



# ASSESSMENT OF THE LEGAL FRAMEWORK FOR PHILANTHROPY IN MOLDOVA

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## Acronyms

<b>AML</b>	Anti-Money Laundering
<b>AML/CFT</b>	Anti-Money Laundering and Counter-Terrorist Financing
<b>BO</b>	Beneficial Owner
<b>CCF Moldova</b>	Child, Community, Family Organization ( <i>Copil Comunitate Familie</i> in Romanian)
<b>CFT</b>	Countering the Financing of Terrorism
<b>CoE</b>	Council of Europe
<b>CRE</b>	Cash Register and Control Equipment
<b>CSO</b>	Civil Society Organization
<b>CSR</b>	Corporate Social Responsibility
<b>CSODP</b>	Civil Society Organizations' Development Programme
<b>EaP</b>	Eastern Partnership
<b>EC</b>	European Commission
<b>ECNL</b>	European Center for Not-for-Profit Law
<b>EU</b>	European Union
<b>FATF</b>	Financial Action Task Force
<b>GIZ</b>	German Agency for International Cooperation
<b>LRCM</b>	Legal Resources Centre from Moldova
<b>MiCA</b>	Markets in Crypto-Assets
<b>ML</b>	Money Laundering
<b>MONEYVAL</b>	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
<b>NRA</b>	National Risk Assessment
<b>NCO</b>	Non-Commercial Organization
<b>NGO</b>	Non-Governmental Organization
<b>NPO</b>	Non-Profit Organization
<b>PSA</b>	Public Services Agency
<b>SDCS</b>	Strategy for the Development of the Civil Society
<b>Sida</b>	Swedish International Development Cooperation Agency
<b>SPCSB</b>	Office for Prevention and Fight against Money Laundering ( <i>Serviciul Prevenirea și Combaterea Spălării Banilo</i> in Romanian)
<b>TF</b>	Terrorist Financing
<b>USAID</b>	United States Agency for International Development
<b>VAT</b>	Value-Added Tax

# 1) Introduction

The [European Center for Not-for-Profit Law Stichting](#) (ECNL) and the [International Center for Not-for-Profit Law](#) (ICNL) (hereinafter – “Assessment team”), in close collaboration with CONTACT Center<sup>1</sup>, developed an Assessment of the legal framework for philanthropy (“Assessment”) in the Republic of Moldova (Moldova), which analyzes the current legal framework for individual and corporate philanthropy, including the percentage designation mechanism.

The Assessment aims to identify existing shortcomings, practical challenges, and good practices, and propose specific recommendations for law reform to expand philanthropy and support the improvement of the regulatory environment for domestic resource mobilization in Moldova. While the Assessment focuses on the legal framework for philanthropy in Moldova, including its implementation, other issues that relate to civil society organizations’ (CSOs) ability to raise funds are identified and highlighted in the Assessment as well. The Assessment’s recommendations consider successful European models and practices related to supporting philanthropy. The broader operating environment for CSOs in Moldova is annually assessed in the CSO Meter; thus, the Assessment team refers to the CSO Meter Moldova country report for a comprehensive overview of issues that affect CSOs, beyond financial sustainability.<sup>2</sup>

The term “CSOs” is used to define “voluntary self-governing bodies or organizations established to pursue the non-profit-making objectives of their founders or members.”<sup>3</sup> For the purpose of the Assessment, the term “CSOs” refers to organizations that fall within the scope of the Moldovan Law on Non-Commercial Organizations (NCOs) (hereinafter – “Law on NCOs”<sup>4</sup>): public associations, foundations, and private institutions.<sup>5</sup> These different legal forms will be further covered in Chapter 3 “[Regulation of Philanthropy](#).”

The Assessment explores aspects of philanthropy that relate to the financial sustainability of CSOs and focuses on private giving for the benefit of CSOs, meaning philanthropic contributions from individuals and companies, as well as resources generated through the percentage designation mechanism. It covers economic activities of CSOs only if such activities can be considered fundraising activities (e.g., sale of tickets for fundraising events, small-scale sale of goods). Other types of economic activities, state funding, and private philanthropy directly benefiting state and private citizens fall outside the scope of this Assessment.

This Assessment will first provide an overview of the methodology used in the preparation of the Assessment. It will subsequently address state policies related to philanthropy and provide an overview of laws and regulations affecting philanthropy. It will elaborate further on individual philanthropy, corporate philanthropy, the peculiarities of specific fundraising methods, and the percentage designation mechanism. Each chapter concludes with an overview of key challenges and opportunities identified. Based on these findings, the Assessment team proposes recommendations for law reform in the last chapter.

## RESEARCH QUESTIONS

**The key questions considered during the desktop research included:**

- What are the obstacles and good practices for CSOs when engaging in philanthropy?
- What are the obstacles and good practices for companies and individuals to support CSOs?
- What are the obstacles and possibilities for further development of the percentage designation mechanism?

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<sup>1</sup> “Profilul,” CONTACT Center, at <https://contact.md/profilul/>.

<sup>2</sup> “Moldova,” CSO Meter, 2023, at <https://csometer.info/countries/moldova>.

<sup>3</sup> Definition as used in the CSO Meter. See also “CSO Meter: Assessing the civil society environment in Eastern Partnership Countries,” Version as of October 2021, at <https://csometer.info/sites/default/files/2022-07/CSO%20Meter%20Explanatory%20Note%20October%202021%20ENG.pdf>.

<sup>4</sup> Law No. 86 of the Republic of Moldova of June 11, 2020 “On Non-Commercial Organizations” (hereafter - “Law of NCOs, No. 86/2020”), Parliament of the Republic of Moldova, at [https://www.legis.md/cautare/getResults?doc\\_id=122391&lang=ro](https://www.legis.md/cautare/getResults?doc_id=122391&lang=ro).

<sup>5</sup> The terms “CSOs” and “NCOs” are used with the same meaning and interchangeably for the purpose of this Assessment.



## METHODOLOGY

Using ECNL’s Monitoring Guide to the Regulatory Environment for Philanthropy mapping tool<sup>6</sup>, the Assessment team conducted data collection through desktop research, requests for information to the State Tax Service, key informant interviews, and one focus group discussion, as well as two validation meetings.

The **desktop research** focused on review of open-source information on the legal framework for philanthropy, data related to CSOs, as well as existing research relating to philanthropy and the percentage designation mechanism. The Assessment team also used information provided by CONTACT Center and acquired from the State Tax Service. We also collected up-to-date information on taxes paid and other financial data through a **request for information** submitted to the State Tax Service.

The Assessment team conducted **21 key informant interviews** with a list of individuals decided jointly with CONTACT Center. The interviewees included representatives of CSOs actively engaged in philanthropy and the percentage designation mechanism, as well as government officials, representatives of companies, and foreign donors. The government officials interviewed included representatives of the State Chancellery and the State Tax Service. Selected companies included businesses and banks who provide financial and other support to CSOs, or who engage with CSOs on a partnership basis or as customers. The desktop research findings informed the preparation of the interview questions. The Assessment team sought to arrange interviews with qualified persons or organizations with the necessary knowledge and practical experience to respond to identified gaps in the desktop research. The Assessment team held the majority of interviews during an in-person visit to Chişinău from March 11–15, 2024, and three interviews were conducted online.

The **focus group discussion**, held on March 13, 2024, convened nine representatives of eight CSOs engaged in philanthropy or the percentage designation mechanism. During the meeting, participants discussed several methods to raise funds from individuals and private businesses, as well as the percentage designation mechanism. Participants shared their experiences with these methods (if any) and highlighted several challenges and opportunities.

**The objectives of the interviews and focus group discussion were:**

- to better understand the context for philanthropy in Moldova;
- to verify the information collected through the desktop research;
- to gather additional information to supplement information received through the desktop research;
- to identify opportunities for improving the legal framework for philanthropy; and
- to identify additional positive or negative practices related to philanthropy.

After the country visit, the Assessment team contacted several interviewees for additional information and fact verification.

Subsequently, the team presented the Assessment’s preliminary findings to stakeholders during meetings held between June 4–7, 2024. In June, the Assessment team met with the State Chancellery, the Minister of Finance, the State Tax Service, as well as the National Bank. CONTACT Center coordinated with the Assessment team to organize two larger **validation meetings**: one for companies that engage in corporate philanthropy; and one for CSOs and donors, also attended by representatives from the State Chancellery and the State Tax Service. The meetings served to:

- verify the key findings of the Assessment; and
- test the viability of the recommendations and identify any missing recommendations, if applicable.

The outcomes of these meetings have been incorporated in the final version of the Assessment.

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<sup>6</sup> “Mapping fundraising for CSOs: a monitoring guide to the regulatory environment for philanthropy,” ECNL, October 2022, at <https://ecnl.org/publications/mapping-fundraising-csos>.

## 2) Overview: State Policies Related to Philanthropy

### CONTEXT AND ANALYSIS

A strong civil society is essential for a well-functioning democracy and an inclusive society. CSOs play a pivotal role in advancing sustainable development and protecting rights and freedoms. They provide services, strengthen civic participation, and amplify the voices of marginalized communities.

Moldova has a vibrant civil society sector. According to the 2021 CSO Meter regional report, Moldova ranks second among the Eastern Partnership (EaP) countries (after Georgia) on the number of CSOs, with 44 registered organizations per 10,000 inhabitants.<sup>7</sup> According to the data from the State Register of legal entities, as of April 1, 2024, there were 15,875 CSOs in Moldova.<sup>8</sup> Not all these CSOs are active. For example, at the beginning of 2020, only 5,592 of the 13,850 registered non-profit organizations (NPOs) were active.<sup>9</sup> In 2022, 6,114 CSOs filed the income tax declaration (“ONG17 form”).<sup>10</sup>

Although access to resources is a fundamental prerequisite for CSOs to advance their mission and sustain their work, financial sustainability is a primary challenge for CSOs globally. This is no different in Moldova. The 2022 CSO Sustainability Index awarded Moldovan CSOs a financial viability score a 4.2, a slight improvement from 4.4 in 2018.<sup>11</sup> The increase in 2022 is related to the significant influx of foreign funding to support Ukrainian refugees in Moldova. Still, financial viability in Moldova has the worst score across all seven areas measured by the CSO Sustainability Index.<sup>12</sup>

Moldovan CSOs are largely reliant on grants from international donors.<sup>13</sup> A survey conducted by the CONTACT Center (CONTACT Center, 2023–2024) revealed that the most common funding source for CSOs in Moldova is foreign funding (67%), representing 72.7% of the budgets of organizations whose most common source of funding is foreign funding.<sup>14</sup> The main international donors of these Moldovan CSOs are the European Union (EU) and the United States Agency for International Development (USAID), followed by United Nations (UN) agencies, the German Agency for International Cooperation (GIZ), and the Swedish International Development Cooperation Agency (Sida). Moldovan CSOs can benefit from governmental financial support through grants, subsidies, and service contracts.

Strengthening CSOs’ financial sustainability has been one of the strategic objectives of several civil society development policies in Moldova. One of the three priorities of the Moldovan government’s Strategy for the Development of the Civil Society (SDCS) for 2012–2015 was to “promote and strengthen the financial sustainability of the civil society.” The strategy envisioned several specific

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<sup>7</sup> “CSO Meter: A compass to conducive environment and CSO empowerment – Regional Report 2021,” ECNL, Transparency International Anticorruption Center, MG Consulting LLC, Civil Society Institute, Promo-LEX Association, and UCIPR, 2022, at [https://csometer.info/sites/default/files/2022-08/CSO%20Meter\\_%20Regional%20Report%202021.pdf](https://csometer.info/sites/default/files/2022-08/CSO%20Meter_%20Regional%20Report%202021.pdf).

<sup>8</sup> “State Registry of Non-Commercial Organizations,” Official Page of the Public Service Agency, at <https://www.asp.gov.md/sites/default/files/date-deschise/date-statistic/2024/rsud/RSON.xlsx> (accessed on April 5, 2024).

<sup>9</sup> Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), “Republic of Moldova: 2nd Enhanced Follow-up Report & Technical Compliance Re-rating,” Council of Europe (CoE), May 2024, at <https://rm.coe.int/moneyval-2024-4-md-5thround-2ndenhfur/1680b05e46>.

<sup>10</sup> As indicated in the official answer from the State Tax Service, No. 26-17-08-152180, of October 19, 2023.

<sup>11</sup> Scores are measured on a 7-point scale, with 1 representing the best possible score. See “2022 Civil Society Organization Sustainability Index: Central and Eastern Europe and Eurasia,” USAID, FHI 360, and ICNL, November 2023, at <https://www.fhi360.org/wp-content/uploads/drupal/documents/csosi-europe-eurasia-2022-report.pdf>.

<sup>12</sup> The CSO Sustainability Index reports on advances and setbacks in seven key components or “dimensions” of the sustainability of civil society: legal environment, organizational capacity, financial viability, advocacy, service provision, sectoral infrastructure, and public image.

<sup>13</sup> *Id.*

<sup>14</sup> “What Do Moldovans Think About CSOs”: a comprehensive study of CSOs, companies, and general population, November 2023 – January 2024, CONTACT Center (hereafter - “CSO Perception Analysis”). This study is conducted as a baseline for the Moldova Civil Society Resiliency Activity (CSRA), implemented by the CONTACT Center with financial support from USAID Moldova.

objectives to achieve this priority, three of which directly relate to philanthropy and the percentage designation mechanism:

- To ensure the right to directing a part of the income tax (2%) of individuals and legal entities to NCO-holders of the public benefit status.
- To make tax deductions for donations applicable to companies more efficient and extend the tax deduction to individuals.
- To strengthen the relations between businesses and CSOs in view of facilitating private funding.

Based on this, the 2012–2015 SDCS prioritized implementation of the introduction of the percentage designation mechanism – the possibility for individual taxpayers to select a CSO to receive 2% of the income taxes they pay to the government.

The Parliament adopted the “2% Law” on July 18, 2014, subsequently amended in July 2016.<sup>15</sup> This Law introduced the definition and key rules of the percentage designation mechanism by the amendment of the Tax Code, the Criminal Code, and the Law on Public Associations. Implementation of the mechanism started after the government adopted the Regulation on the Percentage Designation Mechanism in November 2016. Starting January 2017, taxpayers had the opportunity to designate 2% from the tax paid on their income earned in 2016.

As evidence of its importance, the objective to “promote and strengthen the financial sustainability of the civil society” remained a strategic priority in the Moldova Civil Society Development Strategy 2018–2020. This included an identified need to improve the mechanism for the tax deduction after donation, which required an amendment of the sponsorship and philanthropy regulatory framework and an adjustment of the normative framework on deduction of donations. Separately, the development of the percentage designation mechanism remained a priority in the Strategy – with the aim to improve the mechanism for designating 2% from the income of individuals, ensure its functioning, and promote it by organizing a campaign.

In order to implement the Strategy in the area of philanthropy, amendments to the Law on Sponsorship and Philanthropy were adopted in 2022.<sup>16</sup> We will further elaborate on this law in Chapter “[3. Regulation of Philanthropy](#).” Still, Moldova did not complete the revision of the tax incentives for donors and sponsors which are provided only to companies and not to individuals.

On November 1, 2023, the Government adopted the Civil Society Organizations’ Development Programme 2024–2027 (CSODP 2024–2027<sup>17</sup>), three years after the expiry of the previous policy document (Civil Society Development Strategy 2018–2020). Financial sustainability of CSOs remains a core priority; one of the three objectives of the CSODP 2024–2027 is “Ensuring sustainable funding for civil society organizations, both from public and alternative sources.”<sup>18</sup> A key focus under the CSODP is the 2% mechanism. The Programme aims to:

- Increase by at least 15% annually the amounts redirected to CSOs through the percentage designation mechanism by its promotion.
- Examine the opportunity to increase the percentage share from 2% to 3% and examine the possibility of using the percentage mechanism for legal persons.
- Improve the transparency of the use of financial sources from the percentage mechanism.
- Strengthen the role of the State Chancellery in coordinating the development of the percentage mechanism.

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<sup>15</sup> Law No. 158/2014, Parliament of the Republic of Moldova.

<sup>16</sup> “Moldova: Draft law amending legislation on philanthropy and sponsorship voted in first reading,” CSO Meter, May 30, 2022, at <https://csometer.info/updates/moldova-draft-law-amending-legislation-philanthropy-and-sponsorship-voted-first-reading>.

<sup>17</sup> “Government Decision 845/2023 For the approval of the Civil Society Organizations Development Programme for the period 2024–2027,” Government of the Republic of Moldova, November 1, 2023, at [https://gov.md/sites/default/files/document/attachments/acte\\_normative\\_adoptate\\_in\\_sedinta\\_guvernului\\_din\\_01.11.2023.pdf](https://gov.md/sites/default/files/document/attachments/acte_normative_adoptate_in_sedinta_guvernului_din_01.11.2023.pdf).

<sup>18</sup> “Moldova: Government adopts CSO Development Programme 2024–2027,” CSO Meter, November 15, 2023, at <https://csometer.info/updates/moldova-government-adopts-cso-development-programme-2024-2027>.



Separately, the CSODP 2024–2027 aims to increase the level of benefits for philanthropic donations and sponsorship and specifically lists as one of the planned activities to analyze the opportunity to gradually increase the maximum level allowed for deducting any donations made during the fiscal period by companies (currently 5% of taxable income).

In addition to state policies, self-regulation standards/codes can also affect philanthropy practices. In Moldova, the NGO Council (an informal coalition of various CSOs) made two unsuccessful attempts (in 2008 and in 2017–2018) to adopt a Code of Ethics. In addition, sectoral organizations, such as the EaP Civil Society Forum, developed internal codes of ethics. The most recent initiative is the draft Code of Ethics and Conduct developed by the Platform for the Development and Promotion of Philanthropy (hereafter – “the Platform”). This Platform, established in 2019, is an informal coalition of more than 40 CSOs that includes major policy and advocacy organizations in Moldova as well as some of the biggest organizations that engage in fundraising of corporations and individuals. The draft Code of Ethics and Conduct contains different principles, some of which are related to the good governance of the Platform’s members, while others focus on fundraising. Among the principles that are important to collecting donations and percentage designations are the following:

- Organizations need to publish annual activity reports, containing financial information.
- Funds obtained through philanthropy and sponsorship should be used responsibly, prudently, and efficiently.
- In the case of fundraising campaigns, the signatory organization ensures public communication, in a visible place, of the information regarding the name of the campaign, the event, the purpose of the collection, the collection period, and the targeted amount.
- At the end of the fundraising campaign, the signatory organization will prepare and publish a press release in which it will publish the information about the result of the collection and, if applicable, the use of the funds.

In addition, the draft Code of Ethics and Conduct of the Platform provides for the creation of a Philanthropy Council to oversee the implementation of the Code. However, no consensus was reached on the final version of the Code of Ethics and Conduct. As of the writing of this Assessment, the Code has not been approved or adopted, and the Council has not been established.

It is also important to note that the Platform has engaged in discussions with banks to overcome CSOs’ challenges with financial access, as well as advocate with the Ministry of Finance for an increase of the tax benefits for companies that provide sponsorship or donations. Hence, the Platform is an important counterpart with whom the government can engage.

## CHALLENGES AND OPPORTUNITIES IDENTIFIED

### OPPORTUNITIES:

- The adoption of the CSODP 2024–2027 in November 2023<sup>19</sup>, in which CSO financial sustainability is a core priority and the percentage designation mechanism is one of the focus areas, demonstrates the government’s openness to strengthening CSOs.
- The program through which the government aims to attract funding from diaspora – “Diaspora Acasă Reușește: DAR 1+3”<sup>20</sup>, led by the State Chancellery, Diaspora Relations Office – invites the diaspora community to contribute to the realization of social-economic development projects at the local level, together with local public authorities through a co-funding mechanism. The biggest share of funding comes from the diaspora, which is – if a project proposal is approved by the Evaluation and Supervision Committee – supplemented by resources from the state budget. Fundraising is done

<sup>19</sup> *Id.* Government Decision 845/2023.

<sup>20</sup> Office of Diaspora Relations, “Diaspora At Home Succeeds “But 1+3,” Government of the Republic of Moldova, upd. 2024, at <https://brd.gov.md/ro/content/diaspora-acasa-reuseste-dar-13>.

through hometown associations and diaspora associations. 80 diaspora-funded projects have successfully been implemented.

- Various government agencies, such as the State Chancellery, the National Bank, and the State Tax Service, expressed great interest and support for the Assessment team's evaluation.
- The existence of the Platform for the Development and Promotion of Philanthropy provides a substantial opportunity for dialogue with the government on regulations and policies affecting philanthropy, and for advancement of self-regulation of the sector.

## CHALLENGES:

- Low implementation of the state policy for civil society development is the main challenge. The government implemented less than 50% of the measures from the 2017–2020 strategy.<sup>21</sup> The government has not invested sufficient resources in the implementation of philanthropy and the percentage mechanism in the previous civil society development strategies.
- Despite having a CSODP, the government lacks a targeted policy, holistic plan, or political commitment to stimulate and develop philanthropy. Measures taken were a result of a push on the side of civil society, and when such a measure became part of the government policy (e.g., the 2% mechanism), the state did not invest sufficient resources to ensure this mechanism becomes fully operational and used widely.
- State authorities do not provide public information about the donations made in Moldova (unlike in the case of the 2% designations for which the authorities publish an annual report).



<sup>21</sup> Cancelaria de Stat, "RAPORT: privind implementarea Strategiei de dezvoltare a societății civile pentru perioada 2018-2020," Government of the Republic of Moldova, 2021, at [https://cancelaria.gov.md/sites/default/files/document/attachments/raport\\_strategie\\_dsc\\_2018-2020\\_iii\\_anexe.pdf](https://cancelaria.gov.md/sites/default/files/document/attachments/raport_strategie_dsc_2018-2020_iii_anexe.pdf).

### 3) Regulation of Philanthropy

#### LAW ON NON-COMMERCIAL ORGANIZATIONS

In Moldova, the Law on NCOs regulates the right of individuals to associate freely. This Law acknowledges citizens' right to associate freely without an obligation to register, as well as their right to establish formal organizations. The Law explicitly states that no one can be forced to establish an NCO, become a member of a public association, or be penalized for founding, being, or not being a member of an NCO.<sup>22</sup> NCOs are defined as legal entities whose principal goal is other than to earn income. They can be registered as a public association, foundation, or private institutions (as indicated in the [Introduction](#), we refer to organizations governed by the Law on NCOs as "CSOs").

**Public association:** a CSO voluntarily established by its founders for the non-commercial purposes for which it was formed.

**Foundation:** a CSO without members, established by one or more persons, with assets separate and distinct from those of the founders, for the attainment of the non-commercial aims laid down in the constituent instrument.

**Private institution:** a CSO set up by a single person for non-commercial purposes and partly or wholly financed by that person.

In addition, other laws provide for the establishment of other forms of associations, such as local action groups, trade unions, employers' unions, and the newly introduced intercommunity development associations in 2023. In total, 16,195 NPOs were registered in Moldova as of July 2024, of which 11,957 (74%) were public associations, private institutions, and foundations.<sup>23</sup>

The registration procedure for public associations, foundations, and private institutions takes up to fifteen days.<sup>24</sup> Registration can be done by submission of documents as hard copies or electronically to the Public Services Agency (PSA), the national registration authority. Although registration is free for CSOs<sup>25</sup>, additional fees can be applicable, for example, related to the verification and reservation of the desired name by the PSA, depending on the desired timeline.<sup>26</sup> In addition to documents required to register a CSO as a legal entity, CSOs must submit a declaration on the beneficial owner (BO), based on the legislation related to anti-money laundering (AML) and countering the financing of terrorism financing (CFT) (collectively referred to as "AML/CFT").<sup>27</sup>

<sup>22</sup> Art. 3 (1), Law on NCOs, No. 86/2020.

<sup>23</sup> "State Registry of NCOs," Official Page of the Public Services Agency (PSA), 2024, at <https://www.asp.gov.md/sites/default/files/date-deschise/date-statistic/2024/rsud/RSON.xlsx> (accessed on July 30, 2024).

<sup>24</sup> "CSO Meter 2023: Moldova Country Report," ECNL Stichting and Promo-LEX Association, 2023, at [https://csometer.info/sites/default/files/2023-12/CSO%20Meter%20Moldova%20Country%20Report%202023%20EN\\_1.pdf](https://csometer.info/sites/default/files/2023-12/CSO%20Meter%20Moldova%20Country%20Report%202023%20EN_1.pdf).

<sup>25</sup> See "State registration of the non-commercial organization, its branch, as well as the branch of the foreign non-commercial organization," PSA, 2023, at <https://www.asp.gov.md/ro/servicii/persoane-juridice/211-2>.

Local Action Groups (associations of local public authorities, CSOs and businesses), trade unions and Associations of Water Consumers pay a fee of 1149 MDL (around 60 EUR).

<sup>26</sup> Based on Art. 13 (4) and (5) of the Law on NCOs, 86/2020. Fees can be found here: <https://www.asp.gov.md/ro/servicii/persoane-juridice/22>.

<sup>27</sup> Art. 14 of Law on Preventing and Combating Money Laundering and Terrorist Financing, No. 308/2017 (hereafter – "the Law on AML/CFT").

## PUBLIC BENEFIT STATUS

CSOs that have been active for more than one year can apply for public benefit status.<sup>28</sup> The public benefit status is awarded by a Certification Commission, consisting of nine members of which three are appointed by Parliament, three by the President of the Republic of Moldova, and three by the government. Of the three members appointed by each authority, at least one is a financial specialist, and one is a representative of a CSO.<sup>29</sup> The public benefit status is awarded for five years, after which a request for reconfirmation needs to be filed. To apply, organizations must submit activity reports (for one year in case of a first request, and for three years in case of reconfirmation), financial reports, and information about funding sources (the latter at the level of funding categories, not individual donors). The Commission must decide within one month of the submission of the complete filed request.

At present, there are minimal incentives and limited benefits for organizations to have a public benefit status, which explains why public benefit status is not popular among Moldovan CSOs. The only benefit exclusively available to organizations with public benefit status is the option to make use of public property free of charge or under preferential conditions.<sup>30</sup> Furthermore, although the Law on NCOs states that tax benefits (such as tax exemptions and reduced taxes or fees<sup>31</sup>) could be granted to organizations with public benefit status, no such benefits are in place.

## RIGHT TO REQUEST, RECEIVE, AND USE FINANCIAL AND IN-KIND RESOURCES

The Law on NCOs states that CSOs are free to and have the right to request, receive, and use financial and material means, from the country or abroad, in order to achieve their statutory goals.<sup>32</sup> Such means can come from different sources, including international donors, the state, companies, and individuals. As stated in the [Introduction](#), many CSOs rely heavily on international donors for their income. The right to receive financial support from foreign and international organizations, foreign citizens, and stateless persons is amplified in the Law on Philanthropy and Sponsorship<sup>33</sup>, which we will discuss hereinafter. The state also provides financial and in-kind support to CSOs.<sup>34</sup> Financial support can be offered by the state through non-reimbursable funding (grants)<sup>35</sup>, contracting of work and services (including through social order<sup>36</sup>), or through special purpose financing (subsidies, for example, related to job creation). Such support can be provided after a public competition.<sup>37</sup> However, in this Assessment, the authors focus on income from individuals and companies, as well as on income through the percentage designation mechanism, further elaborated on in Chapter [“7. Percentage Designation Mechanism.”](#)

## LAW ON PHILANTHROPY AND SPONSORSHIP

Philanthropy in Moldova is regulated through the Law on Philanthropy and Sponsorship, adopted in 2002.<sup>38</sup> This Law seeks to stimulate philanthropic and sponsorship activities, provide the necessary

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<sup>28</sup> Art. 22 (1), Law on NCOs, No. 86/2020.

<sup>29</sup> Art. 24, Law on NCOs, No. 86/2020.

<sup>30</sup> *Ibid.* Art. 23 (1), Law on NCOs, No. 86/2020.

<sup>31</sup> Art. 6 (9) (g), Tax Code, No. 1163/1997.

<sup>32</sup> Art. 3 (3) and Art. 7 (1), Law on NCOs, No. 86/2020.

<sup>33</sup> Art. 25 (4) of the Law of the Republic of Moldova of October 31, 2002, No. 1420-XV "On Philanthropy and Sponsorship" (hereafter – "Law on Philanthropy and Sponsorship, No. 1420/2002").

<sup>34</sup> Art. 5 (4), Law on NCOs, No. 86/2020.

<sup>35</sup> Non-reimbursable funding is defined as financial support granted by the state to NCOs for the implementation of projects according to the development priorities established for each field, which is provided for in the state budget and in the budgets of administrative-territorial units. See Government Decision No. 656/2022.

<sup>36</sup> "Social order" is a form of social programs organized by public authorities to meet certain social needs of the community. The aim is to finance and contract works and services of public utility that are not fully covered by other sectors (public or private). It is conducted according to legislation on public procurement and only non-commercial can participate. See Art. 5 (8), Law on NCOs, No. 86/2020.

<sup>37</sup> Art. 5 (6) and (7), Law on NCOs, No. 86/2020.

<sup>38</sup> Law on Philanthropy and Sponsorship, No. 1420/2002.

regulatory framework, and enhance transparency on philanthropic and sponsorship activities.<sup>39</sup> An amendment to the Law introduced in 2022 provided more clarity on the definitions and legal status of philanthropic and sponsorship activities, while removing the category of philanthropic organizations, as no regulation provided further details on this type of legal entities and how to register them; consequently, no such organizations were formed. Furthermore, the amendment eliminated the stipulation that a maximum 20% of donations can be used for administrative expenses.

## DONATION, PHILANTHROPIC DONATION, AND SPONSORSHIP

Under the Law on Philanthropy and Sponsorship, a “philanthropic donation” is distinguished from the general concept of “donation,” which is regulated under the Civil Code. The legal definitions of donations (gifts), philanthropic donations, and sponsorship are as follows:

**Donation:** an agreement in which one party (the donor) undertakes to increase the assets of the other party (donee) free of charge from his assets.<sup>40</sup>

**Philanthropic donation:** the voluntary, impartial, disinterested, and unconditional transfer of the right of ownership or the right to possess, use and dispose of property, and the performance or disinterested supply (free of charge or on favorable terms) of work or services by a natural or legal person for the purposes listed in article 2 of the Law on Philanthropy and Sponsorship.<sup>41</sup>

**Sponsorship:** transfer of ownership of a sum of money or other property under a legal act by which the parties agree to support non-profit activities carried out by one of the parties, referred to as the beneficiary of the sponsorship, in return for benefits agreed by the parties.<sup>42</sup>

Thus, the Law on Philanthropy and Sponsorship distinguishes a “philanthropic donation” from a regular “donation” in the following manner:

- The Law on Philanthropy and Sponsorship lists the goals for which a philanthropic donation can be utilized, which is not defined by law for regular donations.<sup>43</sup> The list includes, for example, the promotion of science, culture, art, sports, health, education, poverty reduction, democracy and human rights, civil society strengthening, and preservation of cultural heritage.
- While regular donations can be made to any natural or legal person, the Law on Philanthropy and Sponsorship lists the legal entities that are eligible to be beneficiaries of philanthropic donations. These are CSOs, public institutions (health, social security, educational), local public authorities of the first and second level, social enterprises, integrative social enterprises, and “religious cults.”
- In addition, as will be outlined in subsequent sections, the Tax Code stipulates that companies that make philanthropic donations to CSOs (or engage in sponsorships) can deduct these donations from their taxable income to a maximum of 5% of the taxable income<sup>44</sup>, which is not the case for regular donations, for example, to individuals.

In Art. 2(2), the Law on Philanthropy and Sponsorship indicates that philanthropic donations cannot be used to cover “maintenance cost,” which could be interpreted as a prohibition to utilize such donations for administrative expenses. However, at the same time, Art. 20 (3) explicitly states that an organization that receives a philanthropic donation can use it to carry out its activities and to cover administrative expenses. Moreover, during the revision of the Law, the earlier 20% limit on

<sup>39</sup> Art. 1 (2), Law on Philanthropy and Sponsorship, No. 1420/2002.

<sup>40</sup> Art. 1198, Civil Code, No. 1107/2002.

<sup>41</sup> Art. 1-1 (1), Law on Philanthropy and Sponsorship, No. 1420/2002.

<sup>42</sup> *Id.*

<sup>43</sup> *Ibid.* Art. 2 (1) and (2), Law on Philanthropy and Sponsorship, No. 1420/2002.

<sup>44</sup> Art. 36 (1) and (2), Tax Code, No. 1163/1997.



administrative expenses was intentionally removed and practice has shown CSOs encounter no legal challenges if they use such funds to cover administrative expenses.

**The key differences between a “philanthropic donation” and “sponsorship” are that:**

- A sponsor enjoys certain benefits, which are to be agreed among parties, in exchange for the contribution, while a donor must not benefit from donations.
- The Law stipulates that a contract needs to be in place for sponsorship, while it is not required in case of a philanthropic donation. However, a donation contract does need to be in place in order for a corporate donor to make use of the tax incentive for philanthropic donations, which will be covered in Chapter “[5. Corporate Philanthropy](#).”
- Recipients of sponsorship are obliged to use the resources received for the purposes and on the terms established by the sponsor in the sponsorship agreement<sup>45</sup>, while recipients of philanthropic donations may use them at their own discretion within the limits set by the Law on Philanthropy and Sponsorship, unless parties do conclude an agreement regarding the use of the donation.

The benefits that a sponsor enjoys often relate to visibility and public communication. In such cases, the benefit is similar to advertising, which is defined by the Law on Advertising as “*information disseminated in any way and using any means, addressed to an indefinite number of people, in order to generate and/or support public interest in an object of advertising.*”<sup>46</sup> However, unlike advertising, in the case of sponsorship, the communication activities are among the benefits the sponsor enjoys and are not the main objective of the agreement. Furthermore, income from advertising is taxed and income generated by CSOs under a sponsorship contract is tax exempt, as will be discussed in the section titled “[Tax Treatment of Donations and Sponsorship](#)” in Chapter “[5. Corporate Philanthropy](#).”

The same legal entities that benefit from sponsorship can receive philanthropic donations. However, donations to political parties and other socio-political organizations are not recognized as philanthropic and sponsorship activities under the Law<sup>47</sup>, and participants in philanthropic and sponsorship activities cannot support and promote political parties, politicians, election candidates, and symbols of political parties.<sup>48</sup>

## REQUIREMENTS FOR FUNDRAISING ACTIVITIES

The Law on Philanthropy and Sponsorship explicitly states that natural and legal persons have the right to carry out philanthropic and sponsorship activities without hindrance and at their free choice.<sup>49</sup> CSOs do not need to seek prior approval before conducting any public fundraising activity. However, some fundraising activities may be regulated by other laws and regulations. When CSOs organize a fundraising event, relevant laws regulating the conduct of such events apply.<sup>50</sup> Based on these laws, CSOs may be required to notify in writing the Local Public Administration about the fundraising event.

## REPORTING

CSOs have reporting obligations under different laws. The Law on NCOs requires public associations, foundations, and private institutions to publish annual activity reports no later than six months after the end of the year for which they are drawn up. If the organization does not publish the annual report of activity, it must share the report, within a maximum of one month, with anyone who asks

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<sup>45</sup> Art. 20 (2), Law on Philanthropy and Sponsorship, No. 1420/2002.

<sup>46</sup> Law on Advertising, No. 62/2022.

<sup>47</sup> Art. 1 (3), Law on Philanthropy and Sponsorship, No. 1420/2002.

<sup>48</sup> Art. 20 (4), Law on Philanthropy and Sponsorship, No. 1420/2002.

<sup>49</sup> Art. 5 (1), Law on Philanthropy and Sponsorship, No. 1420/2002.

<sup>50</sup> These include the Law on Assemblies, No. 26/2008; and the Law on Local Public Administration, No. 436/2006.

In addition, at the time of publication of this report, the Minister of Internal Affairs is working on a draft law on public events, which seeks to regulate the organization and conduct of public events of a religious nature, divine services, other traditional events, sports cultural-artistic events and other entertainment activities.

for it, including competent public authorities.<sup>51</sup> Publication of annual reports is also a requirement for obtaining a public benefit status.<sup>52</sup> The annual activity report must contain information on the activities carried out, income (both financial and in-kind resources), as well as other relevant information.<sup>53</sup> The reporting obligation is reinforced in the Law on Philanthropy and Sponsorship, which states that beneficiaries of philanthropic donations or sponsorship must ensure the publication of an annual report through the means by which they publicize their activities, unless the philanthropist or sponsor provides otherwise.<sup>54</sup> The Law warrants the right of donors to receive relevant information and states that donors have the right to exercise control over the use of their donations and sponsorship.<sup>55</sup>

Furthermore, CSOs must submit periodic financial and tax reports (tax reports are listed in the following section). Control over the legitimacy of philanthropic and sponsorship activities is exercised by the Financial Inspectorate, which determines whether the financial and material means obtained as a result of philanthropic donations and through sponsorship have been used to implement the purposes set out in the Law on Philanthropy and Sponsorship.<sup>56</sup>

The Assessment team did not identify cases in which the Financial Inspectorate determined that CSOs did not use the means according to the Law, except for one case mentioned during the March 13, 2024 focus group discussion in which a tax inspector labeled income from a sponsorship agreement as advertisement income and imposed income tax.

## TAXATION OF PHILANTHROPY

**All CSOs are exempt from income tax for the incomes that:**

- come from activities (including economic activities) that are carried out in accordance with their objectives as set out in their statute (or another constitutive document); and
- are used for achieving the CSOs' statutory objectives.<sup>57</sup>

**Furthermore, the CSO must meet the following criteria:**

- The statute (or another constitutive document) has a prohibition for distributing funds to founders, members, or employees, and the funds are not used in the interest of a founder, member of the organization, or an employee (except for salary expenses).
- The CSO does not support and finance political parties, political blocks, or candidates for election.<sup>58</sup>

While the Law on NCOs provides that CSOs have the right to carry out economic activity to achieve their statutory goals<sup>59</sup>, the Tax Code indicates that CSOs must define economic activity in their statute, regulation, or other constituent document in order for income derived from these activities to be exempt from income tax. In addition, such economic activities must correspond to, and result directly therefrom, the objectives and purposes of the CSO set forth in the statute, regulation, or other constituent document.<sup>60</sup>

Some traditional fundraising activities qualify as economic. Such activities include the charitable sale of goods or services, the organization of charitable concerts with entry tickets, charitable auctions, etc. These activities would be exempt from income tax if provided by the statute. During interviews, CSOs indicated a lack of clarity among CSOs with regards to the level of detail at which such activities should be included in the statute. Responding to questions posed by the Assessment

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<sup>51</sup> Art. 7 (3), Law on NCOs, No. 86/2020.

<sup>52</sup> Art. 22 (1) (i), Law on NCOs, No. 86/2020.

<sup>53</sup> Art. 7 (3), Law on NCOs, No. 86/2020.

<sup>54</sup> Art. 24 (2), Law on Philanthropy and Sponsorship, 1420/2002.

<sup>55</sup> Art. 23 (2), Law on Philanthropy and Sponsorship, 1420/2002.

<sup>56</sup> Art. 23 (1), Law on Philanthropy and Sponsorship, 1420/2002.

<sup>57</sup> Art. 52 (2), Tax Code, 1163/1997

<sup>58</sup> Art. 52 (2), Tax Code, 1163/1997

<sup>59</sup> Art. 6 (2), Law on NCOs, No. 86/2020

<sup>60</sup> Art. 52 (2) (a1), Tax Code, 1163/1997

team, the State Tax Service indicated that the sale of goods and tickets should be mentioned as “retail” in a CSO’s statute; it is not necessary to detail each good that will be sold. However, the State Tax Service did not provide an official interpretation of the relevant provision.

#### **CSOs must submit the following tax declarations:**

- The income tax declaration (“ONG17 form”), approved by Order of the Ministry of Finance no. 08/2018. The ONG17 form is submitted annually, before the deadline of March 25. Among other incomes, it includes the income received through the percentage designation mechanism.
- The report on the withholding of income tax, mandatory health care insurance premiums, and calculated mandatory state social insurance contributions (“IPC form”), approved by Order of the Ministry of Finance no. 94/2020. The IPC form is submitted monthly, by the 25th of the month following the month in which the payments took place.
- The information note regarding the salary and other payments made by the employer for the benefit of the employees, as well as the payments paid to tax residents from sources of income other than the salary and the income tax withheld from these payments (“ILAS form”), approved by Order of the Ministry of Finance no. 95/2020 the year. The ILAS form is submitted annually, before the deadline of January 25.
- The information note regarding the tax withheld from sources of income other than the salary paid to non-tax residents (“INR form”), approved by Order of the Ministry of Finance no. 140/2017. The INR form is submitted annually, before the deadline of January 25.
- The value-added tax (VAT) form (“VAT12 form”), approved by Order of the Chief of the Fiscal Inspectorate no. 1164/2012, in case of import of services.

Donations made by CSOs to individuals are exempt from income tax if made in accordance with the statute of these organizations.<sup>61</sup> This Assessment covers tax incentives for individual and corporate donors in subsequent chapters on individual and corporate philanthropy.

## **DATA PROTECTION**

Fundraising activities are also affected by laws and regulations related to data protection as CSOs collect and process personal data during fundraising processes. The right to privacy, family and private life, home, and correspondence is protected by the Constitution of the Republic of Moldova<sup>62</sup> and violations of the right to privacy are criminalized in the Criminal Code.<sup>63</sup> The right to data protection originates from the right to privacy, and is regulated through the Law on Personal Data Protection.<sup>64</sup> This Law aims to ensure the protection of the fundamental rights and freedoms of natural persons regarding the processing of personal data.<sup>65</sup> The Law defines personal data as any information relating to an identified or identifiable natural person.<sup>66</sup> Personal data can only be collected for specific, explicit, and legitimate purposes, and must be processed correctly and according to the law.<sup>67</sup> Processing of personal data is carried out with the consent of the subject of the personal data, except for situations defined by the Law, for example, the execution of a contract to which the data subject is party or fulfilling legal obligations.<sup>68</sup> Consent is also not required when the processing is for the purpose of the legitimate interest pursued by the holder of the data, unless such interest violates the fundamental rights and freedoms of the data subject.<sup>69</sup>

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<sup>61</sup> Art. 20 (l), Tax Code, No. 1163/1997.

<sup>62</sup> Constitution of the Republic of Moldova, Art. 28, Intimate, family and private life; Art. 29, Inviolability of the home; Art. 30, The privacy of correspondence.

<sup>63</sup> Criminal Code of the Republic of Moldova, No. 985/2002; Art. 177: Violation of Privacy, Art. 178: Violation of the Right to Privacy of Correspondence; Art. 260-1; Illegal interception of an Information Data Transfer.

<sup>64</sup> Law No. 133 of the Republic of Moldova of July 8, 2011, “on Personal Data Protection” (hereafter - “Law regarding the protection of personal data, No. 133/2011”), at <https://datepersonale.md/legislation/national-legislation/legii/>.

<sup>65</sup> *Id.* Art. 1, Law regarding the protection of personal data, No. 133/2011.

<sup>66</sup> *Ibid.* Art. 3, Law regarding the protection of personal data, No. 133/2011.

<sup>67</sup> *Ibid.* Art. 4, Law regarding the protection of personal data, No. 133/2011.

<sup>68</sup> *Ibid.* Art. 5 (1) and (5), Law regarding the protection of personal data, No. 133/2011.

<sup>69</sup> *Ibid.* Art. 5(5), Law regarding the protection of personal data, No. 133/2011.

CSOs collect data on individual beneficiaries, and they collect and store personal data to identify and contact (potential) supporters, and process their donation. CSOs and third-party intermediaries must ensure compliance with the Law on Personal Data Protection by obtaining explicit consent from supporters, unless any other legal basis is available for the processing of personal data. This legal basis could be their legitimate interest (e.g., to send communications to existing donors), or the performance of a contract (e.g., to send administrative updates regarding donations). CSOs need to inform their supporters about the use of their personal data and indicate their rights related to the data processing. If processing of personal data is based on consent, the consent must remain valid throughout the entire processing. In case the consent is withdrawn, CSOs can no longer process personal data based on the consent. Personal data can be used only for the purpose for which it was collected. A CSO needs to collect a new consent or determine another legal basis if the purpose for processing the personal data changes. Furthermore, data collection must be limited to what is necessary: CSOs and third parties cannot collect more data than is needed for the purposes for which they collect and process it.<sup>70</sup> Data must also be accurate and, if necessary, updated and can only be stored for a necessary period of time.<sup>71</sup>

In July 2024, Parliament adopted a new Law on Data Protection<sup>72</sup>, which aims to transpose the EU General Data Protection Regulation (GDPR) into the regulatory framework. This new Law strengthens the right of data subject, for example by providing more details on the right to access data and information and introducing a clearer “right to be forgotten”, which refers to deletion of personal data. The new Law was published in the Official Gazette on August 23, 2024, and will enter into force on August 23, 2026.

## RULES ON ANTI-MONEY LAUNDERING AND TERRORISM FINANCING

CSOs, their donors and beneficiaries, as well as intermediaries in philanthropic activities, are affected by regulations aimed to prevent and combat money laundering (ML) and terrorist financing (TF). The legal framework for this is provided by the Law on preventing and combating money laundering and terrorist financing (hereinafter – “the Law on AML/CFT”<sup>73</sup>) and numerous regulations, adopted by the Office for Prevention and Fight against Money Laundering (*Serviciul Prevenirea și Combaterea Spălării Banilo* in Romanian) (hereinafter – “SPCSB”), the National Bank of Moldova, the Centre for Combating Corruption and Economic Crime, the National Commission of Financial Market Regulation, and the National Securities Commission. The Law on AML/CFT was adopted by the government of Moldova to comply with international standards, notably the EU Directive on AML/CFT<sup>74</sup>, and standards adopted by the Financial Action Task Force (FATF) in February 2012. The purpose of the law is to “*establish measures to prevent and combat money laundering and the financing of terrorism, which contribute to ensuring the security of the state, with the aim of protecting the national financial-banking, financial-non-banking system and the freelancers, defending the rights and legitimate interests of natural and legal persons, as well as the state.*”<sup>75</sup>

Under the Law on AML/CFT, banks, other financial service providers, and providers of crowdfunding services have an obligation to apply customer due diligence measures in specific situations as defined by the Law. These situations include: initiating a business relationship; performing transactions worth more than 20,000 MDL / around 1,000 EUR (or worth more than 200,000 MDL / around 10,000 EUR if the transaction is carried out through multiple operations that are related to each other (for example, multiple payment installments under the same contract)); when there is a suspicion of ML or TF; and when there is doubt regarding verification of data.<sup>76</sup>

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<sup>70</sup> *Ibid.* Art. 4 (1) (c), Law regarding the protection of personal data, No. 133/2011.

<sup>71</sup> *Ibid.* Art. 4 (1) (e) and Art. 11, Law regarding the protection of personal data, No. 133/2011.

<sup>72</sup> Law No. 195 of the Republic of Moldova of July 25, 2024, “on personal data protection”, at <https://www.parlament.md/ProcesullLegislativ/Proiectedeactenormative/tabid/61/LegislativId/6965/language/ro-RO/Default.aspx>

<sup>73</sup> Law on AML/CFT, No. 308/2017.

<sup>74</sup> Directive 2015/849.

<sup>75</sup> Art. 1, the Law on AML/CFT, No. 308/2017.

<sup>76</sup> *Ibid.* Art. 4(1) and 5(1), the Law on AML/CFT, No. 308/2017.

The due diligence measures that must be undertaken are verification of the identity of the customer, verification of the identity of the BO of the client<sup>77</sup>, analysis of the purpose of the business relationship, and monitoring the business relationship, e.g., by looking at the volume, size, and destinations of transactions.<sup>78</sup> For NCOs, the Law defines the BO as the natural person/s who exercise ultimate control over the NCO.<sup>79</sup> This concept is challenging for CSOs: the managing director does not have “ultimate control” as they report to the board of the organization. Unfortunately, the definition of “beneficial owner” proposed by a group of CSO representatives in 2023 was not included in the Law on AML/CFT.<sup>80</sup>

Banks and financial services providers should follow a risk-based approach when applying precautionary verification measures for clients.<sup>81</sup> They can apply simplified precautionary measures for clients with a low risk profile, for example by reducing the frequency of updating identification data.<sup>82</sup> For clients with a high-risk profile, they should apply increased precautionary measures commensurate with the identified risk, for example, by obtaining information about the purpose of the activity or transaction being prepared or carried out.<sup>83</sup> The Law on AML/CFT lists the factors that generate increased risks and determines the need to apply enhanced precautionary measures.

**These factors include:**

- activities in which large amounts of cash are systematically used;
- situations where the ownership and control structure of a legal entity is unusual or overly complex given the nature of the activity;
- products or transactions that may favor anonymity;
- business relationships or transactions at a distance without safeguards such as electronic signatures;
- payments received from unknown or unassociated third parties;
- new products and new trade practices, including new mechanisms for the distribution and use of new or emerging technologies for both new and existing products; etc.

Based on these provisions, banks develop their own policies for risk assessment.<sup>84</sup>

Banks and financial service providers are required to notify the SPCSB about the following<sup>85</sup>:

- *“suspicious goods, activities or transactions suspected of money laundering, predicate crimes and financing of terrorism, which are being prepared, attempted, carried out or are already carried out;*
- *the activities or transactions of customers made in cash in the amount of at least 200,000 lei, carried out through one operation or several operations that are related to each other, within a month;*
- *the customer transactions carried out through an operation whose value is at least 200,000 lei and which do not fall under the provisions of para;*
- *money remittances with a value that represents the equivalent of at least 40,000 lei.”*

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<sup>77</sup> *Ibid.* According to Art. 3 of the Law on AML/CFT, No. 308/2017, a client is a natural or legal person who is in the process of establishing a business relationship or has established a business relationship with the reporting units, has used or is using the services of the reporting unit, or is performing other transactions with the reporting unit on a regular or ad hoc basis.

According to Art. 4 of the Law on AML/CFT, reporting units are defined as 16 categories of individuals and legal entities (banks, currency exchange offices (except banks), investment companies, auditors, lawyers, etc.).

According to Art. 5-2 of the Law on AML/CFT, “(1) A beneficial owner is any natural person who ultimately owns or controls a customer and/or a natural person on whose behalf or in whose interest an activity or transaction is directly or indirectly carried out”.

<sup>78</sup> *Ibid.* Art. 5(2), the Law on AML/CFT, No. 308/2017.

<sup>79</sup> *Ibid.* Art. 5<sup>2</sup>(3), the Law on AML/CFT, No. 308/2017.

<sup>80</sup> “Moldova: Who are the beneficial owners of non-commercial organisations?” CSO Meter, May 24, 2023, at

<https://csometer.info/updates/moldova-who-are-beneficial-owners-non-commercial-organisations>.

<sup>81</sup> *Ibid.* Art. 6, the Law on AML/CFT, No. 308/2017.

<sup>82</sup> *Ibid.* Art. 7, the Law on AML/CFT, No. 308/2017.

<sup>83</sup> *Ibid.* Art. 8, the Law on AML/CFT, No. 308/2017.

<sup>84</sup> *Ibid.* Art. 8 (3), Law on AML/CFT, No. 308/2017.

<sup>85</sup> *Ibid.* Art. 11 (1)-(3<sup>1</sup>), Law on AML/CFT, No. 308/2017.



The “Guidelines for identification of terrorist financing suspicious activities and transactions,” approved in 2018 by the Order of the SPCSB, includes a provision related to CSOs, entitled “**criteria for identification of suspect transactions and activities associated to improper use of NGOs.**”<sup>86</sup>

**According to the Guidelines, transactions and activities are suspicious when:**

- the use of funds by a CSO is not consistent with its declared purpose;
- the accounts of CSOs or charity funds are used to collect and gather funds for a small number of foreign beneficiaries, especially in high-risk areas;
- financial transactions are performed without any clear logical economic purpose or without any clear connection between the declared activity of organization and the other parties involved in transaction; and
- charity activities are performed in conflict zones.<sup>87</sup>

The 2024 Follow-Up Report on Moldova’s AML and CFT measures<sup>88</sup>, prepared by Council of Europe (CoE) Committee of Experts on the Evaluation of AML/CFT (MONEYVAL), states that the Moldovan authorities conducted a study on the risks related to the use of NPOs in TF in the period of 2017–2020. As a result, the authorities identified a set of TF risk indicators that apply to CSOs and have concluded that, in Moldova, the most vulnerable to TF are religious CSOs. However, no indications of actual TF associated with CSOs were identified. It is unknown how many CSOs are currently categorized as “high-risk” CSOs by Moldovan authorities. In 2019, 100 out of 11,000 registered CSOs were regarded as high risk and monitored by the Security and Intelligence Service.

Moldovan authorities are taking several actions to reduce the risk of ML and TF in Moldova, including in relation to CSOs. In the Action plan for the implementation of the National Prevention and Combat Strategy of ML/TF for the years 2020–2025, specific objective 4.2 focuses on reducing the risk of misuse of CSOs by terrorist organizations.<sup>89</sup> Recommendations under this objective include: elaboration of guidance and provision of training on risks to CSOs; monitoring CSOs for compliance with measures to mitigate identified risks and fiscal obligations; and elaboration of guidelines for reporting units for monitoring the financial activity of NPOs.<sup>90</sup>

Furthermore, the National Risk Assessment (NRA) of 2020 made several recommendations related to CSOs. These include: 1) limit the use of cash in the NPO sector; 2) promote a risk-based approach and improve the legal framework for the NPO sector; 3) enhance the records on financial activities; 4) increase the financial transparency of NPOs and strengthen state supervision of NPOs; 5) increase the transparency of data on BOs of NPOs; and 6) promote a culture of security and increase the involvement of the sector of NPOs in prevention policies.

Several of these recommendations have been implemented: according to the MONEYVAL 2024 report, the Security and Intelligence Service organized 20 trainings/meetings for CSOs considered to be at high risk, the legislator clarified the concept of BO for CSOs<sup>91</sup>, and the State Tax Service provided a guide on the income tax regime.<sup>92</sup> However, the report states that “*The authorities informed the (assessment team) that best practices to address the [TF] risk and vulnerabilities to protect CSOs from [TF] abuse have been developed together with a consortium of private institutions and independent experts. However, no document has been provided.*” Altogether, the MONEYVAL assessment team concluded that

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<sup>86</sup> Order No. 16 of the Office for Prevention and Fight against Money Laundering, “Guidelines for identification of terrorist financing suspicious activities and transactions,” approved as of June 8, 2018.

<sup>87</sup> Similar factors that generate an increased risk of ML and TF and lead to the enhanced customer due diligence measures are contained in the Decision of the National Commission of Financial Market Regulation “on measures to prevent and combat money laundering and terrorism financing,” No. 63/1 of 19-01-2023. According to the Decision No. 63/1, the bank, “*based on its own assessment, determines the factors generating increased risk of money laundering and terrorism financing and necessitating the application of enhanced precautionary measures in relation to customers, including:*

*11) the transaction involves non-profit organizations for which there is no logical economic purpose or when there is no connection between the stated activities of the organization and the other party to the transaction.*”

<sup>88</sup> “Anti-money laundering and counter-terrorist financing measures – Republic of Moldova: 2nd Enhanced Follow-up Report & Technical Compliance Re-Rating,” MONEYVAL, May 2024, at

[https://search.coe.int/human\\_rights\\_and\\_rule\\_of\\_law?i=0900001680b05e46](https://search.coe.int/human_rights_and_rule_of_law?i=0900001680b05e46) (accessed August 7, 2024).

<sup>89</sup> Approved by Parliament, Decision 239/2020.

<sup>90</sup> Art. 4, Law on AML/CFT, No. 308/2017.

<sup>91</sup> *Ibid.* Art. 5<sup>2</sup>(3), Law on AML/CFT, No. 308/2017.

<sup>92</sup> “Guide on the tax regime related to the income of non-commercial organizations,” State Tax Service, 2021, at <https://sfs.md/ro/document/ghid-privind-regimul-fiscal-afere-veniturilor-organizatiilor-necomerciale> (accessed August 7, 2024).

Moldovan authorities are “partially compliant” with FATF Recommendation No. 8 related to CSOs. This rating is based on an absence of information provided on actions taken to improve the legal framework of CSOs, a specific action foreseen in the 2020 NRA Recommendations, and no information provided on any rules for NPOs to prevent ML/TF or justification for a lack thereof.

Despite the fact that the majority of CSOs are not regarded as high-risk entities by Moldovan authorities, during interviews with the Assessment team, several CSOs highlighted challenges in their relations with banks which could indicate they are categorized as high-risk clients. However, the Assessment team was not able to determine how many CSOs in the country are currently categorized as high-risk clients by banks. One interviewee noted that all CSOs that operate a donation-based crowdfunding platform are categorized as high-risk clients. We will further elaborate on this in Chapter “[6. Peculiarities of Specific Fundraising Methods](#),” subsection “[3.2. Crowdfunding platforms](#).”

One challenge highlighted by one of the CSOs interviewed is the periodic verification procedure of account holders that is conducted every year by banks, even if there are no changes within the organization. The account holder verification procedure is based on a standardized form designed for business entities. There are no questionnaires adapted to the CSO structure. Thus, CSOs are forced to indicate in those forms information that is not specific to the non-commercial sector (such as the turnover or the effective beneficiary). In addition, commercial banks request documents such as the minutes from the general assembly, the list of founders, and the extract from the State register issued by the PSA (the national registrar), imposing additional costs for CSOs.

CSOs highlighted other challenges related to receiving international donations or transferring money abroad, for example, to return a balance to a foreign donor upon completion of a project. In such cases, CSOs are required to submit supporting documentation. In one case, the CSO failed to provide supporting documentation and the money was returned to the foreign donor. Other CSOs report providing all supporting documents yet the bank still refused to perform a transaction. For example, a CSO from the Cahul municipality could not receive a donation from the United States as the Moldovan bank refused to accept this transfer. Moreover, the criteria and factors used by banks to identify suspicious transactions are not adapted to CSOs, especially those engaged in crowdfunding activities and other types of online fundraising. The application of these criteria by banks without understanding the specifics of CSO operations and without conducting a comprehensive assessment can slow down the process of receiving donations by Moldovan CSOs and can negatively influence the development of philanthropy in Moldova.

## CHALLENGES AND OPPORTUNITIES IDENTIFIED

### OPPORTUNITIES:

- The regulatory framework in Moldova is generally favorable for CSOs and philanthropy. It acknowledges and safeguards the right to freedom of association and the right of CSOs to request, receive, and use financial and material means.
- There are no specific requirements or prior approval needed for fundraising activities (but related activities may be governed by other laws, such as the Law on Assemblies).
- CSOs’ income from donations is exempt from income tax, provided certain conditions are met.

### CHALLENGES:

- The various fiscal and financial regulations are not easy for CSOs to understand and comply with and it is hard to engage specialized accountants.

- Most accountants have experience working with companies but are not aware of specific provisions for CSOs.
- It is unclear among CSOs, regarding the provision in the Tax Code, if economic activity should be provided for by the statute, regulation, or other constituent document, and if it should correspond to the objectives and purposes set forth in the statute, regulation, or other constituent document and results directly therefrom<sup>93</sup>, in order for the income to be tax exempt.
- The State Tax Service<sup>94</sup> confirmed that CSOs may carry out economic activities that do not contravene the objectives and purposes set forth in the CSO's statute and there is no need to detail the economic activity in the statute. However, this information is not publicly available. CSOs will benefit from learning about such official interpretation.
- There is no real participation of CSOs in conducting risk assessments of the CSO sector, nor in the development of CFT/AML legislation. Outreach to NPOs is essential to ensure a risk-based approach and the correct implementation of the FATF Recommendation No. 8.<sup>95</sup>
- CSOs are affected by banks' de-risking measures related to AML and CFT. CSOs must undergo an annual account holder verification process, which is based on a standardized form designed for business entities and requires submission of a number of documents, thus making it a burdensome process. Although the Assessment team was not able to determine if all CSOs are considered as high-risk clients by banks or how many of them are, there are indications that at least a portion of CSOs are categorized as high-risk clients.

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<sup>93</sup> Art. 52 (2) (a<sup>1</sup>), Tax Code, No. 1163/1997.

<sup>94</sup> The State Tax Service provided clarification on June 21, 2024, as a response to questions shared with them by CONTACT Center on June 13, 2024.

<sup>95</sup> According to the Revised Interpretative Note to the FATF Recommendation No. 8: "countries should undertake outreach and educational programmes as appropriate to raise and deepen awareness among NPOs as well as the donor community" and they should "work with NPOs to develop and refine best practices to address [TF] risks and thus protect them from [TF] abuse."

## 4) Individual Philanthropy

### ANALYSIS

Generosity and giving are an inherent part of Moldovan culture. According to the World Giving Index 2023, 67% of Moldovans helped a stranger in 2022, which is above the global average of 60%. This direct, interpersonal support is commonly practiced.

**Three recent studies found the following regarding giving to CSOs:**

- The World Giving Index 2023<sup>96</sup> showed that 22% of respondents in Moldova donated money to a CSO in 2022. While this is lower than the global average of 34% in the surveyed countries, it is higher than several other countries in the region, including Romania (20%), Armenia (17%), and Georgia (7%).
- The *CSO Perception Analysis*<sup>97</sup> found that 45.2% of the individual respondents reported donating money in the past 12 months, and 31.6% volunteered their time. Among those that made monetary donations, giving directly to a person in need was very common (42.1% of total respondents); and 43.1% of total respondents used different ways of donating to CSOs (including donation boxes, direct transfers, and crowdfunding platforms).
- The *Culture of Giving in Moldova* survey found that 57% of 1,719 respondents, hence the majority, ever donated to a CSO.<sup>98</sup>

The Assessment team found numerous examples of CSO initiatives to raise funds among Moldovan citizens, such as sports events, gala dinners, digital campaigns, crowdfunding, and engagement of diaspora communities. However, the impact of giving to CSOs is still limited: 76% of 52 CSO representatives that participated in the *Culture of Giving* survey indicated that private donations constitute less than 5% of their total income.

The reasons for this are manifold. Both the *Culture of Giving* and the *CSO Perception Analysis* surveys highlight low income of individuals as the main hindering factor for making donations.<sup>99</sup> With a GDP per capita of 6,145 EUR in 2023<sup>100</sup>, Moldova is among the poorest countries in Europe. While this is an important factor, data and experience from other low and middle-income countries demonstrate that low income does not necessarily translate into a limited number of financial or in-kind contributions to CSOs made by individuals. For instance, in the 2023 World Giving Index, the highest-ranking country on donations to charity is Myanmar, with as many as 83% of respondents indicating they had donated to a charity in 2022.

The second reason for limited private giving, according to CSOs in the *CSO Perception Analysis*, is the lack of outreach of CSOs to the public. This is confirmed by the fact that the majority of CSOs that participated in the analysis (56.7%) never organized fundraising campaigns. 55.9% of respondents from the general population agree fully or to a large extent with the statement that the population knows little about CSO activities; another 31.6% agree with this statement to a small extent. Similarly, the most frequently cited reason why people did not participate in an organization's activity is that no one asked them to participate (41.2% of individual respondents).

The limited visibility of CSOs, as well as a lack of public trust, were also mentioned in several interviews conducted by the Assessment team. The 2023 Public Opinion Barometer indicated that

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<sup>96</sup> "World Giving Index 2023," Charities Aid Foundation (CAF), 2024, at <https://www.cafonline.org/insights/research/world-giving-index>.

<sup>97</sup> *Ibid.* *CSO Perception Analysis*, CONTACT Center.

<sup>98</sup> *Culture of Giving in Moldova. Findings of two-fold survey and recommendations for civil society, June 2021 – October 2021*, Keystone Moldova and FED Moldova, October 2021 (hereafter - "*Culture of Giving* survey"). Additional information found at: <https://www.keystonemoldova.md/en/philanthropy-and-culture-of-giving-in-georgia-and-moldova/>.

<sup>99</sup> Mentioned by 74% of respondents in the *Culture of Giving* survey, and mentioned 30 times by CSOs in the *CSO Perception Analysis* survey, with the second-ranking factor mentioned 12 times.

<sup>100</sup> "GDP per capita (current US\$) – Moldova," World Bank, 2024, at <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=MD>.

only 25.4% of Moldovans trust CSOs.<sup>101</sup> As pointed out in Chapter “[2. Overview: State Policies related to Philanthropy](#),” no self-regulatory standards or a certification mechanism currently exist which could help strengthen public trust in CSOs. Although the Code of Ethics and Conduct developed by the Platform for the Development and Promotion of Philanthropy is neither implemented nor finalized, it is important to ensure that CSOs understand how ethical principles can support their work.

CSOs, themselves, acknowledge having limited capacity to mobilize financial resources among individuals. The *CSO Perception Analysis* revealed that most CSOs consider their domestic budget diversification capabilities as “moderate” (36.7% of participating organizations) or “(very) weak” (23.3%); only 21.9% of CSOs rank themselves as “good” or “very good.” Most organizations with successful fundraising initiatives in Moldova are part of an international structure, and thus, benefit from the expertise and best practices of other European countries. During the March 13 focus group discussion, organizations identified difficulties in recruiting fundraisers or finding people with adequate fundraising expertise and competencies in Moldova.

Individual donors do not benefit from any tax deductions related to donations made to CSOs, including those with public benefit status. Research demonstrates that the existence of tax benefits may influence the decision by individuals to donate and impact the amount given.<sup>102</sup> In the past, taxpayers could deduct donations made for philanthropic or sponsorship purposes from their taxable income for the calculation of income tax. The eligible maximum percentage of taxable income that could be deducted varied over the years: from 7% in 1997–2002, to 10% in 2003–2014, to 2% in 2015. In 2016, when the percentage designation mechanism was introduced, this provision was repealed.

In Poland, both benefits are in place: individual taxpayers can designate 1.5% of their annual income tax (this percentage increased in 2022 from 1% to 1.5%) and deduct up to 6% from their taxable income for donations made to CSOs. Most European countries have a tax incentive in place for individual giving, with varying applicable percentages. For example, in the Czech Republic, donations are deductible up to 15% of taxable income. *More examples can be found in [Annex 1](#).*

## CHALLENGES AND OPPORTUNITIES IDENTIFIED

### OPPORTUNITIES:

- Efforts are undertaken to develop and implement self-regulation standards to strengthen CSOs’ outreach and visibility, as well as public trust in CSOs.
- The Law on Advertising provides an opportunity for dissemination of “messages of public interest”<sup>103</sup> by broadcasters free of charge; however, the Assessment team did not identify examples of the use of this opportunity. The media can be an important strategic partner to inform the public of CSOs’ activities and to influence public opinion on CSOs.

### CHALLENGES:


- Many CSOs do not conduct targeted outreach to potential supporters due to lack of capacity and limited resources to invest in fundraising and communication:

<sup>101</sup> *Public Opinion Barometer*, Public Policies Institute, August 2023, at [https://ipp.md/wp-content/uploads/2023/09/BOP\\_08.2023.pdf](https://ipp.md/wp-content/uploads/2023/09/BOP_08.2023.pdf).


<sup>102</sup> “DONATION STATES,” CAF, May 2016, at <https://www.cafonline.org/docs/default-source/about-us-publications/fwg4-donation-states>.

<sup>103</sup> According to Art. 17 (2) (b) and Art. 13-17 of the Law on Advertising, No. 62/2022: “Messages of public interest” are “advertising which has as its object the promotion of values, ideas and/or aims of public or community interest, disseminated with a view to increasing awareness, changing social attitudes and behaviour, preventing and counteracting social vices” and can be disseminated by broadcasters either against payment or free of charge.





they do not have in-house “know-how” on engaging people in their work or effectively raising funds.

- The possibility for individual taxpayers to deduct donations made for philanthropic purposes from their taxable income was repealed in 2016, when the percentage designation mechanism was introduced. However, the tax benefit after donation and the percentage designation mechanism are not interchangeable and are equally important to facilitate giving and strengthen the financial sustainability of CSOs.
  - It is difficult for CSOs to engage with media outlets. There is limited interest among the media to cover events and the work of CSOs without financial compensation. Further, CSOs do not know how to present their work in a way which would be exciting for the general public, and journalists do not understand CSOs’ work enough to promote information about CSOs’ work.
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## 5) Corporate Philanthropy

### ANALYSIS

The Assessment team encountered a positive attitude among several companies to contribute to social and environmental causes and identified different ways in which companies engage with CSOs. These include financial and in-kind donations, sponsorship, and cause-related marketing (CRM). The authors further elaborate on these different forms of contributions below.

Some companies offer opportunities to their employees or customers to contribute to social causes. For example, Endava invited its employees to buy Christmas presents for kids which were distributed by the CSO Concordia, and MAIB Bank and Victoria Bank provide opportunities to customers to donate through their payment platforms.

Despite these positive examples, similar to individual philanthropy, the scale of corporate philanthropy is limited when compared to donations from international donors. For more than half of the CSOs that participated in the *CSO Perception Analysis*, donations from private companies constitute less than 25% of their 2022 total income. The *CSO Perception Analysis* also showed that only 34.5% of participating companies believe that companies should donate to CSOs. Similarly, during interviews with the Assessment team, some CSOs noted instances in which companies expressed unwillingness to cooperate with CSOs. Both CSOs and companies highlight companies' limited resources as the main hindrance of corporate philanthropy in the *CSO Perception Analysis*.

Another hindering factor, according to the *CSO Perception Analysis*, relates to the visibility and proactiveness of CSOs. 27.5% of participating companies indicated they had never been asked by a CSO to support them, which ranked as the second most important obstacle. CSOs, in turn, admit failing to effectively communicate about their activities to the private sector as the third most important obstacle for companies to support CSOs. In one interview, a company mentioned receiving several last-minute CSO proposals to support events or social campaigns, while corporate social responsibility (CSR) budgets are allocated months in advance. It is important for CSOs to plan ahead and approach potential partners well in advance with a tailored, compelling proposal.

In addition, both CSOs and companies indicated in the *CSO Perception Analysis* that unclarity about the legal framework of donations, as well as difficult legal procedures to donate, stand in the way of corporate donations or sponsorship. Companies also expressed concerns about potential tax implications. The regulatory framework of donations is explored in subsequent sections.

### DONATIONS AND SPONSORSHIP

Under the Law on Philanthropy and Sponsorship, companies can make donations to CSOs as a philanthropic donation or under a sponsorship contract, as outlined in Chapter "[3. Regulation of Philanthropy](#)." During interviews, the Assessment team found that companies generally prefer a sponsorship agreement, although some companies provide both donations and sponsorships.

While a sponsorship agreement can provide publicity and visibility of the company's brand, some CSOs note that such a collaboration can be challenging. Companies' marketing and public relations departments, whose primary goal is to increase the market share and profit of the company, may impose high expectations on CSOs regarding publicity. For smaller CSOs with limited time and resources, it can be difficult to meet these expectations. Furthermore, most of the interviewed CSOs, especially those working with vulnerable groups, such as children, are ethically bound to protect the privacy of their target groups. This means they may not be able to generate visual content that the company would like to disseminate.

Visibility of the partnership can also be generated through free publicity. According to the Law on Philanthropy and Sponsorship, beneficiaries of philanthropic and sponsorship activity, philanthropists, and sponsors have the right to inform the public, through the media, about the aims of philanthropic and sponsorship activity, if this is done with the consent of the other participants

in the philanthropic or sponsoring activity.<sup>104</sup> However, several companies mentioned that in practice, media outlets do not name companies when covering events that are associated with corporate philanthropy.

## TAX TREATMENT OF DONATIONS AND SPONSORSHIP

If companies make donations to individuals, individuals must pay income tax on the donation received. Only CSOs' donations to individuals are exempt from income tax for recipients.<sup>105</sup> Companies that make philanthropic donations to CSOs (but not directly to individuals) or engage in sponsorships can deduct these donations from their taxable income for the purpose of profits tax to a maximum of 5% of the taxable income.<sup>106</sup> Besides, the State Tax Service confirmed that persons who carry out professional activities in the justice sector<sup>107</sup>, as well as persons who carry out professional activities as a health professional<sup>108</sup>, have the right to deduct any donations made by them during the fiscal period for philanthropic or sponsorship purposes, but not more than 5% of taxable income.

**Many companies do not use the existing income tax deduction or cannot benefit from it for several reasons:**

- The *standard tax regime* is a rate of 12% of taxable income. For the calculation of taxable income, a series of costs and depreciation are deductible. This implies that the tax benefit is only beneficial to companies that make profit, which is not the case for all.
- Companies that have an annual turnover that does not exceed MDL 1,200,000 can opt to make use of the *simplified tax regime*, in which income tax is 4% of total revenue (except for sources of income considered as non-taxable). This regime does not provide the right to deduct expenses. Therefore, the tax deduction for philanthropic donations and sponsorship does not apply to them.
- Companies that are part of the IT Park<sup>109</sup> are governed by a *special tax regime*. These companies do not pay income tax, health insurance contributions, or social security contributions. Instead, they pay a single tax of 7% of sales revenue on a monthly basis. Hence, the tax benefit related to philanthropic donations and sponsorship does not apply to them.

To be eligible for the tax deduction, companies must have several documents in place. These include a written request for support from the benefiting CSO, a signed donation or sponsorship contract, and proof of payment.<sup>110</sup> Although steps have been taken to simplify this (previously, companies required a "thank you" letter detailing the received amounts or goods and how these were utilized), these requirements create a burdensome administrative process, contributing to the limited number of donations/sponsorships provided by businesses to CSOs.

Furthermore, CSOs and companies lack knowledge about the legal and fiscal requirements regarding donations/sponsorships and tax benefits. Some CSOs note instances of partnership opportunities failing to proceed due to the accounting team's confusion on processing a donation from an administrative perspective. Tax inspectors also lack this knowledge. One organization mentioned

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<sup>104</sup> Art 24(1), Law on Philanthropy and Sponsorship, No. 1420/2002.

<sup>105</sup> Art. 20 (l), Tax Code, No. 1163/1997.

<sup>106</sup> Art. 36 (1) and (2), Tax Code, No. 1163/1997.

<sup>107</sup> within the forms of organization of activity by lawyer, trainee lawyer, notary public, bailiff, authorized administrator, mediator, judicial expert within the judicial expertise office

<sup>108</sup> exercising the profession of doctor independently in one of the forms of organization of professional activity provided for by the Health Protection Law No. 411/1995.

<sup>109</sup> The IT Park concept was introduced by the government of Moldova in 2018 to create a favorable business climate for IT companies, thus boosting the country's IT sector and retaining talent. The concept offers a number of incentives and advantages, such as a simplified taxation model and special "IT visa" for foreign employees. See <https://mded.gov.md/en/domains/information-technology-and-digitisation/information-technology-it/moldova-it-park/>.

<sup>110</sup> Stipulation 63 and 66 (section 9), Government Decision regarding the determination of fiscal obligations related to income tax, No. 693/2018.

that promotion of a company under a sponsorship agreement was treated as an advertisement, hence a commercial activity, and therefore taxed.

During the Assessment, interviewed stakeholders repeatedly mentioned that higher tax benefits could incentivize philanthropy. The findings of the *CSO Perception Analysis* support the idea of tax incentives serving as the main motivator for donations.<sup>111</sup> CSOs believe that a more attractive incentive will encourage companies to (1) increase their budgets for CSR, including donations to CSOs, as well as (2) develop a strategy and allocate human resources to coordinate philanthropic activities.

Furthermore, several companies mentioned that they are reluctant to make donations until their taxable income amount is known at the close of the year. This could be solved by allowing donations above the threshold for eligible deduction to be carried forward to subsequent years.

## TAX TREATMENT OF IN-KIND DONATIONS

The Assessment team found several examples of in-kind donations to CSOs, mostly related to donation of food items and medical supplies.

Companies making in-kind donations can deduct their cost from taxable income under the same conditions as monetary donations.<sup>112</sup> Specific administrative requirements for such cases, in addition to the requirement of a written contract and a written request, apply to both monetary and in-kind donations. The donation or sponsorship contract must specify the value of each of the donated goods or services as well as the purpose of the donation or the destination of the goods. In case real estate is donated, the contract must be notarized, and the company must issue a fiscal invoice.<sup>113</sup> The value of the donated goods is determined at the unamortized value<sup>114</sup> or the market value at the time of donation, whichever is higher. Assets on which depreciation is not calculated for tax purposes, except for real estate for which depreciation is calculated, shall be considered donated at their book value or their market value, whichever is higher.<sup>115</sup>

For VAT purposes, in-kind donations are considered taxable supplies under the Tax Code<sup>116</sup>, which means companies must pay VAT on the value of the goods or services donated (output VAT). Companies have the right to deduct the VAT paid for the procurement of these goods or equipment needed to provide the services (input VAT), hence the VAT cost associated with the donation constitutes the difference between the input and output VAT. The taxable amount, the amount over which output VAT is calculated, is determined in accordance with the provisions of the Tax Code.<sup>117</sup> In-kind donations are calculated by the value paid by the company for procurement of these goods or services and its own cost of production.<sup>118</sup> For assets that have been or are subject to depreciation, the taxable amount is either their book value or their market value, whichever is higher.<sup>119</sup>

The donation of food items is also governed by the Law on the prevention of food loss and waste, adopted in 2022.<sup>120</sup> According to this Law, food business operators can donate food items within the

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<sup>111</sup> *Ibid.* *CSO Perception Analysis*, CONTACT Center.

<sup>112</sup> Stipulations 59 and 60, Government Decision regarding the determination of fiscal obligations related to income tax, No. 693/2018.

<sup>113</sup> *Ibid.* Stipulations 65, Government Decision regarding the determination of fiscal obligations related to income tax, No. 693/2018.

<sup>114</sup> The value not depreciated for tax purposes according to the manner established by the Regulation on the recording and calculation of depreciation of fixed assets for tax purposes, approved by Government Decision No. 704/2019.

<sup>115</sup> Stipulation 64, Government Decision regarding the determination of fiscal obligations related to income tax, No. 693/2018.

<sup>116</sup> Art. 95 (1) (a) and Art. 99 (4), Tax Code, No. 1163/1997.

<sup>117</sup> Art. 97-100, Tax Code, No. 1163/1997.

<sup>118</sup> *Ibid.* Art. 99 (4), Tax Code, No. 1163/1997.

<sup>119</sup> *Ibid.* Art. 97 (5), Tax Code, No. 1163/1997.

<sup>120</sup> Art. 12 (1), Law of the Republic of Moldova on prevention of food loss and waste of November 3, 2022, No. 299/2022.

last one-third of their durability to CSOs. In June 2024, Parliament approved an amendment to this Law which extends possibilities to donate food items under this Law.<sup>121</sup>

The Law on the prevention of food loss and waste states that business operators shall benefit from deductions and/or tax incentives for donations made under the Law, according to the provisions of the Tax Code. Previously, the Tax Code did not provide such benefits, except for the general deduction available for philanthropic donations. The Tax Code only provided the following benefits related to waste: goods that constitute waste are a deductible expense for the calculation of income tax up to a certain limit<sup>122</sup>, and VAT paid during the procurement of goods that constitute waste can be deducted up to this limit.<sup>123</sup> The limit can be established by the company itself, but the company must demonstrate the rationale behind the calculation. In practice, from a financial perspective, food business operators benefited more from throwing away food items than donating them. Fortunately, as of January 1, 2025, the 2024 amendment to the Law on the prevention of food loss and waste also includes an amendment to the Tax Code, which enables food business operators to benefit from the same tax incentives and deductions (based on annual limits approved by the company's management) as for residues, waste, and natural perishability.

## IN-KIND DONATIONS FROM ABROAD (HUMANITARIAN AID)

Some CSOs receive in-kind donations from abroad, for example, medical supplies. Such donations are governed by the Law on Humanitarian Aid to the Republic of Moldova, which lists the organizations that can receive humanitarian aid. This list includes public movements, human rights organizations, women's, disabled, youth and children's organizations, public foundations, and philanthropic organizations.<sup>124</sup> The Ministry of Labor and Social Protection is responsible for governing in-kind donations from abroad and is authorized to issue authorizations. Depending on their nature, certain goods may require authorizations from other responsible authorities. For example, there is a specialized commission within the Ministry of Health that issues authorizations for medicines and medical supplies.

To obtain authorization from the Ministry of Labor and Social Protection, a CSO must submit a number of documents, including an invoice (listing the goods and their weight in kg), necessary certificates or authorizations from other authorities, and the opinion of the territorial committees of the Territorial Social Assistance Agencies who are authorized to approve the plan for the distribution of humanitarian aid. After submission of all documents, the Ministry issues the Opinion granting the right to bring donations into the country, in the amount and in kg calculated according to the submitted invoice. The issuance of opinions, conclusions, and certificates for the introduction of humanitarian aid into the country is free of charge.<sup>125</sup> At the border, the goods are checked based on the justifying documents, after which they can be picked up by the recipient CSO. In 2023, the government adopted a Standard Operating Procedure<sup>126</sup> for the receipt and customs clearance of international aid to the Republic of Moldova in exceptional situations (e.g., war, natural disasters). This falls outside the scope of this Assessment.

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<sup>121</sup> Law for the amendment of some normative acts (facilitating food donation), No. 148/2024. Effective January 1, 2025, food business operators can donate food items at any moment: if the products have lost their commercial appearance due to damage to the secondary packaging; if the products do not meet the manufacturer's specifications for variations in color, size, or shape; if the label of the products contains specific labelling errors; or if the existence of surplus food is expected for a specific holiday season or specific holidays.

<sup>122</sup> Art. 24 (13), Tax Code, No. 1163/1997.

<sup>123</sup> Art. 102 (8), Tax Code, No. 1163/1997.

<sup>124</sup> Art. 14 (b), Law on Humanitarian Aid to the Republic of Moldova, No. 1491/2002. The term "philanthropic organization" was previously used in the Law on Philanthropy and Sponsorship and defined as "a non-governmental, non-commercial organization, created for the achievement of the purposes provided in this law by carrying out philanthropic activities in the interest of the entire society or certain categories of persons." This term was removed from the law in 2022. The Law on Humanitarian Aid has not yet been amended accordingly.

<sup>125</sup> Art. 19 (2), Law on Humanitarian Aid to the Republic of Moldova, No. 1491/2002.

<sup>126</sup> Standard Operating Procedure, Customs Service of Moldova (*Serviciul Vamal al Republicii Moldova*), September 1, 2023, at <https://trade.gov.md/media/31/01/2024/SCAN0006.PDF>.



In-kind donations from abroad are also subject to VAT, with some exemptions relevant to CSOs. The import of goods and services, intended to provide assistance in case of natural calamity, armed conflict, and other exceptional situations, as well as the import and delivery of goods and services defined as humanitarian aid according to the Law on Humanitarian Aid, is exempt from VAT without the right of deduction.<sup>127</sup> Goods imported as humanitarian aid, whose destination is confirmed by the authorities, are also exempted from customs duties.<sup>128</sup> Furthermore, goods that are imported for the implementation of projects which fall under international treaties to which Moldova is a party, are exempt from custom duties and exempt from VAT with the right to deduct VAT paid for procurement.<sup>129</sup>

## CAUSE-RELATED MARKETING

CRM is a marketing method in which companies partner with CSOs to promote their products or services while supporting charitable causes. Under CRM, a company typically donates a portion of the proceeds from sales of a particular product or service to a CSO, or promises to donate a certain amount for each product sold or for a specific action performed by the consumer. CRM is not widely practiced in Moldova.

The Assessment team identified one example of CRM: a collaboration between the Child, Community, Family organization (CCF Moldova<sup>130</sup>) and the Purcari winery. Under this collaboration, Purcari donated to CCF a percentage of the proceeds of a specific bottle of wine. This was advertised in restaurants and shops where the wine was sold.

Funds generated for a CSO under CRM can be donated as a donation or under a sponsorship agreement, depending on the agreed-upon conditions. This method of fundraising is not further regulated by law and can therefore be used by CSOs without restrictions. In practice, as seen in other countries, large, well-known CSOs often successfully apply this method of fundraising when partnering with business companies to promote their products.

## PAYROLL GIVING

Payroll giving, also known as workplace giving or employee giving, is a method of fundraising that makes it easier for employees to make charitable donations. While this is not a form of corporate philanthropy, as the donations are made by the employees, it can be part of a CSR strategy as a way for companies to stimulate philanthropy. Under this method, charitable contributions can be deducted directly from an employee's salary, considering applicable tax benefits. In this way, it is easier for employees to make donations, thereby saving them the effort of claiming an applicable tax benefit.

Although the legislation of Moldova does not regulate this issue, the Assessment team did not identify payroll giving in Moldova. As nothing prohibits CSOs from using this method of collecting donations, companies and company employees can support the activities of CSOs in this way.

While there is no known payroll giving in Moldova, there are anecdotal instances of employees supporting activities of certain charitable organizations, which have already been supported by their employer. In one case, bank employees made online donations to a charitable organization whose activities were already supported by the bank. In another case, a government agency entered into an agreement with a charitable organization on the provision of charitable assistance, according to which it would make a one-time transfer to the charitable organization amounting to one day's salary of its employees, with employees volunteering to donate their salary to this charity.

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<sup>127</sup> Art. 103 (5), Tax Code, No. 1163/1997.

<sup>128</sup> Art. 277-25 (2), Customs Code, No. 95/2021.

<sup>129</sup> Government Decision No. 246/2010 regarding the application of fiscal and customs facilities related to the implementation of ongoing technical and investment assistance projects, which fall under international treaties to which the Republic of Moldova is a party.

<sup>130</sup> Child, Community Family (*Copil Comunitate Familie* in Romanian) (hereafter – "CCF Moldova"), at <https://www.ccfmoldova.org>.

## CHALLENGES AND OPPORTUNITIES IDENTIFIED

### OPPORTUNITIES:

- The Law on Philanthropy and Sponsorship provides for companies (who provide corporate support to CSOs, or make philanthropic donations to CSOs or engage in sponsorships) to deduct donations from their taxable income to a maximum of 5% of the taxable income.
- In addition to providing financial support, companies can also partner with CSOs in other ways, such as by making their expertise or services available pro bono (e.g., free-of-charge legal or marketing consultations), sharing information about a CSO through their communication channels, rolling out CRM campaigns which can provide great benefits to CSOs and companies, and implementing a payroll giving model).
- The 2024 amendment to the Law on the prevention of food loss and waste provides food business operators, under certain conditions, the same tax benefits and deductions (related to income tax and VAT) when donating food items as in the case of residues, waste, and natural perishability, meaning that – as of January 1, 2025 – it will no longer be more attractive from a financial perspective to throw food items away instead of donating them.

### CHALLENGES:

- Low visibility and ineffective communication about CSOs' activities hinder the development of corporate philanthropy in Moldova. Companies experience difficulties in identifying suitable CSO partners/philanthropic donation recipients beyond the few well-known and more established CSOs.
- CSOs have limited capacity in terms of expertise, skills, and time to effectively engage with companies, draft compelling proposals, and forge beneficial partnerships. There is an urgent need to develop such capacity.
- The current eligible tax deduction for donations and sponsorship of 5% from taxable income is not attractive enough, especially for companies with low profits, and does not benefit small companies that are governed by the simplified tax regime. A more attractive tax benefit may stimulate corporate philanthropy. In addition, there is no exemption on VAT for in-kind donations to CSOs.
- There is a lack of knowledge among CSOs and companies about legal requirements and tax implications related to donations and sponsorship. The number of documents required for companies to be able to benefit from the tax deduction makes it a complicated process, resulting in underutilization of the current tax benefit.
- The administrative requirements for in-kind donations, specifically around determining the value of donated goods and specifying this in a fiscal invoice, are burdensome and have hindered companies from donating goods.

## 6) Peculiarities of Specific Fundraising Methods

The legislation of Moldova allows CSOs to receive funds from various sources, from within the country and from abroad, in order to achieve their statutory goals. CSOs can raise funds in cash as well as in non-cash form, bank transfers, credit/debit cards, the direct debit (debit write-off), external payment systems, electronic wallets, and cryptocurrency.

The following fundraising methods are reviewed in this section:

1. CSO websites;
2. Crowdfunding platforms;
3. Payment terminals and e-wallets;
4. Donation boxes and street collections;
5. Fundraising events;
6. Use of social media;
7. Short message service (SMS) donations and phone calls; and
8. Inheritance.

The law regulates some but not all of the aforementioned fundraising methods used by CSOs; nonregulation does not prohibit the use of these fundraising methods. During the COVID-19 pandemic, when many traditional fundraising methods became unavailable or did not perform well, CSOs in Moldova turned to digital fundraising methods, such as online crowdfunding platforms and donations through websites. However, some of the methods described in this section are not actively used, such as SMS donations. In some cases, non-use is due to a lack of awareness of certain methods among donors, CSOs, and intermediaries, such as banks. In other cases, this is due to CSOs' limited financial and/or human resources, which prevent them from engaging in fundraising on a permanent and professional basis (for example, by engaging a dedicated fundraising specialist and/or investing money in piloting new fundraising methods). Further, the lack of clear regulation of individual fundraising methods (for instance, crowdfunding platforms) creates uncertainty as to which legislative requirements, including banking and tax legislation, apply to certain methods.

In this chapter, the Assessment team examines different payment and fundraising methods, laws governing various methods, identifies gaps in legislation and enforcement, and highlights practical challenges and potential opportunities for some methods.

### PAYMENT METHODS

#### I. Cash Donations

Donations to CSOs from donors (both individuals and legal entities) can be made by cash payments.

Cash donations can be collected through donation boxes, street collections, charity events, and other types of fundraising carried out by CSOs. Although many CSOs in Moldova actively use these collection methods (see **“DONATION BOXES AND STREET COLLECTIONS”**, below), these methods of fundraising are not directly regulated by the legislation of Moldova.<sup>131</sup>

To use these collection methods, a CSO must independently develop internal rules to follow when collecting cash from various sources. However, separate legal requirements regulate, for example, the procedure for crediting collected cash to a bank account, limits on cash transactions<sup>132</sup>, cash

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<sup>131</sup> Art. 2 of Law No. 114 of 05/18/2012 “On Payment Services and Electronic Money” expressly stipulates that “the provisions of Chapters II, III, III1, IV, V, VI, VII, VIII and IX of the law do not apply to payment transactions, involving the collection and delivery of cash on a non-professional basis as part of a charitable or non-profit activity.”

<sup>132</sup> The new Law No. 34 of February 29, 2024 “On the implementation of cash payments and on amendments to certain regulations in the Republic of Moldova” will come into effect on January 1, 2025. This law sets limits on cash transactions and outlines liability for violating these limits not only when making payments, but also when accepting cash from individuals who are not entrepreneurs (in the amount of over 100,000 MDL per payment). There are exceptions when this limit may not be observed. For example, CSOs are free to make unlimited cash payments in the case of payroll and paying other benefits resulting from the employment relationship, in case of settlements with public authorities and public institutions and in some other cases.

transactions in foreign currency<sup>133</sup>, procedures for recording cash transactions in the CSOs' accounting records<sup>134</sup>, among other regulations.

Art. 8 (2) (c) of the Tax Code stipulates that a taxpayer is obliged to “carry out cash receipts through cash register and control equipment (hereinafter – CRE), complying with the regulations approved by the Government, including the List of types of activity whose specificity allows cash receipts to be made without the application of cash register and control equipment.” The Decree “On the use of cash register equipment when making payments” (hereinafter “the Decree”<sup>135</sup>) states that “when making cash payments to and/or settling with payers on economic transactions, using a different payment instrument, the taxpayers are required to use a cash register equipment...” [Emphasis Added]

The Decree also provides the definition of “economic transaction”<sup>136</sup> under which donations collected as part of a CSO's charitable efforts may not be considered as an “economic transaction,” thus possibly exempting CSOs from using a CRE. However, all the activities included on the List of activities exempted from the necessity to use CRE (which is an appendix to the Decree) are commercial in nature, and do not directly relate to CSOs' activities. Paragraph 17 of the List is most similar to the activities of CSOs: “selling of goods and catering services, including services of mobile sanitary groups, to the population during fairs, exhibitions, festivals and various cultural and sporting events – in parks and streets, as well as in other public places...” Paragraph 17 thereby relieves CSOs of using CRE if conducting an economic activity.

While legislation is unclear, the State Tax Service notified the Assessment team that they believe CSOs need to use CRE for collected donations. This position is taken in the official response of the State Tax Service to an inquiry dated September 29, 2021.<sup>137</sup> Namely, the State Tax Service noted that “philanthropic activities of non-profit organizations are not included in the List of types of activities, the specifics of which allow to accept cash without using CRE, and therefore they (nonprofit organizations) are obliged to use a CRE when accepting cash, issuing fiscal receipts/documents when doing so.” However, in the same response, the State Tax Service indicated that there is an exception to this rule: “in case a non-commercial organization, when opening donation boxes/boxes, chooses to credit the collected cash to a current account, rather than accepting it into the cash register, then the obligation to use cash register equipment does not arise.” Meanwhile, Moldovan legislation includes no such exception.

In practice, many CSOs do not use a CRE. Some of them are convinced that they do not require a CRE if they are not engaged in economic activities. All this creates ambiguous law enforcement practice on this issue which poses a potential threat for CSOs. While we are not aware of any instances when CSOs have been held accountable, Art. 254 of the Tax Code explicitly provides that “violation of the rules for using cash registers entails a fine of 5,000 MDL (about 260 EUR) to 15,000 MDL (about 780 EUR).”

Moldovan CSOs find compliance with this requirement problematic, especially for CSOs that do not engage in economic activity and only occasionally receive donations in the form of cash. Purchasing and using a CRE requires the CSO to register it with the tax authorities, as well as comply with numerous requirements and responsibilities associated with the installation, maintenance, and repair of a cash register, as well as maintaining special logs.<sup>138</sup> To avoid this process, CSOs try to immediately deposit the collected money into their bank account without keeping it, which incurs high bank fees disproportionate to the small amounts of donations deposited into the CSOs' accounts. One CSO interviewee noted that instead of selling tickets for a charitable event, they decided to hand out tickets for free and collect donations through their website in view of the challenges related to CRE.

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<sup>133</sup> Law on Currency Regulation No. 62-XVI, of March 21, 2008.

<sup>134</sup> Law on Accounting in the Republic of Moldova, No. 113 of April 27, 2007, Order of the Ministry of Finance No. 188 of December 30, 2014 “On approval of methodological guidelines regarding the features of accounting in non-profit organizations and additions to the general chart of accounts in book-keeping, approved by Order of the Minister of Finance No. 119 dated August 6, 2013.”

<sup>135</sup> Decree No. 141 of the Government of the Republic of Moldova of February 27, 2019 (hereafter – “Decree No. 141”) states that “when making cash payments to and/or settling with payers on economic transactions, using a different payment instrument, the taxpayers are required to use a cash register equipment, printing out cash receipts/fiscal documents to payers, or sending them electronically to the provided telephone number or email address.”

<sup>136</sup> *Id.* Decree No. 141 defines the “economic transaction” as “an economic fact in the form of sale of things, the performance of work, the provision of services; accepting payments for things, works, services; acceptance of tax/non-tax payments and other revenues.”

<sup>137</sup> The answer # 26-11/1-12/1231/107564 of September 29, 2021 of the State Tax Service to Yelena Yavoskaya, published in the Facebook group ‘Contabil News’.

<sup>138</sup> *Id.* Decree No. 141.

Banks' requirements for legal entities to prove the source of income and provide relevant documents when depositing cash presents another problem to cash donations.<sup>140</sup> According to one large CSO, CSOs must document the source of income received as part of a charitable activity. For large donation amounts, a charity agreement is concluded with the donor, documentation which is sufficient for the bank. For small donations, a CSO often does not know what documents to show at the bank, since people making cash donations sometimes do not want to leave their personal information and leave their signature confirming their donations.<sup>141</sup>

## II. Non-Cash Donations

Individuals and legal entities can support the activities of CSOs in Moldova by transferring money using banks both within the country and located abroad. 10 banks in Moldova have a license from the National Bank, including MAIB Bank, Victoria Bank, and Moldindconbank, the most active banks in Moldova. They provide a wide range of banking services, including online ones.

CSOs and donors accept and make donations in Moldova using the following payment instruments: bank transfers using IBAN and payment cards (Visa, MasterCard or American Express, credit or debit), direct debit payment service, and scheduled payments. However, CSOs rarely use direct debit and scheduled payments. In addition, banks offer other transfer options, such as e-wallets, and so-called "fast online transfers," which include T2A, SWIFT, WESTERN UNION, MONEYGRAM, INTEL EXPRESS, and SMITH&SMITH.

**Bank transfers:** to make bank transfers, a bank client issues a payment order to his bank. This can also be done by another person on behalf of the client, based on a payment order drawn up on paper in a format provided by the bank or through SADD<sup>142</sup>, to which the client has authorized access. The payment order is drawn up in Romanian, with the exception of elements related to international payment systems, which may be in a foreign language, and will contain the mandatory elements necessary to carry out the corresponding transfer. The client may issue the payment order in the national currency or in foreign currency. The payment order is executed in the currency of the client's bank account. If the payment currency does not match the client's account currency, the bank will convert the payment currency at the commercial foreign exchange rate established by the bank and communicated to the client.

A bank transfer can be made through bank branches, ATMs, a personal account on the bank's website, or via a mobile banking application (this operation is not available everywhere for legal entities). One can transfer money from card to card or from one account to another account.

Some of the CSOs interviewed expressed concern regarding high banking fees. They indicated that Moldovan banks do not differentiate when setting commissions and fees for their clients, depending on the nature of their activities.

Based on the results of communication with Moldovan banks, the Assessment team found that the banks consider CSOs equal to commercial organizations, and establish the same requirements and

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<sup>140</sup> For example, on the MAIB Bank website, in the "depositing cash" section, it is stipulated that a legal entity can replenish a current account or card with cash as simply as possible (through the cash register, using an SDM terminal, in a sealed envelope) without paying a fee. However, a list of cases is indicated that the bank considers as a basis for depositing money into the account (receiving money in the form of a loan, replenishing the authorized capital, depositing cash from the sale of goods and services, etc.), as well as the list of documents that a CSO may need to furnish to the bank in order to justify the source of income. Among this list of cases there are no cases of collecting cash as part of fundraising campaign.

<sup>141</sup> According to Article 321 (1) of the Civil Code of the Republic of Moldova, "*Transactions of legal entities among themselves, between legal entities and natural persons, as well as of natural persons among themselves shall be made in writing if the value of the subject of the transaction exceeds 1000 lei, and in cases provided by law - regardless of the value of the subject of the transaction.*" 1,000 MDL is approximately 57 USD. Thus, if a cash donation is less than 57 USD, people are not obliged to enter into written form of the agreement.

<sup>142</sup> "The electronic payment instrument with remote access (SADD) represents a set of procedures, which are based on an IT solution and/or equipment of the type: internet-banking, PC-banking, phone-banking, mobile-banking, which allows the user, through an authentication method and a communication channel, the access to the payments account and the initiation of payment operations, based on the available funds." See "National Payment System," National Bank of Moldova, October 22, 2014, at <https://www.bnm.md/en/content/national-payment-system>.



fees to commercial and noncommercial organizations. Nonetheless, in practice, banks make exceptions and may provide favorable conditions to specific CSOs – one such example is CCF Moldova and its relations with Victoria Bank.

**Bank cards:** The commercial banks' activities related to bank card-based payment systems is regulated by the National Bank's Decree No. 62 dated 24.02.2005 "On Approving the Regulation on Bank Cards." The banks usually issue debit cards and credit cards, depending on the source of funds on the account.

A CSO may include its bank card details in advertisements seeking donations.

Donors can send their donations using both debit and credit cards. In practice, Moldovan citizens prefer to use debit cards and rarely credit cards. Most likely this is due to higher commissions on credit cards (as an example, tariffs for debit and credit cards at Victoria Bank).<sup>143</sup>

All banks offer the "P2P" service, which is a service that provides the ability to transfer funds from card to card through the bank's portal or at ATMs operated by the Bank. For instance, P2P service in Moldindconbank is available to both Moldindconbank cardholders and foreign cardholders through the [www.transfer.md](http://www.transfer.md) portal and ATMs operated by the Bank. Bank commission rates for P2P services are quite high in all banks. For instance, in Moldindconbank, a P2P transfer from a MasterCard card issued by a **bank in Moldova:**

- to a MasterCard/Visa card issued by Moldindconbank and/or any other card issued by another bank in the Republic of Moldova costs 1.7% + 0.5 EUR per transaction; and
- to a MasterCard/Visa card issued by a bank abroad costs 2.2% + 1.5 EUR per transaction.

A P2P transfer from a MasterCard card issued by a **foreign bank:**

- to a MasterCard/Visa card issued by Moldindconbank and/or any other card issued by another bank in the Republic of Moldova costs 2% + 1 EUR per transaction; and
- to a MasterCard/Visa card issued by any other bank from abroad costs 2.7% + 2 EUR per transaction.

In MAIB Bank, all transactions through P2P service cost 1.5%.<sup>144</sup> Transfers within the MAIB Bank under P2P service is free of charge.

The client can also use the **direct debit (debit write-off)** function or "scheduled payments," which must be provided for in a special contract.<sup>145</sup> Direct debit<sup>146</sup> is a payment service (payment instrument) for debiting the payment account of the payer (note: Donor) in the case when the payment transaction is initiated by the payee (note: CSO) based on the consent given by the payer (note: Donor) to the payee (note: CSO), the recipient's payment service provider or the payer's payment service provider. This feature can help donors set up automatic and regular (e.g., once a month) withdrawal of a certain amount of money from their account to the CSO account. In this case, the payer's (Donor's) account is debited based on the prior authorization provided by the payer (Donor). For example, there is an option for regular monthly donations using the Moldindconbank card on the website of the crowdfunding platform [www.caritate.md](http://www.caritate.md).<sup>147</sup>

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<sup>143</sup> Victoria Bank, at <https://www.victoriabank.md/ru/tarify>.

<sup>144</sup> MAIB Bank, at <https://www.maib.md/en>.

<sup>145</sup> General Conditions in effect beginning from March 5, 2024, MAIB Bank, at [https://www.maib.md/files/2024/PJ/CGB/Conditii\\_generale\\_in\\_vigoare\\_dd\\_05\\_03\\_2024.pdf](https://www.maib.md/files/2024/PJ/CGB/Conditii_generale_in_vigoare_dd_05_03_2024.pdf).

<sup>146</sup> Regulated by Resolution of the National Bank of the Republic of Moldova No. 108 dated 06/08/2023 "On approval of the Regulations on credit transfers, direct debits and assignment of IBAN codes."

<sup>147</sup> "Ежемесячное пожертвование через Moldindconbank," Caritate.md, at [caritate.md/ru/ezhemesyachnoe-pozhertvovanie-cherez-moldindconbank.html](http://caritate.md/ru/ezhemesyachnoe-pozhertvovanie-cherez-moldindconbank.html). According to Caritate.md, "You can set up a monthly token donation in just a few steps, without having to go through the process every time you want to make it. You decide how much you want to donate per month. All you need to do is follow this link: <https://wb.micb.md/way4u-wb/#login>, open 'scheduled payments', find the 'charity' section, fill in the required fields,

Another option allows setting of recurrent donations. Victoria Bank offers an online service of “programmed payments.”<sup>148</sup> This service simplifies the process of paying utility bills, internet bills, mobile phone bills, as well as other services provided by organizations that have concluded cooperation agreements with Victoria Bank. The client should come to the bank branch, ensure the availability of sufficient funds for the payment of bills, select the account from which payments to suppliers will be made, and provide the following information: name, surname (card account holder), card account number, frequency of payment of bills (daily, weekly, monthly or quarterly), maximum and minimum payment amounts (if necessary). In the list of organizations for which it is possible to schedule the payment of bills, we found the charitable NGO “AO CCF Moldova–Copil CF.” Thus, the clients of Victoria Bank who wish to support the activities of this organization can do so by using this service of the Bank.

**External payment systems:** CSOs and donors also use external (international) payment systems and the e-wallets offered by these systems. Moldovan CSOs interviewed indicated they use a variety of payment systems, such as PayNet, RunPay, PayPal, Patreon, and others. CSOs enter into agreements with these international payment systems and activate the “Make a Donation” button on their website, connecting to it various options for paying donations, including those on a regular basis (Patreon and PayNet systems are most often used). However, CSOs raised concerns about the high fees for using such services (2–4% per transaction) and the difficulty of negotiating lower rates with these international financial service providers. At the same time, there is no serious alternative within the country, as the e-commerce module installed by Moldovan banks is not adapted to the needs of CSOs and fundraising purposes. For example, it does not allow setting up recurring donations on the CSO website.

Some CSO participants of the March 2024 focus group discussion expressed concern that after 2015, when millions of dollars had been embezzled from Moldovan banks<sup>149</sup>, the National Bank and banks of Moldova would exercise extreme caution against any kind of inter-connection of Moldovan CSOs with international payment systems and international crowdfunding platforms. PayPal stands out as a positive example, to which Moldovan banks are quite loyal; however, its rates are very high compared to other payment instruments. For example, the standard fee for the transaction amount when paying through PayPal is 3.40% + 0.35 Euro (EUR) for domestic transactions, and up to 5.39% + 0.35 EUR for international transactions.<sup>150</sup>

Other payment systems offer lower fees compared to others, which can be considered as an opportunity for CSOs. For instance, PayNet<sup>151</sup> provides a much cheaper option for sending and receiving money from the UK or EU in comparison to other payment platforms (see section “**Electronic wallets**“, below).

**Electronic wallets.** Donors and CSOs increasingly use electronic wallets (“e-wallets” or online payment tools, often run through a phone app). It is popular to use e-wallets, which can be opened instantly online without opening a bank account using numerous payment platforms created by banks, payment communities, cellular companies, etc. No fees are charged for opening an e-wallet; the e-wallet can be linked to a bank card, or without, by being linked to a cell phone number, for example. Moldovans use RunPay, PayNet, Bpay, Webmoney, Yandex.Money, WalletOne, QIWI, and others.

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*select the ‘continue’ button to pay/ donate, check the box – ‘repeat online’ and complete the donation. If you received confirmation via email or phone, it means that you have successfully signed up for a monthly donation with the amount of your choice. Monthly donations allow us to allocate available resources as efficiently as possible for the most difficult and urgent cases. And to get a clear idea of the activities and results of your monthly donation, you can create an account on our website and enter your correct email address to receive all the information you need.”*

<sup>148</sup> Victoria Bank, at <https://www.victoriabank.md/ru/otkrytki/plati-programate>.

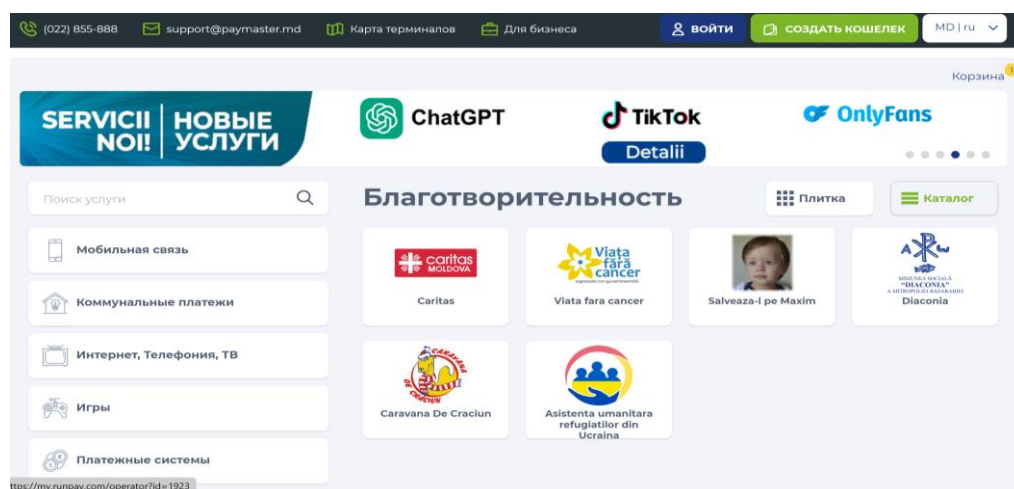
<sup>149</sup> “Vanishing act: how global auditor failed to spot theft of 15% of Moldova’s wealth,” The Guardian, July 1, 2015, at <https://www.theguardian.com/world/2015/jul/01/global-auditor-moldova-wealth-franchise-grant-thornton-banks-embezzle>; “18 bln USD laundered through the judiciary in Moldova since 2010 (II),” Anticoruptie, 27 November 2015, at <https://anticoruptie.md/en/investigations/justice/18-bln-usd-laundered-through-the-judiciary-in-moldova-since-2010-ii>.

<sup>150</sup> “PayPal Merchant Fees,” PayPal, at <https://www.paypal.com/md/webapps/mpp/merchant-fees>.

<sup>151</sup> “First digital wallet in Moldova,” PayNet, at <https://paynet.md/en>.

Bpay, RunPay<sup>152</sup>, and PayNet e-wallets are popular in Moldova. They provide a wide range of services. For instance, Bpay has an online platform (where clients can make all transactions), their own terminals, ATMs, and e-wallets, as well as physical Bpay offices where clients can carry out a number of transactions. Clients can top up their e-wallets from their own bank account, from their mobile phone, at ATMs, and at terminals. Money can be transferred to other people, cashed out at ATMs, paid for purchases on the internet, etc. Commission rates<sup>153</sup> are quite high when withdrawing money from a wallet by transfer to a bank card; this is 3% of the amount in RunPay. However, it is possible to avoid commissions by withdrawing funds from a RunPay e-wallet in cash at RunPay offices and payment agents. Transfers from RunPay wallet to Runpay wallet will cost 0.8% of the amount (no more than 100 MDL). For unidentified users, the maximum transfer amount is 5,000 MDL; for identified users, the limit is 500,000 MDL.

Using the RunPay e-wallet, one can donate directly to one of the charitable organizations whose icons are located on the RunPay online platform as well as on the screen of physical terminals owned by RunPay. (See example below.)



Screenshot of the RunPay online platform.

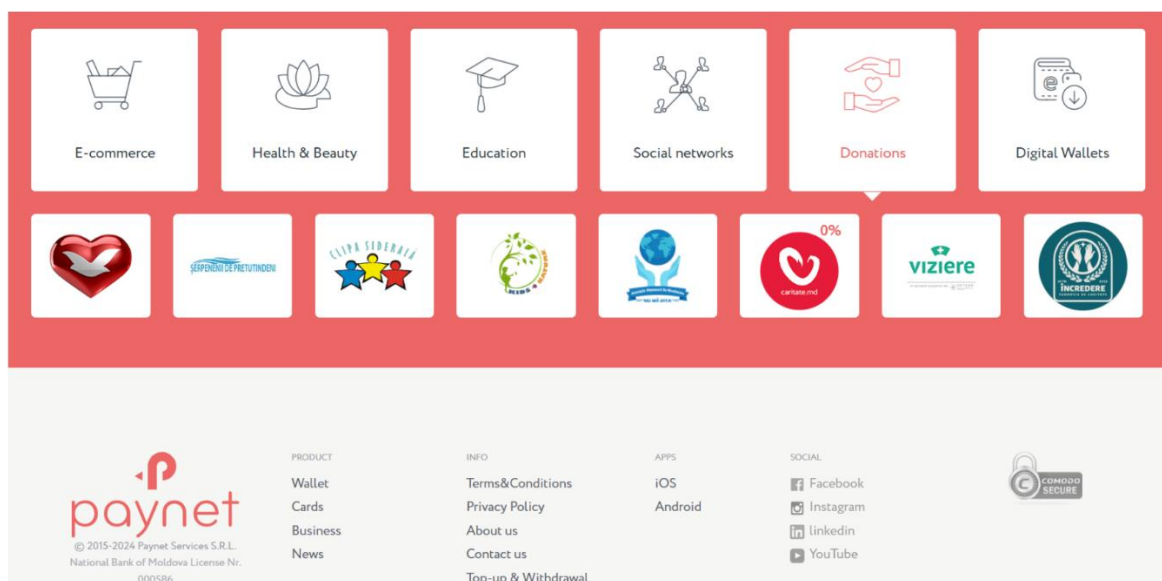
The website states that the commission for transferring a donation will be 0%.

PayNet is a more attractive option for organizing money transfers, including foreign ones. The client can withdraw this money from any ATM in Moldova, up to 5,000 MDL for free, or use it to pay for expenses with the PayNet card. The commission fee for sending money to the EU is 10 EUR per transaction, regardless of the amount. The commission of receiving money from Europe directly to a PayNet card/account is 0.5% of the amount, a minimum 0.95 EUR, much lower than bank commission fees.

The PayNet online platform also has icons of charities to which you can donate (see example below).

<sup>152</sup> "Create a free wallet using only your mobile phone number!" RunPay, at <https://runpay.md/wallet/>.

<sup>153</sup> "Tariffs," RunPay, at <https://my.runpay.com/tariffs>.



Screenshot of the PayNet online platform.

During interviews with the Assessment team, Moldovan CSOs reported no problems with using electronic terminals and e-wallets as the instruments for raising charity funds. Respondents noted the ease of use of this fundraising method. However, CSOs raised their concern regarding high commission rates set by payment companies. Payment companies do not consider the non-commercial nature of such clients as CSOs and set uniform rates for both businesses and CSOs. This in turn has a chilling effect on donors and does not encourage small donations.

**Cross-border giving.** CSOs can receive donations from abroad. Usually, when a person opens a bank account, the account allows for MDL, USD, and EUR transfers. However, there are thresholds for cross-border transactions.<sup>154</sup> For instance, the banks will not deposit the cash on the CSO's bank account without receiving justifying documents, in case the cash donation exceeds EUR 5,000 (or their equivalent) from an individual for charitable or sponsorship purposes, or in cases related to other operations referred to in Article 26 of Law on Currency Regulation, if the amount exceeds EUR 5,000 (or its equivalent) per deposit transaction.<sup>155</sup>

During interviews, a number of CSOs indicated the impossibility for individuals from abroad to donate to a Moldovan CSO by credit card. Banks in Moldova reject such payments and send money back to the sender. Unfortunately, the Assessment team has not been able to verify the reasons for such refusal. When attempting to make a donation using an American credit card, this was successful in one instance, yet unsuccessful in another.

### III. Cryptocurrency

No regulation of cryptocurrency status existed in Moldova before March 30, 2023. However, this has not prevented banks, investment and financial companies, regular financial institutions, and even individual citizens from actively purchasing or selling cryptocurrency and using it as a payment method. In 2018, the first local crypto exchange, called Drachmae Market, appeared in the country, dealing with dozens of crypto assets: Ethereum, Bitcoin, Bitcoin Cash, etc. At the same time, new Moldovan tokens, such as ZoZo and a personal coin DTMI, were issued. Every day, transactions were

<sup>154</sup> Decision of the Executive Board of the National Bank of Moldova "On the approval of the Regulation on Conditions and Procedure for Performing Foreign Exchange Operations" No. 29/2018.

<sup>155</sup> Para. 89, Decision of the Executive Board of the National Bank of Moldova "On the approval of the Regulation on Conditions and Procedure for Performing Foreign Exchange Operations" No. 29/2018 (Decision).

carried out on the platform with eight fiat currencies<sup>156</sup>, including rubles, USD, EUR, and MDL. The first and only official cryptocurrency company in Moldova, COINBANK, was launched, which ensured the security of transactions for the sale and/or purchase of bitcoins and other cryptocurrencies.<sup>157</sup>

Few CSOs accept cryptocurrencies as donations (according to the information from their websites). For instance, the website of the crowdfunding platform caritate.md states that the platform accepts donations in the form of cryptocurrency. However, during interviews and the focus group discussion, none of the CSOs stated they had experience with cryptocurrency. Therefore, the Assessment cannot ascertain how cryptocurrency is dealt with in practice.

From July 1, 2023, the situation with cryptocurrency in the country changed dramatically when an amendment<sup>158</sup> to the Law on AML/CFT<sup>159</sup> came into force. First, the Moldovan legislator defined cryptocurrency at the legal level, using the term “virtual asset.”<sup>160</sup> Secondly, the Law now prohibits the provision of services in the field of virtual assets in Moldova, including in cases where such activities are auxiliary/additional to the main one.

This restriction applies to “virtual asset services providers,” which are defined as legal entities and individuals who professionally provide for, or on behalf of another individual or legal entity, one or more of the following types of activities or transactions<sup>161</sup>:

1. exchange between virtual assets and fiat currencies;
2. exchange between one or more forms of virtual assets;
3. transfer of virtual assets;
4. storage and/or management of virtual assets or instruments giving the right to control virtual assets; or
5. participation and provision of financial services in relation to the issuer's offering and/or sale of a virtual asset.

The Law does not cover the storage of virtual assets and transactions that take place between individuals. Accordingly, individuals can buy, sell, and store cryptocurrency on their e-wallet, but it will no longer be possible to exchange it for fiat money on the territory of Moldova, or withdraw it to an account in a financial institution or a card that is opened in Moldova.<sup>162</sup>

Non-compliance with the restrictions entails administrative<sup>163</sup> and criminal liability.<sup>164</sup> The Law on the procedure for identifying violations in the field of preventing ML and TF and the procedure for applying sanctions<sup>103</sup>, in addition to the Criminal Code and the Administrative Offenses Code, provides for liability in the form of fines for violating prohibitions on business relationships and transactions related to virtual assets (Article 4.21 of the Law).

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<sup>156</sup> Fiat money is a government-issued currency that is not backed by a physical commodity such as gold or silver. Rather, fiat money is backed by the government that issues it. Most modern paper currencies are fiat currencies, including the USD, EUR, and other major global currencies. See “Fiat Money: What It Is, How It Works, Example, Pros & Cons,” Investopedia, July 2, 2024, at <https://www.investopedia.com/terms/f/fiatmoney.asp>.

<sup>157</sup> Coinbank, at <https://coinbank.md/>.

<sup>158</sup> The Law of the Republic of Moldova No. 66 of March 30, 2023 (hereafter – “Law No. 66/2023”).

<sup>159</sup> Law on AML/CFT, No. 308/2017.

<sup>160</sup> Article 3 of Law No. 66 defines a “virtual asset” as “a digital representation of value that is not issued or guaranteed by a central bank or any public authority, which is not necessarily associated with a statutory currency and does not have the legal status of currency or money, but may be subject to electronic trading, transfer or use for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies, securities and other financial assets established by national legislation.”

<sup>161</sup> Law on AML/CFT, No. 308/2017.

<sup>162</sup> Para. 11) Art. 4 of the Law No. 66/2023.

<sup>163</sup> Part (9) of Article 263 of the Code of Contraventions No. 218/2008:

“Article 263. *Illegal business activity*

... (9) *Carrying out activities for the provision of services in the field of virtual assets, including cases where this activity is auxiliary/additional to the main one, entails a fine of 1000 to 1500 notional currency units.”*

<sup>164</sup> Para. b) of part (1) of Article 241 of the Criminal Code No. 985/2002:

“Article 241. *Illegal engagement in entrepreneurial activities*

(1) *Illegal engagement in entrepreneurial activities resulting in the receipt of large-scale profits, committed through:*

b) *engaging in activities prohibited by law is punishable by a fine at 1350 to 2350 notional currency units or unpaid socially useful labor for up to 200 hours, and in case of legal entities, a fine at 2000 to 4000 notional currency units with deprivation of the right to engage in certain activities.”*



As of the time of publishing this Assessment, banks and other providers of financial services, including crowdfunding platforms, are not entitled to participate in and carry out any transactions using cryptocurrency. The Moldovan cryptocurrency company COINBANK ceased its activities. The vast majority of CSOs have not used and do not use cryptocurrency in their activities. Due to the ban on cryptocurrency transactions on the territory of Moldova, CSOs do not consider cryptocurrency as a method of fundraising.

## USE OF ELECTRONIC MEANS TO COLLECT DONATIONS

### I. CSO's own website

Moldovan CSOs actively collect donations through their websites. For example, they install a “Donate here” button on the homepage of the website, clicking on which takes the visitor to a page where the visitor is offered different options for making a donation (sponsorship, donation, volunteering, participation in charity events, setting up a donation box, etc.), depending on who is making the donation (individual, organization, group of employees, etc.). The donation procedure itself differs from one CSO to another, depending on which banks and payment systems the CSO has made an agreement, or if the CSO has set up an e-commerce module on their website.

If the CSO has no agreements, the “Donate” button will lead to information about the CSO's banking details and information about its e-wallets where donations can be made.

If the CSO has agreements, for example, with PayNet, then after clicking on the “Donate” button, the visitor is automatically redirected to the PayNet page and makes a payment on this page using a bank card or other online payment tools.

If a CSO has set up an “e-commerce module” on its website (which allows it to set up online payments and accept Visa, MasterCard, and American Express card payments on the website), then after clicking the “Donate” button, the visitor is redirected to the payment page of a Moldovan bank, and makes the donation to the account of a CSO in this bank. The card data that is entered by the donor on this page is visible only to the bank; the CSO on whose website the e-commerce is installed does not have access to this information. Protection is ensured by integration into the “Verified by Visa” and “MasterCard SecureCode” security systems, as well as by additional anti-fraud filters. The CSO is required to have a special current account (to hold the security deposit) with its bank, which has set up an ‘e-commerce module’ for it. This special account receives a certain percentage of money (the amount of which is set individually in the contract between the bank and the CSO) from each donation received via the CSO’s website. Setting up the ‘e-commerce module’ costs about 1,000 EUR, and the bank charges between 300 and 350 EUR per year for maintenance of the ‘e-commerce module.’

The procedure to connect to an ‘e-commerce module’ is rather complicated and time-consuming. One CSO noted that it took one year to have the module installed. It requires technical expertise on the side of the CSO, which may need to be hired externally, thus incurring additional costs. If a CSO website requires reformatting and debugging, the cost will be between 3,000 and 5,000 EUR, including the ‘e-commerce module’ installation.

While several payment services provide an opportunity to register recurring donations, it is not possible to register recurring donations through an ‘e-commerce module.’ In addition, CSOs who decide to install a “Donate here” button on the homepage of the website must comply with requirements designed for online stores, such as the mandatory retention of a portion of the funds received by CSOs on a security deposit in the bank for a certain period of time, intended for situations where clients wish to return their purchases.

Commission fees are charged on online donations. These differ per bank and payment provider. The CSO Hospices of Hope communicates the following rates: 2.5% commission of the transaction amount when paying with PayNet; 3% commission of the transaction amount when paying with

bank cards in MDL, Visa, or MasterCard; and 4% if these cards are in foreign currency).<sup>165</sup> Such fees reduce the possibility of collecting small donations even within the country. For example, based on the tariffs of Victoria Bank, to donate 100 MDL within the country, a donor has to pay an additional 15 MDL from their own pocket (commission withheld by the donor's bank).

## II. Crowdfunding platforms

Another method that has seen growth over the past few years is the use of crowdfunding platforms. Such platforms enable CSOs to mobilize a large number of small contributions without the need for an expensive campaign. The Assessment team identified four local crowdfunding platforms actively operating in Moldova and working with social projects: [www.particip.md](http://www.particip.md), [www.sprijina.md](http://www.sprijina.md), [www.caritate.md](http://www.caritate.md), and [www.mcharity.org](http://www.mcharity.org). The latter opened most recently in early 2024. All named crowdfunding platforms were created by CSOs. Two platforms, [www.caritate.md](http://www.caritate.md) and [www.mcharity.org](http://www.mcharity.org), are specialized in supporting people in difficult life situations (e.g., elderly people with difficult financial situation, people from socially vulnerable families, and people in need of medical examination and treatment). Donation-based crowdfunding platforms help to finance various non-profit and charitable projects, with no financial benefits for contributors in exchange for their donation. Crowdfunding platforms can also be utilized to raise funds for business projects, but in practice the above-mentioned platforms do not engage in business projects.

Until July 2023, Moldova did not have specific legislation regulating crowdfunding platforms. On July 7, 2023, Moldova adopted the Law on Collective Financing Services, enacted on March 1, 2024.<sup>166</sup> This Law regulates only business projects which involve financing business startups in exchange for interest (loan-based collective financing) or for part of the business (e.g., stocks, shares, investment-based collective financing). The Law aims to support and provide alternative financing for newly established enterprises and for local public authorities through collective financing platforms. According to the Law, “individuals engaged in entrepreneurial activity or legal entities seeking profit-making and located in the Republic of Moldova” can develop crowdfunding projects under the Law. Donation-oriented platforms, which do not pursue the goal of obtaining financial benefits in exchange for funding collective financing projects, are not regulated by the Law on Collective Financing Services, but by the laws on donations, provision of services, philanthropy and sponsorship.<sup>167</sup>

During an interview with one of the nonprofit crowdfunding platforms in Moldova, the Assessment team learned that banks classify CSOs that open crowdfunding platforms as clients with a high risk of being used for ML and TF. According to this platform, banks classify crowdfunding platforms as high-risk activities, on par with gambling and TV-voting.

Banks consider a CSO that created a platform as the beneficiary of the funds collected by the platform and, therefore, assign high risk to the CSO itself and its employees and board members, justifying this by the need to comply with international FATF requirements to mitigate the risk of CSOs being used in ML and TF. In practice, being categorized as high risk could lead to the bank requesting additional supporting documents for payments or refusing transfers. It also means that the CSO's staff and board members ought to complete an annual questionnaire for the bank.

In one case, a platform director was denied a loan because he was categorized as a high-risk client. In another case, a bank required a crowdfunding platform to send them information in advance about how much money (as a percentage), and from which countries, is expected as income, which is difficult to predict in advance. Banks also equate crowdfunding platforms to online stores and require platforms to put a certain percentage of funds collected for the project on a security deposit and keep it there for up to six months. The rationale behind it is to ensure a guarantee if a client wants reimbursement from the online store (in our case, from the crowdfunding platform). For example, in MAIB Bank, this percentage is set individually; for one crowdfunding platform it was

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<sup>165</sup> “Donate with your bank card,” Hospices of Hope, at <https://hospicesofhope.md/en/doneaza-cu-cardul-2>. These fees are posted by Hospices of Hope Moldova charity posted on its website. However, the fee rates vary from bank to bank. For instance, in Moldindconbank the fee for making P2P transfer from a MasterCard card issued by a foreign bank to MasterCard/ Visa card issued by Moldindconbank and/or any other card issued by another bank in Moldova is 2% + 1 EUR., in MAIB Bank the fee will be 1,5% from card abroad to the card issued by MAIB Bank.

<sup>166</sup> Law of the Republic of Moldova on Collective Financing Services of July 7, 2023, No. 181 (hereafter – “Law No. 181/2023”).

<sup>167</sup> Art. 3, Law No. 181/2023.

6% of each project for up to 180 days. If the platform does not place the required percentage of collected money on a security deposit, the bank suspends all operations on this project. To forestall this, some platforms put their own money on the security deposit, and then at the end of the deposit period, withdraw the money. The amount collected on the platform for the project must be transferred in full to the project initiator within a few days of the end date of the project. However, this is not always the case. Sometimes, a CSO, whose crowdfunding project has already been completed, cannot receive the remaining money that has been kept on the security deposit for six months or longer.

The security deposit requirement ignores the nature of crowdfunding platforms and the non-commercial nature of the funds collected. The crowdfunding platform itself does not have the right to dispose of the collected funds at its own discretion but must send them immediately to the project initiator. This makes Moldovan crowdfunding platforms less attractive than foreign platforms for CSOs.

As for commission fees, banks are indiscriminate between crowdfunding platforms and online stores (which entails commissions for processing each payment transaction, fixed commissions, commissions for connection and annual/monthly maintenance of the 'e-commerce module'). The SWIFT message<sup>168</sup> fee may be additionally charged on top of the payment amount. The platform must be linked to the bank's e-commerce system to be able to receive online payments. As highlighted above, the process of reviewing and approving an application for connection of an 'e-commerce module,' including collecting the necessary documents and discussing with the bank the technicalities of connecting the system, is quite complicated and, in practice, takes about a year for some CSOs.

Some interviewees mentioned that the commission fees, established by Moldovan crowdfunding platforms, are a hindering factor for CSOs to make use of crowdfunding platforms. For example, *sprijina.md* set a commission fee at 6% of the collected amount if the collection goal is achieved (successful project) and 9% of the collected amount if the collection goal is not achieved (unsuccessful project). This amount includes the high commission fees of payment service providers (PayPal, Skrill, etc.), which are usually at 4% for all payment acceptance services.

Overall, the use of online fundraising tools by Moldovan CSOs is a relatively recent phenomenon. There is no extensive practice of using crowdfunding platforms as of yet. Many CSOs lack knowledge on how to work with crowdfunding platforms. Those CSOs who are already using this method usually do not do so on a regular basis and the number of successfully completed projects is low.

The limited use of crowdfunding platforms is aggravated by the lack of trust in crowdfunding platforms on the part of the Moldovan population, as mentioned during several interviews. The few large CSOs who professionally and regularly engage in fundraising using this method are the exception. Nonetheless, there are many positive examples of the use of crowdfunding platforms, including the DAR 1+3 programme mentioned in Chapter "[2. Overview: State Policies Related to Philanthropy](#)." Unregistered groups, like the Moldova for Peace initiative, had successful experiences in collecting donations through local and international crowdfunding platforms like [chuffed.org](#) and [Indiegogo.com](#). Furthermore, this method proved valuable during the COVID-19 pandemic and to raise funds for support to Ukrainian refugees.

### III. Payment terminals and e-wallets<sup>169</sup>

Another way to donate is through stationary payment terminals. According to the results of the *Culture of Giving* study<sup>170</sup>, only 13% of the 1,719 respondents participating in the study voted for payment terminals as the most convenient method for making donations. Hence, this is not the most popular fundraising method in Moldova, especially in big cities, where people prefer to make

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<sup>168</sup> SWIFT messages are the messages generated when funds are transferred internationally using the SWIFT international payment network. SWIFT stands for the Society for Worldwide Interbank Financial Telecommunication and is renowned as having the fastest, most secure method for sending financial messages internationally.

<sup>169</sup> Information on e-wallets can be found in Chapter "[6. Peculiarities of Specific Fundraising Methods](#)," subsection "2.2 Cashless methods of donations payment."

<sup>170</sup> *Ibid. Culture of giving in Moldova*, Keystone Moldova and FED Moldova.

all payments online on their phone or computer (using online banking, e-wallets, etc.). However, it is especially convenient in remote areas (rural areas) of Moldova, where internet connectivity is lower and it is not possible to make payments at the local post office or bank. In addition to stationary terminals, there are portable (in the form of a compact device), mobile (in the form of a mobile application on a smartphone), and other types of terminals.

Terminals of commercial banks and payment companies licensed by the National Bank of Moldova (PayNet Services, BPAY, QIWI-M, etc.) are widely represented in Moldova: they are located on the premises of bank branches, shops, airports, and other public places.

A CSO must conclude an agreement with the owner of the payment terminal in order to enable individuals to donate to them through these terminals. From the user's point of view, making a donation using the terminal is quite easy and quick. Typically, a CSO that collects donations has an individual icon with its logo and name, which you can click to make a donation. You can deposit money either using your bank card or in cash, if the terminal allows it.

## DONATION BOXES AND STREET COLLECTIONS

Fundraising through donation boxes in Moldova is quite well known. CSOs engaging in charitable activities often use this method. Although this method does not bring in substantial revenue, CSO interviewees state that donation boxes work as an auxiliary method (most often as part of, for example, a charity event organized by a CSO or other organizations). Donation boxes are also seen in offices of CSOs, stores, churches, restaurants, and other public places.

According to the *CSO Perception Analysis*<sup>171</sup>, donation boxes in public spaces are the fourth most commonly-used fundraising method (after online fundraising campaigns, charity events, and emails sent directly to potential donors). However, CSOs face a lack of public trust when collecting money through donation boxes, especially after numerous cases of fraud associated with the use of donation boxes. Although publicly-accessible databases of CSOs ([www.ngo.md](http://www.ngo.md) and the state registry of NCOs<sup>172</sup>) exist which allow potential donors to check the existence of an organization, these databases are not well-known among the general public.

Also, the standards of good practice require a high level of effort if a CSO has many donation boxes in different places. In this case, a CSO must sign an agreement with each owner of the location wherein the donation boxes will be situated. CSOs must meet all legal requirements related to cash flow and monitor all its boxes on a regular basis. The effort to meet these standards is often not comparable to the income this method generates.

The legislation of Moldova does not regulate the specifics of donations boxes, requiring CSOs to establish self-regulation rules. According to some CSO interviewees, it is a good practice to take the following steps when utilizing donation boxes:

1. The CSO concludes a contract with the organization that owns the premises in which the donation box is located.
2. The box contains all the information about the CSO and the charity project, including contact information and bank details.
3. After the deadline for collecting funds specified in the contract has expired, the box is opened, and a committee is set up from representatives of the CSO and the organization that provided the space for the box. A statement is drawn up, signed thereafter by all those present, to confirm the amount collected.
4. According to its internal policy, the CSO credits the collected funds to its bank account or processes it through a CRE. One CSO interviewee confirmed including in the contract between the CSO and the owner of the premises that the money would be deposited in the bank on the same day the box was opened.

Please refer to the section “[Cash donations](#)” for a detailed analysis on handling cash donations.

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<sup>171</sup> *Ibid.* CSO Perception Analysis, CONTACT Center.

<sup>172</sup> “State Registry of NCOs,” PSA, 2024, at <https://www.asp.gov.md/sites/default/files/date-deschise/date-statistice/2024/rsud/RSON.xlsx> (accessed on July 30, 2024).

Collecting donations out in the street (or “street fundraising”) is not a popular method of fundraising among CSOs. This is due to the great popularity of this method among scammers who, hiding behind the names of charitable organizations, collect money from citizens, for example, for the treatment of seriously ill children. This has reduced public confidence in street fundraising. One mitigation measure highlighted by a CSO is to position themselves in places where people can easily identify the organization (near billboards at events where they are officially represented, near the organization’s office, in front of a church. etc.).

## FUNDRAISING EVENTS

In Moldova, no special legislation regulates charitable events (e.g., charity concerts, marathons, evenings, dinners). However, there are general rules for certain aspects of organizing events, which include, for example, the obligation to notify the local public authority as mentioned in Chapter “[3. Regulation of Philanthropy](#)”, fire safety rules<sup>173</sup>, procedures for organizing public catering, consumer protection, advertising, and taxation.

Typically, at such events, funds are collected both in cash (donation boxes) and in electronic form. In addition, CSOs offer entry tickets to the event, provide food and drinks in exchange for donations, hold auctions, prize competitions, etc. Often, such events coincide with holidays (New Year, Spring Festival, etc.).

CCF Moldova gave an example of a special charity event by initiating a “Disappearing Dinner Party,” during which people would host a charity dinner inviting their friends to join for a fee of 500 MDL. Over dinner, the host tells the guests about the cause s/he supports (such as to help children grow up in loving families). S/he also invites the guests to take part in the campaign by organizing another charity dinner at their homes. The dinner is photographed and posted online, and CCF Moldova asks that they be tagged in such a publication. The director of CCF Moldova started this chain of dinners by hosting the first dinner at her home. The campaign ran for a year. This unique fundraising event helps not only to collect donations, but also to disseminate information about the charitable projects that CCF Moldova supports and to inspire other people to join them.

However, organizing events is generally expensive and requires the collaboration and efforts of many parties (partners, donors, media, volunteers) to execute such an event. Most CSOs do not have such financial and technical skills, or human resources.

Further, as addressed in Chapter “[3. Regulation of Philanthropy](#),” Art. 52 of the Tax Code stipulates that economic activities (i.e., organizing fundraising events) should be included in the CSOs’ statute in order to be exempt from income tax.

## USE OF SOCIAL MEDIA

As part of their fundraising activities, CSOs actively use social media (Facebook, Instagram, Tik-Tok, Telegram, and other networks) to promote their work by posting information about their organization, projects, and success stories.

According to the data published in the Digital 2024 report<sup>174</sup>, there were 1.58 million active social media users in Moldova in January 2024, and the majority of active media users prefer Facebook (1.30 million users in Moldova in early 2024). Facebook’s ad reach in Moldova was equivalent to 38.5 percent of the total population at the start of 2024. Thus, social networks, and Facebook, in particular, are powerful tools for promoting CSOs and their projects, as well as for fundraising.

CSOs already use social media to share details on how to make donations and post links to their website where donations are collected. Some international social networks provide an opportunity to collect donations on the platform of such networks. For example, Facebook has a Fundraiser feature for registered Facebook users. This feature is unfortunately not available in Moldova. However, if a Moldovan CSO finds a trusted person in one of the permitted countries, it can launch

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<sup>173</sup> Para 19 of the Governmental order No. 847 of 07-12-2022 on Approving the Basic Fire Safety Rules in Republic of Moldova reads as follows: “Those responsible for organizing mass congregation events must inspect the premises and ensure compliance with fire safety measures before the start of the relevant events.”

<sup>174</sup> Simon Kemp, “Digital 2024: Moldova,” Datareportal, February 23, 2024, at <https://datareportal.com/reports/digital-2024-moldova>.



a campaign on behalf of and in favor of such CSO. The collected funds will be transferred to the bank account of this trustee, to be later transferred to a Moldovan CSO.

## SMS DONATIONS AND PHONE CALLS

Another fundraising method is collecting charitable funds through SMS and phone calls. Findings from the *Culture of Giving* study<sup>175</sup> suggest that 28% of the 1,719 respondents found SMS to be the most convenient method for making donations, making it the third most popular method among respondents.

The simplicity and accessibility of this method allows any mobile user to make a donation in a couple of minutes by sending an SMS to a special short number (usually consisting of four digits) or calling a special number. Usually, one SMS costs 40–50 MDL, including VAT.

There are three telecom operators in Moldova: Orange Moldova (the brand “Orange”), Moldcell (the brand “Moldcell”), and Moldtelecom (the brand “Unite”). The latter is a state-owned telecommunications company, which is predominantly used in rural areas. Moldtelecom, unlike other providers, provides the service of collecting donations by means of a call from a landline phone. The cost of the call is 45 MDL. The commission of Moldtelecom varies from 0 to 10% depending on the outcome of a negotiation with the CSO concerned. Moldcell also provides the possibility to collect SMS-donations and charges no commission for this service to CSOs.

There is no agreement between mobile operators in Moldova on the possibility of using a single short number for all operators. Therefore, CSOs involved in fundraising via SMS have to conclude a contract with each mobile operator separately, which is not convenient. For instance, on the website of several charity organizations there is an option to make a donation by sending an SMS to short four-digit numbers (one number for ‘Unite’ subscribers and another one for ‘Moldcell’ subscribers).

Orange is the most popular network in Moldova today. Currently, more than 2.6 million customers are connected to the company’s network and services. Therefore, in the past, CSOs preferred to conclude a contract with Orange, optionally supplemented with a contract with Moldcell.

However, Orange suspended the provision of this service, explaining on its website that “*in connection with the entry into force of the Law on Payment Services and Electronic Money, such a service as the allocation of short telephone numbers for collecting funds for third parties through short messages at a special rate is now recognized as a payment service, hence, in order to provide this payment service, Orange has to obtain a license to provide payment services from the National Bank prior to providing such payment services. In order to obtain and operate such a license, a company must comply with copious prudential regulations (including reporting regulations) and open and operate separate accounts for its clients solely for the purpose of carrying out payment transactions (no exception is made for charitable nature of such transactions in the law).*”<sup>176</sup> In 2022, the referenced law was amended. Since then, facilitating SMS donations is no longer considered a payment service when such transactions are carried out within the framework of a **charitable activity** and the cost of one transaction is no more than 1,000 MDL, and the total cost of payment transactions for an individual subscriber does not exceed 6,000 MDL per month.<sup>177</sup> Thus, the Orange company can provide an SMS donation service to CSOs without obtaining a license from the National Bank. However, the Orange company did not renew this service. The Assessment team was unable to meet with Orange to find out the reason for this decision.

The lack of opportunity to collect SMS donations among Orange subscribers has weakened the popularity of this method among CSOs. Unlike Orange, Moldcell has not suspended the service for collecting SMS and telephone donations, yet most CSOs do not make use of this.

During interviews, CSOs explained their minimal use of this method due to the unpopularity of this collection method, especially considering increasing telephone and SMS fraud, and the fact that the size of the donations made through this method (45 MDL for one SMS) is not commensurate with the size of the subscription fee for the mobile service (for example, in Orange, the minimum prepaid

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<sup>175</sup> *Ibid.* *Culture of Giving*, Keystone Moldova and FED Moldova.

<sup>176</sup> “Notă cu privire la colectarea de fonduri,” Orange, 2015, at <https://www.orange.md/ro/informatie/nota-cu-privire-la-colectarea-de-fonduri> (accessed on June 13, 2024).

<sup>177</sup> Art. 2 (2) (12), Law on Payment Services and Electronic Money, No. 209/2022.

plan is 50 MDL). Subscribers usually do not want to spend such an amount from their mobile balance and top up with the amount needed to cover the monthly subscription fee only.

## INHERITANCE

Moldovan law allows a person to bequest their property to a CSO. The law explicitly provides that “*unless otherwise provided by law, heirs can only be individuals who are alive at the time of opening of the inheritance, or legal entities existing at the time of opening of the inheritance.*”<sup>178</sup> According to the Law on NCOs, “*the property of a non-commercial organization is formed from any sources not prohibited by law, including: donations, grants and inheritance.*”<sup>179</sup> The Law on NCOs also allows the creation of an NCO based on a will. Art. 12 of the Law provides that “*the charter of a foundation created by a will shall be approved by the executor of the will in compliance with the testamentary instructions. In this case, the charter shall be notarized.*”<sup>180</sup>

However, the Assessment team has not been able to obtain information on the application of this method.

## CHALLENGES AND OPPORTUNITIES IDENTIFIED

The most significant factors hindering CSOs’ use of existing fundraising opportunities are the lack of knowledge of such opportunities, of necessary skills, and of necessary financial and/or human resources. For some methods, such as payroll giving, CSOs and potential donors lack information about this possibility. For others, such as organizing events, it is challenging to ensure that returns are proportionate to required investments.

### OPPORTUNITIES:

- There are no legal impediments to the use of various fundraising methods, with the exception of cryptocurrency donations.
- New technologies offer new opportunities for fundraising. For example, the use of crowdfunding platforms allows CSOs to mobilize a large number of small contributions without the need for an expensive campaign.
- Use of social media is high in Moldova (there were 1.58 million social media users in January 2024, which is around 62% of the population), meaning that social media provides a good opportunity to reach Moldovans through online fundraising campaigns.

### CHALLENGES OF PAYMENT METHODS:

#### 1. Cash donations

There are general rules for handling cash for all organizations, whether for-profit or nonprofit. This includes an obligation to pass cash through a CRE. While some types of legal entities are exempt from this requirement, CSOs are not. The State Tax Service takes the position that CSOs must have a CRE if they collect donations in cash, but provides an exception to this rule. Namely, if the CSO does not keep the collected money in a cash register but transfers it to its bank account. However, the legislation does not include this exception.

<sup>178</sup> Paragraph 3 of Article 2167 of the Civil Code of the Republic of Moldova.

<sup>179</sup> Clause 2, Art. 8, Law on NCOs, No. 86/2020.

<sup>180</sup> Art. 12, Law on NCOs, No. 86/2020.

“(1)... The charter of a non-profit organization created by two or more founders is approved by the decision on its creation, recorded in the minutes, while the charter of a non-profit organization created by one founder is approved by his decision or, accordingly, a will.

(6) The foundation’s charter is approved by the founder/founders or the executor of the will in compliance with the testamentary dispositions. In the latter case, the charter is to be notarized.”

Separately, CSOs face the following challenges:

- the cost and numerous requirements associated with using a CRE are burdensome for CSOs that only occasionally receive cash donations and rarely or never sell goods or services;
- CSOs can easily be held liable (in the form of a fine) for not having a CRE;
- depositing collected cash into the CSO's bank account requires CSOs to pay high bank fees; and
- banks require CSOs to prove the source of income and provide relevant documents when CSOs deposit cash.

## 2. Non-cash donations

- High commissions rates set by banks and external payment systems (PayNet, PayPal, Patreon etc.).
- Some CSOs are categorized as high-risk clients, during banks' de-risking measures related to AML and CFT. The fact that CSOs often receive payments from unknown third parties and payments from abroad as a result of fundraising efforts most likely contributes to this categorization, as these are risk factors mentioned in the Law on AML/CFT.
- Challenges to receiving donations from abroad: individuals from abroad cannot donate to a Moldovan CSO by credit card. Banks in Moldova reject such payments and send money back to the sender.

## 3. Cryptocurrency

The exchange between virtual assets and fiat currencies (banknotes and coins), the transfer of virtual assets, and the participation in and provision of financial services related to virtual assets are prohibited, meaning that Moldovan CSOs cannot receive donations through cryptocurrencies. While this may not be common practice yet, cryptocurrency is a new generation currency that is quickly developing, acquiring various forms and types, and spreading throughout the world at an incredible speed. It therefore has the potential to become an important means of collecting donations.

This is especially relevant given Moldova's upcoming integration into the EU, where in May 2023, the CoE announced the adoption of Markets in Crypto-Assets (MiCA) rules for the regulation of digital assets (EU Regulation 2023/1114 of the European Parliament and of the Council of May 31, 2023 on MiCA).<sup>181</sup>

## CHALLENGES OF FUNDRAISING METHODS:

### 1. CSO's own website:

It is expensive and complicated for CSOs to set up a donation button on their website:

- The procedure of installation of the donation button is time-consuming and expensive (about 1,000 EUR, and the bank charges between 300 and 350 EUR per year for maintenance of the 'e-commerce module').

<sup>181</sup> "Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937," Official Journal of the EU, June 9, 2023, at <https://eur-lex.europa.eu/eli/reg/2023/1114/oj>.

Applicable from December 30, 2024, the Regulation introduced institutional regulation of cryptocurrency issuance and established a uniform legal regime for cryptocurrency companies in the EU. All cryptocurrency transactions are now tracked in the same way as regular bank transfers.

- It requires technical expertise on the side of the CSO, which may need to be hired externally, thus incurring additional cost.
- In case the CSO website needs to be reformatted and debugged, the cost will be between 3,000 and 5,000 EUR, including the 'e-commerce module' installation.
- The CSO is required to have a special current account (to hold the security deposit) with its bank, which has set up an 'e-commerce module' for it. This special account receives a certain percentage of money from each donation received via the CSO's website.

CSOs experience an additional problem with setting up recurring donations, as banks' e-commerce services that support this feature are designed for online stores, and thus, do not provide an option to facilitate recurring transactions.

## **2. Crowdfunding platforms:**

Donation-based crowdfunding platforms experience several challenges that severely threaten their viability:

- They are treated by banks as high-risk clients, leading to burdensome administrative requirements and even potential personal consequences in terms of access to financial services for leaders.
- Banks equate donation-based platforms to online stores and impose requirements that are not apt to their nature (e.g., the requirement to put certain percentage of funds collected for the project to a security deposit), as well as high commission fees.

## **3. Payment terminals and e-wallets:**

High commission fees for donations made through terminals and e-wallets have a chilling effect on donations, especially small ones.

## **4. Donation boxes and street collections:**

A challenge CSOs face when collecting money through donation boxes is the public's distrust after numerous cases of fraud associated with the use of donation boxes occurred. The same applies to collecting donations on the street.

## **5. Fundraising events:**

Many CSOs lack skills, knowledge, and financial and human resources required to organize profitable fundraising events.

CSOs are hesitant to sell items during fundraising events because Art. 52 of the Tax Code stipulates that economic activities should be included in the CSO's statute in order to be exempt from income tax. As pointed out in Chapter "[3. Regulation of Philanthropy](#)," it is not clear on the level of detail of which such activities should be included in the statute.

## **6. Use of social media:**

Facebook, one of the most popular social media platforms in Moldova, does not make the donation feature available to users in Moldova.

## **7. SMS donations and phone calls:**

Collecting SMS donations is not used frequently because:

- There is no agreement among mobile operators on the use of single numbers, and Orange, the network with the highest number of subscribers, no longer provides this service.

- Practical considerations: the size of the donation (45 MDL for one SMS) is not commensurate with the size of the subscription fee for the mobile service (for example, the Orange minimum prepaid plan is 50 MDL).

## **8. Inheritance**

The potential of raising donations through obtaining inheritance by CSOs should be further explored, and detailed guidance should be developed for CSOs on how they can benefit from it.



## 7) Percentage Designation Mechanism

### ANALYSIS

Besides philanthropy, another alternative source of funding for CSOs is the percentage designation mechanism. The percentage designation mechanism provides the possibility for taxpayers to designate a certain percentage of their income tax paid to a specific CSO, and in some cases, to other organizations/causes. Over the past 20 years, several countries have introduced this funding opportunity, including Hungary (1996), Slovakia (2001), Lithuania (2002), Poland (2003), and Romania (2003).<sup>182</sup> While the systems differ to a certain extent, the focus in these countries has clearly been on *the advancement of civil society through support of its organizations*.<sup>183</sup>

The income from the percentage mechanism can provide an additional and relatively flexible source of funding for CSOs. **In addition to supporting CSOs financially, the designation mechanism has many other advantages by:**

- giving taxpayers the possibility to directly decide on how a portion of their taxes is spent, making them more engaged;
- helping to raise awareness of CSOs and their important work among the population;
- helping CSOs to improve their outreach and communication skills; and
- creating a depoliticized way to distribute state funding to CSOs.<sup>184</sup>

The percentage designation mechanism is not a form of donation. It does not involve giving someone's own money – instead, it is redirecting the paid income tax that should benefit the public. Therefore, it is *a special form of indirect state support*.

Still, there are some similarities to the process when people decide to donate to a CSO. In the case of the percentage designation, the taxpayer also needs to make a conscious decision about: (1) whether to make the designation, and, if so, (2) to whom to make the designation.

### PERCENTAGE DESIGNATION MECHANISM IN MOLDOVA

In Moldova, the Parliament voted on the Law No. 158 – the so-called “2% Law” – on July 18, 2014.<sup>185</sup> It introduces the definition and key rules of the percentage designation mechanism by the amendment of the Tax Code, the Criminal Code, and the Law on Public Associations. It was amended by the Parliament on July 21, 2016, with the aim to provide equal conditions of access and use of the amounts and reporting for all beneficiaries of the “2% Law,” as well as to improve the percentage designation mechanism. The mechanism was operationalized by the adoption of the Regulation on the percentage designation, approved by the Government Decision No. 1286 of November 30, 2016. It provides detailed rules on who can be the beneficiary of the 2% designation, the application process to become a beneficiary, the use and reporting of the percentage designation amounts, and the related control and responsibilities of the state authorities. 2017 marked the first year of use of the percentage designation mechanism.

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<sup>182</sup> See more information about the experiences on the implementation of the percentage designation mechanism in Hungary, Poland and Slovakia here: “Learning by Doing: Experiences on the Implementation of the Percentage Designation Mechanism: Case studies from Hungary, Poland and Slovakia,” ECNL, 2016, at [https://ecnl.org/sites/default/files/files/ECNL-Case-studies\\_ENG\\_final.pdf](https://ecnl.org/sites/default/files/files/ECNL-Case-studies_ENG_final.pdf).

<sup>183</sup> Bullain, Nilda, “Explaining Percentage Philanthropy: Legal Nature, Rationales, Impacts,” *The International Journal of Not-for-Profit Law*, September 2004, at <https://www.icnl.org/resources/research/ijnl/explaining-percentage-philanthropy-legal-nature-rationales-impacts>.

<sup>184</sup> “Key Aspects of the Percentage Designation Mechanism: Observations on the process of introducing the percentage designation mechanism in Ukraine,” ECNL, 2020, at [https://ecnl.org/sites/default/files/2021-01/ECNL%20percentage%20mechanism%20new\\_0.pdf](https://ecnl.org/sites/default/files/2021-01/ECNL%20percentage%20mechanism%20new_0.pdf).

<sup>185</sup> Law No. 158/2014 for the modification and completion of some legislative acts.

**Legal definition:** The percentage designation mechanism is a “process through which taxpayers who have no debts to the national public budget for previous fiscal periods direct a percentage amount of up to 2% of the amount of income tax calculated annually in the budget to non-commercial organizations of public utility, religious cults and their component parts that are entitled to participate in the percentage designation.”<sup>186</sup>

Although the definition says “up to 2%”, taxpayers can only designate the full 2%, not less. Since the start of implementation of the designation mechanism in 2017, its use has significantly increased.

Percentage designation mechanism in numbers	2017 (first year)	2023 (seventh year)
Number of designations	21,204	41,896
Valid designations	16,182 (76%)	38,651 (92%)
Amount designated	2,821,243.60 MDL 146,252 EUR	12,493,586.22 MDL 647,661 EUR
Benefiting organizations	302	780

While the mechanism is increasingly used, there is still a huge potential. In 2023, the designations account for 22% of the total number of taxpayers who filed their income declarations in due time in 2023. Besides, 26,044 taxpayers did not submit an income tax declaration: taxpayers with only one source of income from employment are not required to do this.

Despite the increase in use of designations since 2017, the number of invalid designations is relatively high; 8% in 2023, which is related to procedural hiccups. The two main reasons for invalid designations are:

1. *The presence of income tax debt*, irrespective of the amount (50 or 50,000 MDL), at the deadline for submitting the income tax declaration – 3,056 designations.<sup>187</sup>
2. *The beneficiary of the percentage designation is not included in the updated List of beneficiaries*, published by the PSA – 189 designations.<sup>188</sup> The taxpayers are not informed if they mark an organization not on the list and cannot redirect their taxes to a valid beneficiary. One solution could be to electronically connect the code of the beneficiary in favor of which the percentage designation is made on the Form to the List of beneficiaries and generate an error message in case the taxpayer includes the tax number of a beneficiary that is not on the list.

While the proportion of invalid designations reduced from 24% in 2017 to 8% in 2023, it still results in a significant loss of amounts that do not reach the beneficiaries.

<sup>186</sup> *Id.*

<sup>187</sup> State Tax Service’s statistical report on 2% percentage designations in 2023 here: “Raport statistic privind desemnarea procentuală 2% în anul 2023,” State Tax Service, published January 2, 2024, at <https://sfs.md/uploads/files/rapoarte/raport%20desemnarea%20procentuala%202023.pdf> (accessed August 7, 2024).

<sup>188</sup> State Tax Service’s statistical report on 2% percentage designations in 2023 here: “Raport statistic privind desemnarea procentuală 2% în anul 2023,” State Tax Service, published January 2, 2024, at <https://sfs.md/uploads/files/rapoarte/raport%20desemnarea%20procentuala%202023.pdf> (accessed August 7, 2024).

## BENEFICIARIES

The following organizations have the right to apply and benefit from the percentage designation mechanism:

1. *associations, foundations and private institutions that cumulatively meet the following conditions:*
  - a. carry out public utility activities in accordance with Art. 21 of the Law on NCOs<sup>189</sup>;
  - b. active for at least one year before the request for registration in the List of beneficiaries of the percentage designation;
  - c. in the last four years, it has not supported and, during the period of capitalization of the sources obtained as a result of the percentage designation, it will not support the activity of a political party or an electoral competitor; and
  - d. have no debts to the national public budget for the previous tax periods.<sup>190</sup>
2. *religious cults and their components parts that cumulatively meet the following conditions:*
  - a. carry out social, moral, cultural, or charity activities according to Art. 15 paragraph. (6) from Law no. 125-XVI of May 11, 2007;
  - b. active for at least one year before the request for registration in the List of beneficiaries of the percentage designation; and
  - c. have no debts to the national public budget for previous fiscal periods.<sup>191</sup>

Out of five key beneficiaries of the mechanism in the year 2023<sup>192</sup>, three are public associations of veterans and pensioners connected to state authorities. Most organizations interviewed in a study<sup>193</sup> (conducted by Assist Analytics at the initiative of the National Council of NGOs and the CONTACT Center with the financial support of Sweden) see a conflict of interest between the State Tax Service and its non-commercial structure – the Public Association of Veterans and Pensioners UNI-M. The respondents mentioned that they received multiple signals from taxpayers that tax inspectors used their position to influence taxpayers' designation toward UNI-M.

On September 28, 2023, five Members of Parliament submitted a draft law to include public education institutions as beneficiaries of the 2% designation mechanism. CSOs heavily oppose this proposal as the percentage designation mechanism was implemented to provide support for CSOs, not to support public institutions. As of August 20, 2024, the proposal is still under examination in the Parliament.<sup>194</sup>

## PROCEDURE- KEY STEPS

Four authorities – the Ministry of Finance, the State Tax Service, the Financial Inspection, and the PSA<sup>195</sup> – are engaged in processing the percentage designation. The procedure for processing the designation includes the following key steps:

1. **Application process to become a beneficiary:** The organizations that wish to benefit from the 2% designation need to submit a request to the PSA by September 30 through completing

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<sup>189</sup> Law No. 86/2020, Parliament of the Republic of Moldova.

<sup>190</sup> Art. 9(1), Law on NCOs, No. 86/2020.

<sup>191</sup> Article 3 of the Regulation on the percentage designation mechanism.

<sup>192</sup> See the State Tax Service's statistical report on 2% percentage designations in 2023 here: "Raport statistic privind desemnarea procentuală 2% în anul 2023," State Tax Service, published January 2, 2024, at <https://sfs.md/uploads/files/rapoarte/raport%20desemnarea%20procentuala%202023.pdf> (accessed August 7, 2024).

<sup>193</sup> *Analysis of the management of financial resources accumulated through the percentage designation mechanism – February 2022*, Assist Analytics Research Team at the initiative of National Council of NGOs and CONTACT Center, with financial support of SIDA, February 2022, at [https://contact.md/wp-content/uploads/2022/02/Analiza\\_Gestionare-Resurselor-din-mecanismul-2-final.pdf](https://contact.md/wp-content/uploads/2022/02/Analiza_Gestionare-Resurselor-din-mecanismul-2-final.pdf).

<sup>194</sup> "Moldova: New amendments could jeopardise the designation mechanism for CSOs," CSO Meter, October 24, 2023, at <https://csometer.info/updates/moldova-new-amendments-could-jeopardise-designation-mechanism-csos>.

<sup>195</sup> In 2018, all the powers related to the 2% Law were transferred from the MoJ to the PSA with the adoption of [Law No. 308 of November 30, 2018](#).

the template published on the Agency's website.<sup>196</sup> The Agency checks compliance with the eligibility conditions and informs the applicant by e-mail if the applicant meets the eligibility conditions and have submitted the complete information. If the applicant has not submitted the complete information, the Agency notifies it by e-mail within 20 working days of the deadline for submitting applications; the applicant has 10 days from the receipt of the notification to remedy the deficiencies. The Agency rejects the application if the applicant does not meet the eligibility conditions and/or does not submit the complete information by the deadline. It informs the applicant by e-mail about the rejection within three working days from the adoption of the decision. The decision of the PSA can be contested in court. Beneficiary organizations included in the List of beneficiaries in previous years are automatically entered in the List of beneficiaries for the following year, provided that they have no debts to the national public budget for previous fiscal periods. If the beneficiary has debts to the national public budget and has not cleared the arrears within 10 working days from the date of receipt of the notification sent by e-mail by the PSA, it is excluded from the List of beneficiaries of the percentage designation.<sup>197</sup>

2. **Publishing the List of beneficiaries:** The PSA publishes the List of beneficiaries on its official website: (<https://www.asp.gov.md/en/node/300>) by December 31 of each year. The published list contains, in alphabetical order, the full name, state identification number, and legal address of the beneficiaries. Public associations, foundations, and private institutions are presented in the list separately from "religious cults" and their component parts. The PSA also discloses the List of beneficiaries excluded from participating in the percentage designation mechanism.<sup>198</sup>
3. **Submission of income tax designation:** Taxpayers can make a 2% designation by filling in and filing the income declaration between January 1 and April 30 of each year. Submission can be done either on paper or electronically. A legislative amendment required taxpayers to submit the declaration electronically from January 1, 2024.<sup>199</sup> However, following advocacy efforts by CSOs, new amendments to the Tax Code adopted by the Parliament on March 21, 2024, reintroduced the option to submit tax declarations on paper.<sup>200</sup> Taxpayers can make the designation by filling in the 13-digit fiscal code ("IDNO") of the beneficiary organization in the fifth section of the declaration.<sup>201</sup>
4. **Processing and transfer of the tax designations:** The State Tax Service processes the declarations of the taxpayers, identifies the percentage designation amounts to be transferred to the beneficiaries, completes and submits to the Ministry of Finance the payment request for the beneficiaries of the percentage designation, with the indication of the amount and bank data. On the basis of the percentage allocation beneficiary slip presented for execution, the Ministry of Finance, through the State Treasury Department within the Ministry of Finance, transfers the percentage allocation amounts according to the beneficiaries' bank data until September 30 of the year in which the designation took place. The State Treasury Directorate within the Ministry of Finance will present to the State Financial Control Inspectorate the List of beneficiaries of the percentage designation, with the indication of the amounts transferred to each beneficiary.<sup>202</sup> There is no minimum amount of transferring the designation.
5. **Use of tax designations:** CSO beneficiaries shall use the designated amount to support public benefit activities, while "religious cults" and their components parts can use it for social, moral, cultural, or charity activities. The Regulation sets certain limitations on the maximum amount that can be used for administrative expenses, depending on the amount of the designation. The designation can be used within the period of two tax years after the

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<sup>196</sup> PSA, 2024, at <https://www.asp.gov.md/sites/default/files/date-deschise/lista-beneficiarilor-desemnarii-procentuale/Cererea-DP.pdf>.

<sup>197</sup> Article 7 of the Regulation on percentage designation mechanism.

<sup>198</sup> Article 12-14 of the Regulation on percentage designation mechanism.

<sup>199</sup> Law for the modification of some normative acts, No. 61/2024.

<sup>200</sup> "Moldova: 2% designation reintroduced for tax declarations made on paper," CSO Meter, April 9, 2024, at <https://csometer.info/updates/moldova-2-designation-reintroduced-tax-declarations-made-paper>.

<sup>201</sup> The Income Tax Declaration Form CET18 is available here: <https://declaratie-rapida.fisc.md/Document.aspx?taxid=CET18>.

<sup>202</sup> Information provided by the State Tax Service.

application to become a beneficiary. The Financial Inspectorate controls the use of the percentage designation amounts and holds accountable the beneficiaries who violated the rules for their use. Organizations need to return the designated amount if: 1) they failed to use it during a period of two years; 2) they have not used the money according to its intended purpose and have not respected the threshold for administrative expenses; or 3) if the CSO has been excluded from the List of beneficiaries.

6. **Reporting and supervision:** The beneficiaries need to submit reports to the State Tax Service on the use of the percentage designation by the deadline of filing the income tax declaration the following year when the period of use has expired. Reporting is done through the NCO Income Tax Return form (ONG17<sup>203</sup>), via SI Electronic Reporting, on the sfs.md portal. The organizations need to indicate the amount of income from the percentage designation in Line 01014 and the related expenses under line 01024 of the NGO17 declaration. Annex 1D of the ONG17 contains the Financial report on how the percentage designation amounts were used. Based on this, the State Tax Service annually presents the overall beneficiary reports on the use of percentage allowances with aggregated and disaggregated statistical data on the use of funds by beneficiaries.
7. **Exclusion from the List of beneficiaries:** Beneficiaries of the percentage designation included in the List of beneficiaries of the percentage designation shall notify the PSA within 10 days if circumstances arise that make them ineligible to benefit from the percentage designation mechanism. In this case, within 25 days of the notification, the PSA will exclude the beneficiary from the list and will notify the former beneficiary about this by e-mail.<sup>204</sup>

## AWARENESS RAISING AND PROMOTION OF THE MECHANISM

Widespread awareness campaigns by CSOs on the List of beneficiaries are critical for the percentage designation mechanism to reach taxpayers and potential beneficiaries of CSOs and to exploit its full potential. It is important to promote the mechanism itself, as well as the work of CSOs, on the List of beneficiaries. It helps the sector to improve communication and the development of efficient and diverse interaction between CSOs and their beneficiaries and supporters from the public.

Civil society plays a crucial role in promoting the percentage designation mechanism. The <https://2procente.info/> website, developed by the Legal Resources Centre from Moldova (LRCM) with the financial support of the EU and USAID, is one of the key sources of information about the percentage designation mechanism. It explains the 2% mechanism, its legal framework, benefits, and differences compared to donations. The website helps taxpayers to choose a beneficiary based on the area of their work (e.g., culture/art, education, democracy, and human rights).<sup>205</sup> It includes user-friendly publications and tutorials on how to designate the 2% and run a communication campaign. It also has success stories to inspire others to use the mechanism. Besides the website, LRCM also runs a dedicated Facebook page on the percentage designation mechanism (2% in Moldova), and has provided other types of support, including informal consultations and trainings, to CSOs.

The State Tax Service has a subpage on its website with information on the 2% mechanism: <https://sfs.md/en/page/desemneaza-2>. It describes the meaning of the 2% mechanism, its normative framework, how the 2% is directed, and how organizations use and report the 2%. It provides links to the annual statistical reports and sources of additional information (including links to the <https://2procente.info/> and resources published there).

The taxpayer's personal office, however, provides no guidance on the percentage designation. The State Tax Service has a one-stop SFS call center (080001525) and e-mail (mail@sfs.md) that answers questions on tax law. However, there is no specific extension for the percentage designation mechanism.

As the State Tax Service is the primary source of information for taxpayers, it would be beneficial for the State Tax Service to create more platforms for information sharing and to take a more

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<sup>203</sup> The Income Tax Declaration Form ONG17 is available here: <https://declaratie-rapida.fisc.md/Document.aspx?taxid=ONG17>.

<sup>204</sup> p. 11 of the Regulation on the percentage designation mechanism.

<sup>205</sup> "Choose a field and an organization you want to support!" 2procente, at <https://2procente.info/lista-organizatiilor-beneficiare/> (accessed August 15, 2024).



proactive role in supporting awareness raising and promotion of the designation mechanism. Besides the existing website, the authority could use other tools to help taxpayers to make a valid designation in order to contribute to more designations (i.e., the beneficiary of the percentage designation is included in the List of beneficiaries). Official promotion of the mechanism mainly takes place during the period of March–April and September, ahead of the deadline for the tax declaration (April 30) and the application to become the beneficiary of the mechanism (September 30).

Companies and other stakeholders also have an important role in promoting the mechanism. The Assessment team met with banks and companies (MAIB Bank and Kaufland) that have been promoting the percentage designation mechanism among employees by encouraging them to participate and distributing the official list of eligible organizations.

Further, websites promoting the percentage designation mechanism in Moldova can gain inspiration from the examples of other countries with similar websites/subpages dedicated to the percentage designation in their countries, including Hungary<sup>206</sup> and Slovakia.<sup>207</sup> These websites include podcasts, quizzes on how to become a beneficiary of the percentage designation, tips on how to promote their organizations and increase their success rate, space for organizations to post their campaign videos, the possibility to receive notifications about upcoming deadlines related to the mechanism, among others. Case studies on the implementation of the percentage mechanism in Hungary, Slovakia and Poland, developed by ECNL together with local experts in the three countries, include instruments and good practices of reaching out to taxpayers.<sup>208</sup>

## CHALLENGES AND OPPORTUNITIES IDENTIFIED

### OPPORTUNITIES:

- The government acknowledges the importance of the percentage designation mechanism and there are a number of potential policy measures related to the mechanism that are included in the CSODP, including the possibility to increase the percentage designation to 3%.
- Since the establishment of the mechanism, its use has grown from 2017 to 2023:
  - The number of designating taxpayers and beneficiaries doubled.
  - The amounts designated have increased more than four times.
  - The number of organizations that benefit from it has increased 2.5 times.


### CHALLENGES:

- Awareness of the mechanism among taxpayers is still limited, especially outside Chişinău. Both CSOs and the authorities can play a more proactive role in promoting the mechanism to increase the number of designations.
- The number of invalid designations is relatively high, 8% in 2023, which is related to procedural hiccups. The main reason for the invalid designations remains to be the presence of income tax debt, regardless of the amount. The second reason for the invalid designations is that the beneficiary of the percentage designation is not included in the updated List of beneficiaries. As taxpayers are not informed if their designation is not processed, they do not have the opportunity to settle an outstanding debt or correct an error to ensure their designation benefits the CSO of their choice.

<sup>206</sup> NIOK Nonprofit, at <https://www.nonprofit.hu/tudastar-kategoria/egyszazalek>.

<sup>207</sup> "2% pre hodnotnejší život," Sami Rohodnite, Kto Potrebuje Vase Dane, at <https://rozhodni.sk/>; "Poukázanie 2% z dane (ak si podávate daňové priznanie sami)," Navody.digital, at [https://navody.digital/zivotne-situacie/2-percenta-samostatne?utm\\_source=google&utm\\_medium=search&utm\\_campaign=slovensko\\_digital&gad\\_source=1&gclid=Cj0KCQjws560BhCuARIsAHMqE0HJoJ7U1XlmmR39nq7k3hLbVGGtxdVWXbyHP3984KSQGkVSvKocTqAaAjtCEALw\\_wcB](https://navody.digital/zivotne-situacie/2-percenta-samostatne?utm_source=google&utm_medium=search&utm_campaign=slovensko_digital&gad_source=1&gclid=Cj0KCQjws560BhCuARIsAHMqE0HJoJ7U1XlmmR39nq7k3hLbVGGtxdVWXbyHP3984KSQGkVSvKocTqAaAjtCEALw_wcB).

<sup>208</sup> "Learning by Doing: experiences on the implementation of the percentage designation mechanism", ECNL, 2016, at <https://ecnl.org/publications/experiences-implementation-percentage-designation-mechanism>

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- There is an imbalance in the organizations benefiting from the mechanism that can affect trust in the process and credibility of the authorities involved. CSOs face procedural challenges when participating in the mechanism. They risk being excluded from the List of beneficiaries if they have outstanding tax debts. Furthermore, the small amounts they generate make it difficult to cover the associated administrative cost and to be able to report meaningful impact from the income received.

## 8) Conclusions and Recommendations

### THE CURRENT STATE OF THE REGULATORY ENVIRONMENT FOR PHILANTHROPY AND THE DESIGNATION MECHANISM

**State policy.** Strengthening CSOs' financial sustainability has been one of the strategic objectives of several civil society development policies of the Moldovan government, including the CSODP 2024-2027, adopted in 2023. In addition, the government has piloted an innovative approach to stimulate private giving through the DAR 1+3 programme (Chapter "[2. Overview: State Policies Related to Philanthropy](#)"). Notwithstanding the positive attitude of the government toward strengthening CSOs, implementation of civil society development policies has been low. CSOs struggle with income diversification and are still largely reliant on grants from international donors.

**Enabling environment for philanthropy.** The regulatory framework in Moldova is generally favorable for philanthropy and CSOs. It acknowledges and safeguards the right to freedom of association and the right of CSOs to freely request, receive, and use financial and material means.

The Law on Philanthropy and Sponsorship provides a regulatory basis for philanthropic and sponsorship activities carried out by legal and/or natural persons for the benefit of CSOs, with the aim to stimulate such activities, and ensure transparent practices.

The Tax Code provides that CSOs' income from activities other than economic is tax exempt. However, CSOs and other stakeholders do not fully utilize opportunities provided in the regulatory framework for various reasons. There is a lack of knowledge among CSOs and other stakeholders of various fiscal and financial regulations relating to fundraising and philanthropy at large, as well as the opportunities and limitations they provide. For example, many CSOs and companies do not know which requirements need to be met in order for income from a sponsorship agreement to be considered tax exempt for CSOs or eligible as a deductible expense for a company's calculation of income tax. Besides, certain laws lack clarity, thereby discouraging CSOs from fundraising. For example, Tax Code provisions are not clear on the level of detail of description of activities to be provided in CSOs' bylaws and statutes to ensure that CSOs may carry out fundraising activities generating tax-exempt income which may be recognized as economic (i.e., charitable concerts or other events for a fee).

Another real impediment to CSOs' day-to-day operations, including fundraising, is the restrictive application of AML/CFT legislation, which has been developed without the participation of CSOs. Moreover, there is no open dialogue between the state, banks, and CSOs on practical challenges experienced by CSOs in their relationship with banks. The specific challenges in the regulatory framework and practices affecting philanthropy and CSOs activities are summarized below.

**Individual philanthropy.** People are not aware of CSOs' activities and, therefore, are not inclined to support them. The lack of support from the general public is, to a large extent, a result of the failure of many CSOs to communicate the importance and results of their work. This is related to a lack of capacity and resources: CSOs often do not have in-house fundraising expertise, and their budgets are tight, limiting the possibility to invest in this area. CSOs also experience challenges in engaging media outlets to make their work more visible. Besides, there are no tax incentives in place for individual donors. A well-regarded percentage designation mechanism is important but should not be a replacement of tax incentives. A few successful examples of fundraising by CSOs highlight the overall absence of fundraising campaigns targeting individual donations.

**Corporate philanthropy.** Many CSOs are not effective in communicating about their work and the use of resources; this is an important hindering factor to the development of corporate philanthropy in Moldova. CSOs have limited skills and time to effectively engage with companies.

In addition, the current available tax deduction for philanthropic donations and sponsorship of 5% from taxable income is not attractive enough to substantially stimulate corporate donations, especially for small companies. Moreover, companies report that the administrative requirements to obtain the income tax benefit are burdensome. Besides, there is no VAT exemption in place for in-kind donations, and adhering to the provisions related to the determination of the value of donated goods for tax purposes can be time-consuming, thus hindering companies from making such donations. The 2024 amendment to the Law on the prevention on food loss and waste enables food business operators that donate food items to CSOs to benefit from the same tax deductions related to income tax and VAT as in the case of residues, waste, and natural perishability, thus stimulating such donations.

**Payment and fundraising methods.** Raising cash donations is a challenge for Moldovan CSOs.

The obligation to have CRE when handling cash and to comply with other related legal requirements pose an obstacle for CSOs as many CSOs lack awareness of such an obligation and related legal requirements. If CSOs raise cash without having a cash register and do not immediately deposit cash to their bank accounts, they may be penalized at any moment. Those aware of these complex requirements choose not to raise cash altogether.

Challenges related to non-cash donations include the high commission rates set by banks and external payment systems and the rejection by banks of payments made to CSOs with foreign credit cards. Donations in cryptocurrency are also prohibited in Moldova.

As for online fundraising, it is expensive and difficult for CSOs to install a “Donate here” button on their websites. In addition, CSOs experience problems with setting up recurring donations, as banks’ ‘e-commerce’ services that support this feature are designed for online stores, and thus, do not provide an option to facilitate recurring transactions.

The unavailability of the Facebook donate feature in Moldova, and the fact that the largest telecom provider in Moldova no longer offers a service to facilitate SMS donations, further hinder CSOs’ ability to make use of digital technologies in fundraising.

In addition, the development of crowdfunding platforms is hindered as banks treat them as high-risk clients. Moreover, banks equate crowdfunding platforms to online stores and impose requirements that are not apt to their nature, as well as high commission fees.

**Percentage designation mechanism.** The percentage designation mechanism allows individual taxpayers to direct 2% of their income tax to CSOs. The government acknowledges the importance of the percentage designation mechanism and there are several potential policy measures related to the mechanism that are included in the CSODP, including the possibility to increase the percentage to 3%. Since its inception, use of the mechanism has doubled, but the mechanism still has untapped potential. Awareness raising campaigns by civil society and proactive promotion by authorities are crucial for increasing designations, especially outside of Chişinău. Furthermore, by addressing procedural hiccups, the number of invalid designations could be reduced, and the mechanism could be more beneficial for CSOs. Better representation of non-state affiliated CSOs benefiting from the mechanism would enhance trust in the process and credibility of the authorities involved.

**Opportunities and ways forward.** The positive attitude of the government toward CSOs, the existence of the Platform for the Development and Promotion of Philanthropy, the commitment by several companies toward supporting social and environmental causes, and the presence of international donors provide ample opportunity to enhance the regulatory environment and practices to boost the development of philanthropy in Moldova.

In the below section, we provide key recommendations for the two main topics of the Assessment – philanthropy and the percentage designation mechanism. For each topic, the Assessment provides recommendations for policy, regulation, and practice, addressing different stakeholders.

## RECOMMENDATIONS

To strengthen the enabling environment for philanthropy and improve the effectiveness of the percentage designation mechanism, we recommend that the **State Chancellery, in line with its coordination role, establishes a working group<sup>209</sup> consisting of representatives from the Ministry of Finance, the State Tax Service, the Platform for the Development and Promotion of Philanthropy, CSOs, and other key stakeholders to discuss challenges related to philanthropy and the percentage designation mechanism, identify short-term and longer term practical steps to address these challenges, and monitor the implementation of relevant government policies.** In addition, the operationalization of the Permanent Consultative Platform for consultation with civil society in decision-making processes<sup>210</sup> could provide another avenue to address these issues.

## PHILANTHROPY

### Policy

**State policy to strengthen philanthropy.** We recommend that the government, for example, represented by the State Chancellery, engage in consultations with CSOs, donors, and companies to determine ways to support the development of philanthropy. Such discussions could lead to the development of an **action plan on how to promote and stimulate philanthropy**. Ireland presents an example of such a policy document, where the government developed a National Philanthropy Policy.<sup>211</sup>

As part of the action plan (or as separate measures), the government may consider undertaking measures such as:

- Compiling the existing information about philanthropy to build a public information database (to be regularly updated and publicized). This data can inform stakeholders' efforts to analyze the state of philanthropy and propose further reforms, as well as to promote philanthropy with the general public. Such a database may be developed utilizing experience of the database developed to promote the percentage designation mechanism in Moldova. The database may include, for example, information about the use of tax incentives relating to donations and sponsorship, the amounts donated, information about projects addressing social needs, etc.
- Assigning the responsibility to promote philanthropy to a senior government representative.
- Setting up an advisory council, a consultative group, or another platform where CSOs and the government can regularly discuss the issues related to philanthropy and CSO development in general. Such discussions could be organized with the help of the State Chancellery.
- Supporting a national communications campaign, which could include giving awards to leading philanthropists or supporting events, such as the Annual Kindness Week organized by the Platform for the Development and Promotion of Philanthropy. In the UK, the government appointed a famous philanthropist as UK's Ambassador for Giving and Philanthropy.<sup>212</sup>
- Supporting activities dedicated to increasing capacity in fundraising and strategic communication by CSOs. This could include providing targeted state grants for capacity-

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<sup>209</sup> Provided for in art. 11 of the Law on transparency in decision-making, No. 239/2009; and paragraph 23 of Government Decision No. 967/2016 on the mechanisms for public consultation with civil society in the decision-making process.

<sup>210</sup> A platform which was introduced by Government Decision No. 435/2023, which amended Government Decision No. 967/2016 on the mechanisms for public consultation with civil society in the decision-making process, but not yet established.

<sup>229</sup> National Philanthropy Policy 2024-2028, Government of Ireland, at <https://www.gov.ie/en/policy-information/a9795-national-philanthropy-policy-2024-2028/>

<sup>212</sup> "Ambassadors for Philanthropy?" Giving Magazine, at <https://www.givingmagazine.com/index.php?article=ambassadors-for-philanthropy/>.

building and encouraging state agencies to include a budget line for fundraising expenses as direct cost under state grants to CSOs.

- Developing various financing models through which the state can support philanthropy, such as matching funding (e.g., doubling the money collected by the public).<sup>213</sup>

**AML/CFT policies.** The government can establish regular communication between all state authorities responsible for AML/CFT regulation and CSOs, and ensure active participation of CSOs in conducting the risk assessment of the civil society sector and in developing and improving AML/CFT legislation.

**Access to banking/Bank De-Risking.** The National Bank (the bank regulator) can start a dialogue with CSOs and banks to discuss problems related to CSOs' access to banking services and potential solutions that could help improve derisking policies and practices, following a risk-based approach. An example could be the Dutch multi-stakeholder dialogue between the government, the regulator of the banking sector, banks, and CSOs, co-convened by the Dutch Ministry of Finance, the Human Security Collective (a CSO), and the Dutch Banking Association.<sup>214</sup>

## Regulation

**Tax incentives.** The government should consider providing additional tax incentives to stimulate philanthropy of both companies and individuals. To do so, the government can:

- **Reintroduce tax benefits for philanthropic donations made by individual taxpayers to CSOs** which may include:
  - Incentive to donate to CSOs, by allowing taxpayers to deduct donations up to 10% of taxable income. *Comparative examples of such an incentive can be found in Annex 1.*
  - Incentive for recurring donations, by providing a more attractive tax deduction to donors that have committed to supporting CSOs for several years, e.g., by granting to an individual taxpayer the right to deduct the value of the donation from taxable income up to a higher threshold. For example, in the Netherlands, one-off donations can be deducted from taxable income, up to a maximum of 10% of taxable income. However, if a taxpayer commits to pay a certain amount to a specific CSO for at least five years (called a “periodic gift”), the threshold does not apply, and the donation can be deducted up to 100% of the tax base of a certain year to a maximum of 250,000 EUR per year (4.8 million MDL).<sup>215</sup>
  - Incentive for major gifts to CSOs. In Germany, an individual donor can deduct up to 1,000,000 EUR for a donation to the endowment of a foundation with qualifying purposes. The deduction can be taken in the year of the donation and/or divided over the following nine years.<sup>216</sup>
- **Stimulate corporate philanthropy through a variety of tax incentives.** These may include:
  - Providing an option of calculating a deductible amount of a philanthropic donation or a sponsorship based on the revenue (0.5 – 2%), in addition to a current approach of calculation based on taxable income. This will allow companies to make donations even in years when they do not have positive taxable income. This calculation based on revenue must coincide with the possibility to utilize the relevant deduction in the years following the year a donation was made. For example, in Croatia, corporate taxpayers

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<sup>214</sup> “Dutch Roundtable on Financial Access for NPOs,” Human Security Collective, at

<https://www.hscollective.org/news/timeline/dutch-round-table-for-npo/?acceptCookies=66bf376f1144a>.

<sup>215</sup> Art. 6.32 and 6.38 Wet op de inkomstenbelasting 2001. Information is provided on the website of the Dutch fiscal authority:

<https://www.belastingdienst.nl/wps/wcm/connect/nl/aftrek-en-kortingen/content/verschil-periodieke-giften-gewone-giften>.

<sup>216</sup> “Steuerbegünstigung für Stiftungen und Zuwendungsgeber,” Bundesverband Deutscher Stiftungen, at

<https://www.stiftungen.org/stiftungen/basiswissen-stiftungen/recht-und-steuern/steuerbeguenstigung-fuer-stiftungen-und-zuwendungsgeber.html>.



can benefit from tax deductions up to 2% of the annual revenues. *More examples can be found in [Annex 1](#).*

- Increasing the amount of tax deductions for philanthropic donations and sponsorship from 5% to 10–20%. In Germany, donations are deductible up to 20% of yearly taxable income, or 0.4% of the sum of the revenue and salaries. *Examples can be found in [Annex 1](#).*
- Allowing taxpayers to account an amount of a donation within the established threshold against profits tax (as a tax credit). In Romania, where a tax credit is in place, reforms have had significant impact on corporate support to CSOs. Today, companies are allowed to deduct from the profit tax due sponsorships granted, up to 0.75% of their revenue or 20% of the profit tax due, whichever is less. Since 2018, the Romanian government adopted several legal amendments which gradually extended the tax benefit. This has had significant positive impact on Romanian CSOs. Corporate sponsorship is now the main source of income for 20% of Romanian CSOs (up from 7% in 2015).<sup>217</sup> The number of companies that make use of this tax credit increased from 34,811 in 2015 to 88,544 in 2022, and the total declared expenses for sponsorship, patronage, and private scholarships increased from 698,000 MDL (140,465 EUR) in 2015 to 2,468 million MDL (496,685 EUR) in 2022.<sup>218</sup>
- Allowing companies to deduct from taxable income the amount of donations that exceed the threshold for deduction in the year a donation was made in the following years. This would make it more attractive for companies to make a donation in any amount, knowing they will be able to utilize a deduction in the upcoming years. This is the case in Romania, where exceeding amounts can be carried forward to the next seven consecutive years, and in Germany, where these can be carried forward to future tax years without any limitations. In Romania, companies can also ask the tax authority to redirect part of the income tax paid by the company to a CSO if the deductible amount has not been used in full.
- The introduction of VAT exemptions, on the transfer of in-kind philanthropic donations to CSOs. The EU VAT Directive<sup>219</sup> allows EU countries to implement this at their discretion.<sup>220</sup> In Italy, a VAT exemption is in place for donations of goods to specific types of CSOs.<sup>221</sup> Such an exemption could incentivize companies to donate items to CSOs instead of throwing them away, which is less expensive for companies under the existing tax regime.
- The government could simplify the administrative requirements to claim tax incentives by eliminating the requirement for companies to obtain a request letter from the CSO-recipient of a donation prior to receiving the donation. This is in addition to obtaining a receipt confirming the donation by a CSO-recipient. In Germany, donors must only file a donation receipt, issued by the receiving organization, based on a form issued by the tax authority. For donations below 300 EUR, a transfer confirmation or a cash deposit receipt suffices. In the Netherlands, any written proof is acceptable (e.g., confirmation of transfer, confirmation letter).

**Requirements for handling cash.** The government can exempt CSOs from the use of a CRE when collecting cash donations or conducting charitable activities, such as selling goods or tickets to charitable events, in the case when the CSO does not conduct economic activities.

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<sup>217</sup> Romania 2024: Non-governmental sector; profile, trends challenges. Bogdan Voicu e.a.; Fundatia Pentru, Dezvoltarea Societatii Civile.

<sup>218</sup> Romania 2024: Non-governmental sector; profile, trends challenges. Bogdan Voicu e.a.; Fundatia Pentru, Dezvoltarea Societatii Civile.

<sup>219</sup> Council Directive 2006/112/EC on the common system of value added tax.

<sup>220</sup> This was confirmed in 2020 by EU Commissioner Gentiloni in his answer to a parliamentary question (E-003465/2019): [https://www.europarl.europa.eu/doceo/document/E-9-2019-003465-ASW\\_EN.html](https://www.europarl.europa.eu/doceo/document/E-9-2019-003465-ASW_EN.html).

<sup>221</sup> This applies to donations to recognised associations or foundations whose sole purpose is assistance, charity, education, study or scientific research, and "ONLUS": non-profit organizations of social utility (in addition to public bodies), art. 10 (12), DPR 633/1972.

**Tax regulations.** The State Tax Service can:

- **issue guidance to CSOs on the treatment of and requirements for income generating activities**, including traditional fundraising methods, such as the sale of goods or tickets for charitable events.
- **improve the understanding and have a unified position on the treatment of and requirements for sponsorship agreements** among its officials.

**Effects of AML/CFT regulations.** Banks should review their policies related to CSOs as clients. The National Bank can support this by issuing guidance or recommendations for banks on how to treat CSOs with regard to assessing their risk level. More specifically, we recommend banks to:

- Refrain from treating all CSOs as high-risk entities and apply individual risk assessments, taking into consideration the specificities of the CSO structure and operations.
- Provide guidance and clarity to CSOs on how AML/CFT policies may affect them and on what measures CSOs might take to reduce their risk level. For example, banks may advise CSOs on the type of information that must be provided to the bank to ensure smooth verification processes and good practices for transaction descriptions. A great example is the Dutch Bank ABN-AMRO that set up a [specialized website](#) explaining the impact of AML/CFT on CSOs.
- Provide preferential conditions and fees for CSOs, including donation-based crowdfunding platforms.
- Review the security deposit requirements for crowdfunding platforms raising donations for non-profit projects, and either eliminate this requirement or decrease the required percentage of the deposit calculated over the donations made and the term of keeping the funds in the deposit.
- Consider refining the technical characteristics of the ‘e-commerce module’ to make it possible to register recurring donations through a “Donate here” button on a CSO website.

## Practice

In practice, **CSOs** should:

- **Enhance their visibility** by strengthening their communication with the public about their work, results, and the use of resources. They should develop and implement constituency engagement plans for more effective communication with their constituencies. Communication can be done through their own communication channels (e.g., website, social media, newsletter) and through strategic partnerships with other actors like media outlets and influential people (such as bloggers and influencers).
- **Conduct more targeted outreach** to potential individual and corporate donors by profiling potential donors, developing compelling messages and cases for support, and reaching out through suitable communication channels.
- **Invest in increasing their own capacity** to engage with individual and corporate donors. This could include devoting financial resources to cover the salary of a designated fundraiser and engaging communication specialists from the business sector (including through pro-bono support). CSOs can advocate with donors to allow them to allocate direct funding to invest in this area, as outlined in the recommendations to donors.
- **Explore opportunities to collaborate with education institutions**, e.g., engage youth (and their families) in CSO activities as part of the practice classes, include civic education subjects in the curricula, create internships for communication and marketing students, etc.

The **Platform for the Development and Promotion of Philanthropy** can play a leading role in advancing philanthropy in Moldova by continuing its efforts to promote philanthropy, serve as a platform for civil society to advocate with government for law reforms, and engage in dialogue with other stakeholders. More specifically, the **Platform** could:

- Organize a **consultation with major CSO donors** to discuss the ways in which donors can support CSO financial sustainability when they fund projects.
- **Support the development of new mechanisms** for raising funds from individuals. Specifically, we recommend the Platform to:
  - Start negotiations with Facebook to make it possible for persons from Moldova to enjoy all functions on the Facebook platform, including the donation feature.
  - Advocate with Orange for the return of the SMS donation service for its subscribers and advocate with all telecom providers for the simplification of the process of obtaining a number for SMS donations. One solution could be to facilitate signing an internal agreement between the telecommunication companies in which they recognize each other's charitable numbers. Another option is to consider creating a single charitable SMS number to be used for all mobile phone companies (as in Bulgaria and the Czech Republic).
  - Study foreign experiences related to donations in cryptocurrency and engage in a discussion with the government in Moldova to what extent foreign practices can be adapted/used in Moldova.
- Continue discussions on the need for **self-regulatory standards** for philanthropy. The introduction of a voluntary quality assurance mechanism, based on established standards, could enhance transparent practices and strengthen public trust in CSOs, thus encouraging giving. Examples of such self-regulatory mechanisms are the North Macedonian Trust Mark<sup>222</sup>, the Hungarian Self-Regulatory Board of Fundraising organizations<sup>223</sup>, and the Dutch Fundraising Regulator CBF.<sup>224</sup> Self-regulatory standards could include principles for organizing the collection of funds in public places, including through donation boxes. An example is the UK Code of Fundraising Practice<sup>225</sup>, which includes dedicated sections on collecting money and fundraising during events.
- Organize experience sharing and mutual learning. This could be done through a **group, convened by fundraising experts from CSOs that have fundraising experience** and can help disseminate further practical knowledge on how to engage in fundraising. An example could be the setting up of a Fundraising club – a professional organization of fundraisers that meet regularly and share experiences and discuss important issues. Similar groups exist in the Czech Republic<sup>226</sup> and Bulgaria, as well as the European Fundraising Association.<sup>227</sup> In Bulgaria, the Fundraising Club started organizing capacity building courses. Similarly, the Platform can organize professional training courses for fundraisers.
- **Initiate discussions with media** associations or individual media on how to increase the visibility of philanthropy and CSOs in media. Organize training for CSOs on how to present their activities as interesting news and training for media associations on the relevance of the work of CSOs for their audience.
- **Increase their engagement with corporate donors**, including by engaging them in the work of the Platform and through regular communication, for example, through organizing an event around corporate philanthropy. This could strengthen mutual understanding between companies and CSOs about their interests, create opportunities for joint advocacy toward the government or other stakeholders, and provide a platform to engage other companies who are not yet supporting CSOs.
- **Continue discussions with banks** on preferential conditions for CSOs.

<sup>222</sup> "What is a Trust Mark?" Konekt, upd. 2017, at <https://konekt.org.mk/en/filantropija/individualna-filantropija/sto-e-oznaka-za-doverba/> (accessed September 13, 2024).

<sup>223</sup> "Együtt az átláthatóságért és az adományozók bizalmáért," Adománygyűjtő Szervezetek Önszabályozó Testülete, upd. 2016, at <https://www.atlathatosag.eu> (accessed September 13, 2024).

<sup>224</sup> "Information in English," the Dutch Fundraising Regulator (CBF), at [https://cbf.nl/information-english?qad\\_source=1&qclid=CjwKCAjw5qC2BhB8EiwAvqa41sVqY6i86zbCIYglyrl3SkUQ4wUcGmrwPZdGVvy9TUi4vECNJe2xdRoCtSIQAvD\\_BwE](https://cbf.nl/information-english?qad_source=1&qclid=CjwKCAjw5qC2BhB8EiwAvqa41sVqY6i86zbCIYglyrl3SkUQ4wUcGmrwPZdGVvy9TUi4vECNJe2xdRoCtSIQAvD_BwE) (accessed September 13, 2024).

<sup>225</sup> "Code of Fundraising Practice," Fundraising Regulator, at <https://www.fundraisingregulator.org.uk/code> (accessed September 13, 2024).

<sup>226</sup> Czech Fundraising Center, at <https://fundraising.cz/en/> (accessed September 13, 2024).

<sup>227</sup> "Welcome to EFA," European Fundraising Association, at <https://efa-net.eu/> (accessed September 13, 2024).

- **Explore the problem with credit card payments by persons outside of Moldova** and engage with banks to find a working practical solution to encourage donations from abroad, including from diaspora communities.
- **Promote the [ngo.md](#) database** to enable people to check the credibility of CSOs on behalf of which funds are being raised.
- **Promote direct debit** and other regular giving options.

**Donors** should invest in their grantees' financial sustainability. Examples of measures that donors can undertake to help CSO financial sustainability include:

- **Prioritize fundraising and CSO financial sustainability** and invest in CSO projects aimed at increasing the capacity of CSOs to mobilize resources. An example is the [Change the Game Academy](#), initiated by Wilde Ganzen Foundation. [GlobalGiving](#) supports CSOs around the globe with tools and knowledge to raise resources from various donors, including individuals and companies.
- **Invest in CSO projects aiming to improve the environment for philanthropy**, for example through advocacy initiatives. An example is the [Giving for Change programme](#), funded by the Dutch Ministry of Foreign Affairs.
- Invest in knowledge development and the dissemination of knowledge among CSOs, the latter with a special focus on organizations in rural regions. These organizations generally have less capacity and access to knowledge; one of the reasons is the fact that they have fewer paid staff (many people invest time voluntarily next to other activities), hence less time to stay up-to-date with developments. Knowledge development could include research into fundraising methods that are currently underutilized, such as payroll giving.
- **Allowing a budget line as part of the direct expenses** under funded projects to cover the costs of fundraising and CSO institutional development.
- Providing **matched funding** for resources raised through philanthropy. An example of such a scheme is the [Pamoja4Change programme](#) of the Kenya Community Development Foundation.
- **Supporting the development and implementation of financial sustainability strategies of their grantees through core support or targeted grants to address issues of financial sustainability.** For example, under the [BUILD programme](#), Ford Foundation allows grantees to invest in their institutional capacities, including their financial sustainability.
- **Allowing an indirect cost percentage** that enables grantees to engage competent accountants and legal or financial advisors, or participate in professional development training to ensure compliance with relevant regulations. Donors should ensure grantee partners have a good understanding of the indirect cost percentage and what can be covered from this.

**Companies** should acknowledge their responsibility toward society and the environment and develop CSR strategies, prioritizing positive impacts on people and the planet. To do so, companies can:

- Build CSR into their operations and focus on strategic philanthropy.
- Explore different types of collaborations with CSOs, including:
  - Donations and sponsorships;
  - Pro bono support, particularly in the area of marketing and communication;
  - CRM; and
  - Payroll giving.
- Researching the [ngo.md](#) database or by engaging with a network organization to learn about various CSOs and opportunities to implement public good using resources of CSOs. This would enable them to collaborate with organizations that are not on their radar (especially smaller organizations or those from specific regions), but that may be well aligned with their values and objectives.
- Share and learn from other companies about the best practices in corporate philanthropy.

- Support their CSO partners in their efforts to diversify their income by allowing them to invest part of the funding in their institutional capacity.

**CSOs, donors, and companies should collaborate on knowledge development** regarding philanthropy. CSOs could take the lead in organizing this, and donors and companies can contribute financial resources and expertise and help identify suitable experts. Knowledge development could include toolkits with clear information regarding legal requirements and template (e.g., related to donation and sponsorship contracts between companies and CSOs), and research fundraising methods that are currently underutilized, such as payroll giving.

**Crowdfunding platforms** should enhance CSOs' understanding of how to successfully organize crowdfunding campaigns through courses or other means. An example of such support is the [learning resources section](#) of the GlobalGiving website. They could also explore possibilities to reduce commission fees, to make it more attractive to donate.

## PERCENTAGE DESIGNATION MECHANISM

### Policy

We recommend the **government** to:

- Take a more proactive role in **awareness raising and promotion of the percentage designation mechanism across all regions of Moldova**. For example, the government can introduce a specific extension for the percentage designation mechanism on the State Tax Service's call center, organize trainings and widespread campaigns (also as part of the annual income tax campaign), and develop explanatory materials.

### Regulation

We recommend the **government** to:

- **Stimulate the use of the percentage designation mechanism by taxpayers** through:
  - providing opportunities to designate the 2% if a taxpayer's outstanding tax debt is less than a certain amount (e.g., 100 MDL); and
  - pre-filling the electronic Income Tax Declaration Form CET18 with the fiscal code of the CSO to which the taxpayer designated their 2% in the previous fiscal year. This makes it easier for taxpayers to designate again, while enabling them to change the designation.
- **Ensure that more CSOs can benefit from the designation mechanism and make this a more attractive income source** by:
  - extending the deadline for the beneficiary organizations to settle any debts from 10 working days to 30 days from the date of receipt of the notification sent by e-mail by the PSA before being excluded from the List of beneficiaries of the percentage designation; and
  - extending the period during which CSOs can use the income from the percentage designation from two to three years to allow CSOs to accumulate a higher amount before allocating it, thus making a more meaningful impact.
- **Explore the possibility of increasing the eligible percentage from 2 to 3%**, in line with the objective included in the CSODP 2024-2027.
- Explore the possibility of extending the percentage designation mechanism to legal entities.



## Practice

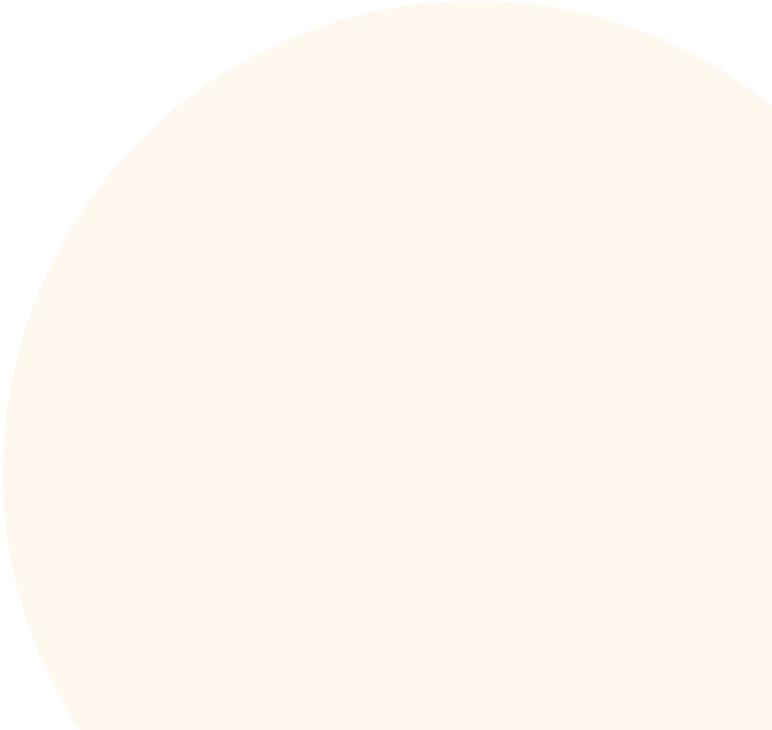
We recommend the **State Tax Service** to:

- **Take measures to reduce the number of invalid designations**, which could include:
  - Electronically connect the Fiscal code of the beneficiary in favor of which the percentage designation is made on the Tax Declaration Form to the List of beneficiaries, and generate an error message in case the taxpayer includes the tax number of a beneficiary that is not on the List.
  - Notify the taxpayers if their designation was processed and the reason if it was invalid.
  - In case the designation was not processed because of an outstanding tax debt: notify the taxpayers about their tax obligations and provide a reasonable period of time after the designation to settle any debt.
- **Help beneficiaries to better reach out to taxpayers** who (potentially) support them by providing more segmented information about the designating taxpayers in its annual report (based on gender, etc.).
- **Publish the reports submitted by beneficiaries** on the use of the received income tax contributions on its website.

We recommend **companies** to help with promoting the mechanism by encouraging their employees to participate and by distributing the official list of eligible organizations to the employees.

It is important for **civil society** to continue to broaden the promotion of the 2% mechanism throughout the year through various communication channels that reach taxpayers across all regions of Moldova.

We recommend that **donors** continue to invest in the promotion of the mechanism, especially by supporting community-based organizations across the regions, to enhance their knowledge on the mechanism, and to strengthen their communication about it.



## Annex 1: Comparative Examples of Tax Benefits for Donations and Sponsorship

In this comparative overview, two types of incentives are included: **tax deductions** and **tax credits**. In the case of tax deductions, donations are taken into account before tax is calculated, by reducing the taxable income. As a result, the higher the income tax rate, the more attractive this benefit is. In the case of tax credits, donations are taken into account after tax has been calculated as they are deducted from income tax due. Hence, the nominal value of the benefit is equal to taxpayers, regardless of the applicable income tax rate.

Country <sup>228</sup>	Individual donors	Corporate donors
Belgium	<p>Tax credit: individual taxpayers are entitled to deduct 45% of the donation from their personal income tax. The total amount of gifts eligible for 45% reduction can be maximum 10% of taxable income or €392,200 (year 2024 for income 2023), whichever is less. Gifts must be minimum €40, per institution per year.</p> <p>The receiving organization must issue a tax certificate.<sup>229</sup></p>	<p>Tax deduction: companies are entitled to deduct the donated amount from corporate income tax due to a maximum of 5% of net profit or €500,000, whichever is less. Gifts must be minimum €40, per institution per year.</p> <p>The receiving organization must issue a tax certificate.</p>
Croatia	<p>Tax deduction: donations to cultural, scientific, educational, health, humanitarian, sport, religious, ecological and other purposes deemed for public benefit are exempted up to 2% of their gross annual income in the preceding year. The tax-exempt percentage may be higher, pursuant to a decision of the line ministry on financing particular programmes and actions. There is no minimum amount on contributions in order for it to qualify as tax exempt.</p> <p>In order for natural persons who do not perform an activity, i.e. who do not submit an annual income tax return, to reduce the income tax base (reduce income tax to the amount of 2% of receipts), they should submit the form to the competent office of the Tax Administration according to their place of residence.<sup>230</sup></p> <p>In addition, they should attach an authentic document as proof of the given donation or donation. This means copies of money remittance orders and contracts or certificates of donations of goods and services.</p>	<p>Tax deduction: donations to cultural, scientific, educational, medical, humanitarian, sport, religious, ecological and other purposes deemed for public benefit are exempted up to 2% of their gross annual income in the preceding year. The tax-exempt percentage may be higher, pursuant to a decision of the competent ministry on financing particular programs and actions. There is no minimum ceiling on contribution in order for it to qualify as tax exempt.</p> <p>With submitting annual tax return or report, company should attach an authentic document as proof of the given donation or donation. This means copies of money remittance orders and contracts or certificates of donations of goods and services.</p>

<sup>228</sup> In compiling this table, the Assessment made use of the report "Guide towards a single EU market for philanthropy", King Baudouin Foundation, November 2023, <https://kbs-frb.be/en/guide-towards-single-eu-market-philanthropy>; and Worldwide Tax Summaries Online, PwC, at <https://taxsummaries.pwc.com>.

<sup>229</sup> "Giften," Federale Overheidsdienst Financiën, at <https://financien.belgium.be/nl/particulieren/belastingvoordelen/giften#g4>.

<sup>230</sup> "Obrazac Za Priznavanje Prava U Posebnom Postupku Za," Obrazac ZPP-DOH, at [https://www.porezna-uprava.hr/HR\\_obrasci/Documents/POREZ%20NA%20DOHODAK/ZPP-DOH.pdf](https://www.porezna-uprava.hr/HR_obrasci/Documents/POREZ%20NA%20DOHODAK/ZPP-DOH.pdf).

Country <sup>228</sup>	Individual donors	Corporate donors
<b>Czech Republic</b>	<p>Tax deduction: donations are deductible up to 15% of the tax base. The minimum value of donations is 2% of the individual's tax base or at least CZK 1,000 (around €40).</p> <p>The receiving organization must issue a tax certificate.</p>	<p>Tax deduction: donations are deductible up to 10% of the tax base. The minimum value of a gift reducing the company's tax base is CZK 2,000 (around €80).</p> <p>The receiving organization must issue a tax certificate or a donation agreement must be in place.</p>
<b>France</b>	<p>Tax credit: individual taxpayers are eligible for tax credits for donations, which are calculated at 66% of the value of the donation. An individual's total tax credits for one year may not exceed 20% of the individual's taxable income.</p> <p>Individuals may report excess amounts to the tax authorities, which will be credited against their taxes on a carry-forward basis for the following five years.<sup>231</sup></p> <p>Receiving organizations must issue a tax receipt to donors, in a format determined by the authorities.</p>	<p>Tax credit: legal entities are eligible for tax credits for donations, which are calculated at 60% of the value of the donation. If the legal entity's charitable contributions within one year exceed 2 million EUR, the tax credits will be calculated at 40% of the value of the donation (this rate remains 60%, regardless of the donation amount, for donations to organizations which supply free meals to persons in difficult situations, provide free housing and care). A legal entity's total tax credits for one year may not exceed 0.5% of its annual turnover or €20,000, whichever is higher.<sup>232</sup></p> <p>Companies may report excess amounts to the tax authorities, which will be credited against their taxes on a carry-forward basis for the following five years.</p> <p>Companies are subject to a reporting obligation from €10,000 of donations and payments, during a fiscal year, eligible for the tax benefit. For each donation, companies must report to the tax authorities through a specific form provided by the authorities.<sup>233</sup></p>
<b>Germany</b>	<p>Tax deduction: donations are deductible up to 20% of yearly income.</p> <p>There is no minimum amount for the contribution. Donations exceeding the deductible limits may be carried forward to subsequent fiscal years.</p>	<p>Tax deduction: donations are deductible up to 20% of yearly taxable income; or 0.4% of the sum of the turn-over and salaries. There is no minimum amount for the contribution. Donations exceeding the deductible limits may be carried forward to subsequent fiscal years.</p>

<sup>231</sup> "The Tax System," French Ministry of Culture, at <https://www.culture.gouv.fr/en/Thematic/patronage/Individuals/The-tax-system>; and "Impôt sur le revenu - Dons aux associations et organismes d'intérêt général," Service Public de France, at <https://www.service-public.fr/particuliers/vosdroits/F426>.

<sup>232</sup> "Mécénat d'entreprise : dons en faveur d'organismes sans but lucrative," Service Public de France, at <https://entreprendre.service-public.fr/vosdroits/F22263>.

<sup>233</sup> "The general tax system, The Ministry of Culture of France, at <https://www.culture.gouv.fr/en/Thematic/patronage/Companies/The-general-tax-system>.

Country <sup>228</sup>	Individual donors	Corporate donors
	<p>In addition, an individual donor can deduct up to €1,000,000 for a donation to the endowment of a foundation with qualifying purposes once every ten years. The deduction can be taken in the year of donation and/or divided over the following nine years.</p> <p>Donors must file the donation receipt (<i>Zuwendungsbestätigung</i>) issued by the receiving organization, based on a form provided by the tax authorities. Instead of a donation receipt, the cash deposit receipt or the booking confirmation of a credit institution may suffice if the donation does not exceed €300.</p>	<p>Donors must file the donation receipt (<i>Zuwendungsbestätigung</i>) issued by the receiving organization, based on a form provided by the tax authorities. Instead of a donation receipt, the cash deposit receipt or the booking confirmation of a credit institution may suffice if the donation does not exceed €300.</p>
<b>Netherlands</b>	<p>Tax deduction: donations are deductible between 1% to 10% of taxable income, provided the taxpayer has donated more than €60 in total.</p> <p>For periodic gifts, no threshold is applicable and the gift is deductible up to 100% of taxable income to a maximum of €250,000. Periodic gifts are gifts which the donor is, by notarial or private gift deed, obliged to pay annually during at least five years while they are alive.<sup>234</sup></p> <p>The taxpayer must be able to prove the gift upon request of the tax authorities, e.g., through bank statements.</p>	<p>Tax deduction: donations are deductible up to 50% of the pre-tax profit with a maximum of €100,000.<sup>235</sup></p> <p>Corporate taxpayers must be able to prove the donation (e.g., through confirmation of receipt, bank statement). Donations in kind with a value over €10,000 must be supported with a valuation report or fiscal invoice.</p>
<b>Poland</b>	<p>Tax deduction: individual taxpayers may deduct from their taxable income donations made to CSOs, which are dedicated to specific public benefit objectives, up to 6% of the annual taxable income.</p> <p>The donation must be documented by a proof of payment and, in the case of an in-kind donation, by a document stating the value of the donation and a declaration of acceptance by the receiving organization.</p>	<p>Tax deduction: corporate taxpayers may deduct from their taxable income donations made to CSOs, which are dedicated to specific public benefit objectives, up to 10% of the annual taxable income.</p> <p>The donation must be documented by a proof of payment and, in the case of an in-kind donation, by a document stating the value of the donation and a declaration of acceptance by the receiving organization.</p>

<sup>234</sup> "Periodieke giften en gewone giften - wat is het verschil?" Belastingdienst, at <https://www.belastingdienst.nl/wps/wcm/connect/nl/aftrek-en-kortingen/content/verschil-periodieke-giften-gewone-giften>.

<sup>235</sup> "Aftrekbare giften," Belastingdienst, at [https://www.belastingdienst.nl/wps/wcm/connect/bldcontentnl/belastingdienst/zakelijk/winst/vennootschapsbelasting/aftrekbare\\_giften#:~:text=Giften%20aan%20algemeen%20nut%20beogende,de%20giften%20schriftelijk%20kunnen%20bewijzen](https://www.belastingdienst.nl/wps/wcm/connect/bldcontentnl/belastingdienst/zakelijk/winst/vennootschapsbelasting/aftrekbare_giften#:~:text=Giften%20aan%20algemeen%20nut%20beogende,de%20giften%20schriftelijk%20kunnen%20bewijzen).

Country <sup>228</sup>	Individual donors	Corporate donors
Romania	<p>There is no tax benefit in place for individual taxpayers.</p> <p>Individual taxpayers can designate 3.5% of income tax due to CSOs.</p> <p>Self-employed individuals that earn money from independent activities can deduct sponsorship expenses up to 5% of taxable income.</p>	<p>Tax credit: corporate taxpayers that grant sponsorships to CSOs can deduct these sponsorships from the profit tax up to 20% of the profit tax due. For companies with an annual revenue of more than €1 million, a maximum of 0.75% of their annual revenue applies.</p> <p>When the expenses related to sponsorship exceed the limit, the difference can be deducted from the profit tax in the next 7 consecutive years. Furthermore, when the applicable credit has not been used in full, corporate taxpayers can ask the tax authority to redirect a part of the income tax paid to a CSO for carrying out sponsorships within a maximum of 6 months from the date of submission of the tax return.</p> <p>A sponsorship agreement must be in place and the company must fill out a form provided by the tax authorities to declare the expenses.</p>





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