8% VAT rate to the first 150 m³ of natural gas consumed monthly at each residential consumption point.

For the volume exceeding this threshold, the analysis assumes that the standard 20% rate would apply only to the excess amount.

For the purposes of assessing the fiscal impact, the analysis uses a reference tariff of MDL 19.378/m³ excluding VAT, or approximately MDL 20.93/m³ including 8% VAT, without comparing the calculation to the previous tariff.

On this basis, the first 150 m³ would remain at approximately MDL 20.93/m³, while consumption above the threshold would reach approximately MDL 23.25/m³ under the 20% rate.

The difference attributable solely to the increase in VAT from 8% to 20% is approximately MDL 2.33 for each cubic metre consumed above the threshold.

Monthly consumption	Bill with 8% VAT on full consumption	Bill with differentiated VAT (8% / 20%)	Additional cost due solely to VAT	Increase in bill
100 m³	MDL 2,093	MDL 2,093	MDL 0	0%

Monthly consumption	Bill with 8% VAT on full consumption	Bill with differentiated VAT (8% / 20%)	Additional cost due solely to VAT	Increase in bill
150 m³	MDL 3,139	MDL 3,139	MDL 0	0%
200 m³	MDL 4,186	MDL 4,302	+MDL 116	≈2.8%
300 m³	MDL 6,278	MDL 6,627	+MDL 349	≈5.6%
500 m³	MDL 10,464	MDL 11,278	+MDL 814	≈7.8%

Thus, at monthly consumption of 200 m³, the new VAT mechanism would increase the bill by approximately MDL 116, while at 500 m³ the additional impact would reach approximately MDL 814 in a single month.

In the latter case, 350 m³ — 70% of the monthly consumption — would already be subject to the standard 20% VAT rate.

The 150 m³ threshold is rigid: it does not take into account the number of people in the household, the size or energy efficiency of the dwelling, the presence of children, elderly persons or persons with disabilities, weather conditions, or the simultaneous use of gas for heating, hot water and cooking.

The impact is concentrated during the colder months, while lower summer consumption cannot offset the winter threshold for tax purposes.

Consequently, if a tariff of approximately MDL 20.93/m³ is used as the baseline, introducing the 20% rate above the 150 m³ threshold constitutes an additional fiscal increase that is separate from any change in the underlying tariff.

For households dependent on gas for heating, the effect may amount to several hundred lei per month precisely during the period when utility expenditure is highest.

3.2. Electricity — impact on households

At present, electricity supplied to residential properties is zero-rated for VAT with the right of deduction, irrespective of the amount consumed.

The draft retains 0% VAT only for the first 100 kWh per month at each consumption point, while consumption above that threshold would be subject to 20% VAT.

At the tariffs used in the analysis — MDL 3.56/kWh in the Premier Energy area and MDL 3.95/kWh in the FEE-Nord area — 20% VAT would add approximately MDL 0.712/kWh and MDL 0.79/kWh respectively to consumption above 100 kWh.

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Monthly consumption	Volume subject to 20% VAT	Additional Premier Energy cost	Additional FEE-Nord cost
100 kWh	0 kWh	MDL 0	MDL 0
150 kWh	50 kWh	+MDL 35.60	+MDL 39.50
200 kWh	100 kWh	+MDL 71.20	+MDL 79
300 kWh	200 kWh	+MDL 142.40	+MDL 158
500 kWh	400 kWh	+MDL 284.80	+MDL 316

The 100 kWh threshold is the same for a person living alone and for a large family.

It can easily be exceeded in homes using electric water heaters, electric hobs and ovens, air-conditioning systems, electric heaters, heat pumps, medical equipment or electric vehicles charged at home.

A single 2 kW heater used for two hours per day consumes approximately 120 kWh per month before the rest of household electricity use is taken into account.

3.3. Impact on the business environment

For electricity, the 100 kWh threshold directly affects households.

Ordinary electricity consumption by businesses in commercial premises, industrial halls, offices or production facilities is already subject to the standard VAT rate.

For VAT-registered businesses with a full right to deduct, VAT on electricity is generally recoverable, meaning that the main effect concerns cash flow.

For natural gas, the impact on businesses is more significant.

Currently, the reduced 8% rate applies to natural-gas supplies, but the draft limits it to final consumers at residential consumption points within the established threshold.

As a result, gas used by businesses would, in principle, become subject to the standard 20% rate on their entire consumption.

At the reference tariff of MDL 19.378/m³ excluding VAT, the difference between the 8% and 20% rates is approximately MDL 2.33 per m³.

Monthly business consumption	Bill with 8% VAT	Bill with 20% VAT	VAT difference / additional financing requirement
1,000 m³	MDL 20,928	MDL 23,254	+MDL 2,325
5,000 m³	MDL 104,641	MDL 116,268	+MDL 11,627
10,000 m³	MDL 209,282	MDL 232,536	+MDL 23,254

For VAT-registered businesses with a full right to deduct, the difference is not, in principle, a definitive fiscal cost, but it must be financed until the deduction is obtained.

This increases working-capital requirements and may generate financing costs or liquidity pressure.

For businesses not registered for VAT, businesses with limited deduction rights or entities carrying out exempt supplies without a right to deduct, the shift from 8% to 20% becomes an actual cost; for the same pre-VAT price, the gross bill rises by approximately 11.1%.

The impact may be more pronounced in gas-intensive sectors such as food production and processing, bakeries, greenhouses, HoReCa establishments, workshops, laundries, small manufacturing businesses and other activities that use gas for technological processes or space heating.

To the extent that the additional VAT cannot be fully recovered or generates financing costs, part of the additional burden may be passed on to the prices of goods and services.

The amendment therefore does not affect household consumers alone.

For businesses, it may mean either temporarily tying up a larger amount of financial resources or a direct increase in costs, depending on the VAT regime applicable to the enterprise.

This effect is particularly relevant for small businesses and low-margin sectors, where additional costs are more difficult to absorb.

Conclusion on utilities

Protecting a basic level of consumption is more equitable than applying the 20% rate to the entire bill, but the 100 kWh and 150 m³ thresholds are rigid and do not reflect the real differences between households.

In the case of gas, applying the 20% rate above 150 m³ can increase household bills by several hundred lei during colder months.

The change is also significant for businesses: gas used for economic activity would, in principle, move from 8% to 20% on the entire volume consumed.

Even where VAT is deductible for some businesses, financing requirements increase, while non-VAT-registered businesses and entities with limited deduction rights face a real additional cost that may be passed on to prices.

A more proportionate approach would involve better-calibrated thresholds and protection mechanisms for households and a separate assessment of the impact on small businesses and gas-intensive sectors.

4. Removal of VAT incentives for the waste and recycling sector

The draft proposes the removal of two incentives:

- the VAT exemption without the right of deduction for certain machinery and specialised equipment used in waste collection and recycling;
- the VAT exemption without the right of deduction for waste and residues of paper and cardboard, rubber, plastic and glass purchased in the Republic of Moldova and used directly in business activities.

4.1. Machinery and specialised equipment

The relevant category includes containers for separate waste collection, furnaces and incinerators, machinery for processing rubber and plastics, equipment for shredding, pressing and baling waste, and vehicles used for collecting and transporting household waste.

Value of equipment excluding VAT	Current regime	After removal of exemption
MDL 1,000,000	MDL 1,000,000	MDL 1,200,000
VAT paid	MDL 0	MDL 200,000

For a VAT-registered business carrying out taxable supplies, VAT paid on the acquisition or import can, in principle, be deducted.

The main issue, however, becomes cash flow: the business must temporarily finance the VAT until it is recovered.

For a specialised vehicle or recycling installation costing MDL 5 million, the temporary additional financing requirement may reach approximately MDL 1 million.

Removing the incentive may lead to higher capital requirements, delays in replacing outdated equipment, reduced investment in separate waste collection, increased financing costs and, in some cases, the transfer of additional costs into waste-management tariffs.

4.2. Waste used as raw material

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Currently, waste and residues of paper and cardboard, rubber, plastic and glass purchased in the Republic of Moldova by VAT-registered businesses and used directly in their activities are exempt from VAT without the right of deduction.

Once the exemption is removed, where the supplier is required to charge VAT, the supply will fall under the general 20% regime.

For example, for recycled plastic worth MDL 100,000, the amount payable to the supplier would become MDL 120,000, of which MDL 20,000 would be VAT.

If the factory is VAT-registered and uses the raw material for taxable supplies, the tax can, in principle, be deducted, meaning that the effect is largely one of liquidity.

Removing the exemption does not mean that every item of waste purchased from individuals will automatically become 20% more expensive.

If a private individual who is not VAT-registered delivers cardboard, glass or plastic to a collector, there is no supplier required to invoice 20% VAT.

The impact arises mainly in economic transactions where the supply becomes taxable.

4.3. Assessment

In the case of waste used as raw material, there is an argument in favour of returning to the general VAT regime: an exemption without the right of deduction can interrupt the VAT chain.

In transactions between two VAT-registered businesses with full deduction rights, application of the standard rate may be more neutral from a tax perspective.

That justification is more difficult to apply to specialised equipment, where the incentive also plays a role in stimulating investment in waste collection and recycling infrastructure.

Conclusion on the waste sector

Removing the exemption for recyclable raw materials can be justified on VAT-neutrality grounds in transactions between businesses with full deduction rights.

More debatable is the removal of the incentive for machinery and specialised equipment: even where VAT is deductible, operators must finance an additional 20% of the investment value until the tax is recovered.

For major investments, this can mean hundreds of thousands or millions of lei temporarily tied up and may discourage modernisation of the sector.

Moreover, the simultaneous removal of these incentives is difficult to reconcile with the objectives of expanding separate waste collection, recycling and the circular economy.