

Law
State Budget for 2006

The Parliament adopts this organic Law.

Chapter I

General Provisions

Art. 1. – (1) The state budget is approved on the revenue side in the amount of 9,681,927.0 thousand lei and expenditure side in the amount of 9,783,086.0 thousand lei, with a surplus of 101,159.0 thousand lei, determined by receipt of foreign credits to finance investment projects.

- (2) State budget synthesis as to revenues, expenditures and sources of financing is shown in Annex 1.
- (3) Budgets of courts are approved according to Annex 2.
- (4) The list of program and performance based budgets of the central government is shown in Annex 3.
- (5) Distribution of capital investment allocations, by recipients and objects is shown in Annex 4.
- (6) Distribution of capital repairs allocations is shown in Annex 5.
- (7) The following special funds are approved under the state budget:
 - a) for the development of execution system, as provided in Annex 6;
 - b) penitentiary system fund, as provided in Annex 7;
 - c) textbooks fund, as provided in Annex 8;
 - d) for financial support of some measures in the field of education, as provided in Annex 9;
 - e) national science fund, as provided in Annex 10;
 - f) for supporting some measures in the field of healthcare, as provided in Annex 11;
 - g) republican fund for social assistance of the population, as provided in Annex 12;
 - h) for encouraging the cultivation of walnuts, as provided in Annex 13;
 - i) national environment fund, as provided in Annex 14;
 - j) synthesis of local environment funds, as provided in Annex 15;
 - k) for financing the development of regulatory framework in the field of constructions, as provided in Annex 16;

- l) national energy conservation fund, as provided in Annex 17;
- m) for the implementation of the comprehensive Program on exploitation of new lands and enhancement of soil fertility, as provided in Annex 18;
- n) export support fund, as provided in Annex 19;
- o) tourism development and promotion fund, as provided in Annex 20.

Chapter II

Specific Regulations Related to Revenues and Expenditures

Art. 2 – (1) Private tax is a single payment levied in case of purchase of public property in the privatization process, including shares, regardless of the means used for this purpose.

- (2) Subjects of private tax are physical and legal persons of the Republic of Moldova, as well as foreign physical and legal persons that have the right to purchase public property with convertible currency.
- (3) Objects of private tax are public properties, including shares.
- (4) Private tax shall be levied at the rate of 1 percent of the value of public property purchased in the process of privatization, including of the value of purchased shares.
- (5) Private tax shall be paid to the state budget or budget of territorial administrative unit depending on where the property belongs to, before the sale-purchase contract is signed.
- (6) No private tax shall be paid if physical persons-citizens receive the public property in private ownership free of charge.
- (7) Private tax assessment report shall be presented by the taxpayer to the territorial state tax inspectorate by the last day of the month following the quarter when the public property sale-purchase contract is signed.
- (8) No reports shall be presented by physical persons-citizens.
- (9) The paid private tax shall not be reimbursed in case of termination or rescind of sale-purchase contract, caused by the failure to execute or inappropriate execution of the obligations assumed by the buyer.

Art. 3. – (1) Minimum size of the public property rent/lease payment shall be established in accordance with Annex 21.

- (2) With a view of covering own costs, the public institutions that are financed from the state budget shall have the right to use, in the manner established for management of special means, the financial resources obtained from property rent/lease. The revenue

surplus based on the statement of special means held by these institutions, shall be transferred to the state budget.

- (3) Public institutions that are financed from the budget shall be exempt from payment of rent for premises leased from the state enterprises whose immediate founders are respective public institutions or hierarchal higher authority, as well as for premises leased from the public institutions that are financed from all-level budgets, except for the charges for public utility services.

Art. 4. – At the importers' request, the Customs Department will extend, under the terms of Art. 126 and 127¹ of the Customs Code of the Republic of Moldova, No. 1149-XIV of July 20, 2000, up to 90 days the deadline for payment of VAT on inputs, except for goods (products) indicated in Annex 22, on complementary materials and parts that are imported by producers and business entities specialized in providing services in agriculture, holding authorizations issued by the Ministry of Agriculture and Food Industry for providing services during the production of agricultural products.

Art. 5. – (1) The road fund is approved in the amount of 170 million lei.

- (2) Out of excises on gasoline and diesel fuel collected within the approved state budget revenues, 84.2 million lei shall be transferred to the road fund. Excises on gasoline and diesel fuel that are received above the amount approved in the state budget shall be transferred in whole to the road fund.

Art. 6. – The fund for subsidizing agricultural producers in the amount of 190.0 million lei is approved in the state budget, and will be used on the basis of the regulation approved by parliament.

Art. 7. – (1) Costs associated with the operation of water reservoirs of common use, water relief works, bottomland plots and inter-farm water irrigation facilities shall be financed from the state budget within 1,545.0 thousand lei.

- (2) 2.0 million lei are allocated from the state budget to ensure the safety of the dam of hydro-engineering complex Costesti-Stanca.
- (3) Costs related to payment for electricity and other energy resources shall be covered from the state budget within 7.0 million lei.

Art. 8. – The 8 million euro grant (converted in national currency) of Food Security Program of the European Commission shall be used as follows: 15,621.0 thousand lei – for purchase of equipment for the State Treasury; 3,124.2 thousand lei – for the pilot program to implement the new mechanism of payment of targeted compensations; 4,802.7 thousand lei – for alternative services to distressed children; 24,993.6 thousand lei – for purchase of small irrigation equipment and repair of irrigation systems; 3,124.2 thousand lei – for quality tests of the water from artesian wells and water springs; 31,242.0 thousand lei – for development

and implementation of water supply and sanitation schemes in small towns and rural locations; 7,029.5 thousand lei – for artificial insemination of thoroughbred; 27,220.3 thousand lei – for animal identification and tracking system; 7,810.5 thousand lei – for vaccination and supervision of infectious diseases at animals.

Art. 9. – 4,188.0 thousand lei out of the approved funds in the state budget for the replenishment of state material reserves, will be directed to cover the cost of poles allocated from state material reserves in 2001 for the reestablishment of power supply lines that were affected as a result of natural calamities.

Art. 10 – Budget expenditures related to the compulsory health insurance of categories of persons insured under the law from the state budget, shall be established in the amount of 816 lei per person.

Art. 11. – For partial compensation of mandatory state social insurance contributions paid by the organizations and enterprises of the Society of Blinds, Society of Deaf and Society of Disabled People, the state budget establishes and approves allocations in the amount of 560 thousand lei, 446.0 thousand lei, and 252.0 thousand lei respectively.

Art. 12. – The following allocations are approved in the state budget for creation of new jobs: Society of Blinds – 920.0 thousand lei; Society of Deaf – 665.0 thousand lei; Society of Disabled People – 375.0 thousand lei.

Art. 13. – Insurance indemnifications to persons subject under the law to mandatory state social insurance shall be paid on the basis of documents prepared by specialized services of the authorities (institutions) where these persons are employed, with the endorsement from the State Insurance and Non-State Pension Fund Supervision Inspectorate under the Ministry of Finance, from the funds of respective authorities (institutions).

Art. 14. – (1) Commercial banks that have extended, until July 29, 1994, long-term preferential credits to housebuilding cooperatives founded until January 1, 1993, which have started building houses before that date; and commercial banks that have extended such credits, after July 29, 1994, to housebuilding cooperatives specified in Parliament Decision No. 209-XIII of July 29, 1994, and based on the terms of Government Decision No. 349 of June 7, 1993, as well as commercial banks that have extended credits to housebuilding cooperatives specified in Parliament Decisions No. 834-XIII of May 16, 1996; No. 1011-XIII of October 23, 1996; No. 1588-XIII of February 27, 1998; No. 1611-XIII of March 17, 1998; No. 1147-XIV of July 20, 2000; No. 905-XV of March 7, 2002, and based on the terms provided by these decisions, shall be compensated from the state budget the revenue lost due to the extension of these credits.

(2) Commercial banks shall be compensated for the revenue lost due to the extension of preferential and interest-free credits to the categories of persons that are benefiting of this right under the law, depending on the source of compensating these losses, stipulated in normative acts.

- (3) Paragraphs (1) and (2) shall not apply to credits used for other than specified purpose.
- (4) Compensation of 50 percent of the bank credits extended to Housebuilding Cooperative No. 244 (Chisinau municipality) and Housebuilding Cooperative "Apartament" (Balti municipality), established solely for the construction of housing for combatants that fought for the independence and territorial integrity of the Republic of Moldova, shall be made from Chisinau and Balti municipal budgets, depending on the duly approved cost of construction as of the date of signing the documents on commissioning/accepting the mentioned objects.

Art. 15. – Tariffs for distribution of pensions, allowances, compensations and other type of aid provided in the state budget for retired military men, commander officers and forces of the bodies of internal affairs, and other categories, as well as services provided by the Savings Bank, shall be established when contracts are signed between the bank and appropriate public authority, at the rate of up to 0.8 percent of the distributed amount.

Art. 16. – (1) Tariffs on services of financial institutions (commercial banks) related to the receipt from the public of the payments to the state budget (except for payments for import-export rights) and budgets of territorial administrative units, shall be established at the rate of up to 0.8 percent of received amount.

- (2) Expenses related to the services indicated in paragraph (1) shall be covered from respective budgets.
- (3) Commission fee for receiving from physical persons of import-export rights shall be paid by customs authorities at own expense, on the basis of contract with financial institutions.

Art. 17. – (1) Payable debt, as of January 1, 2006, of the public institutions that are financed from the state budget shall be settled by these institutions from and within the budget allocations approved for these institutions in 2006.

- (2) Budget executors shall purchase goods, works and services, as well as make expenditures in 2006 only within allocations for respective institutions, decreased by the amount debt payable by the institution as of January 1, 2006.

Art. 18. – Taxpayers that under paragraph (5) of Art. 228 of Title V of Tax Code No. 407-XV of July 26, 2001 are not subject to (charged) penalty taxes (penalties), shall not levy penalties on public institutions that are financed from the budget for the failure to timely pay for the goods and services, in the part falling within the budget approved allocations.

Chapter III

Public Debt and Government Loans

Art. 19. – It is established that as of December 31, 2006, the domestic public debt shall not exceed 3,848.3 million lei, while state external debt that is administered by the government shall not exceed 729.8 million US dollars.

Art. 20. – (1) When approved and applied, the natural gas tariff shall include 4 US dollars per 1,000 m³, for the repayment of budget expenses made to buy back the bills issued by the Government of the Republic of Moldova to “Gazprom” joint stock company from the Russian Federation.

- (2) Funds indicated in paragraph (1) and received on a cash basis, shall be transferred to the state budget every month, no later than the 20th day of the monthly immediately following the accounting month.
- (3) Revenue of “Moldovagaz” joint stock company obtained as a result of the inclusion of these means in the natural gas tariff, shall be exempt from the income tax.
- (4) The Main State Tax Inspectorate within the Ministry of Finance shall oversee the fulfillment of this article.

Art. 21. – The National Bank of Moldova will:

- a) issue loans to government, falling due in 2006, to close the temporary cash deficit in the state budget, caused by non-uniform revenue collections to the budget, taking into account the quarterly limits established in its monetary program;
- b) extend the maturity of 400.0 million lei worth (purchase price) government securities purchased against loans contracted by the government in the previous years;
- c) renew the loan contracts in the amount of 2,092.2 million lei extended against a guarantee of government securities, setting the maturity for 2007.

Chapter IV

Relations between State Budget and Budgets of Territorial Administrative Units

Art. 22. – (1) Norms of allocations from general government revenues (except for VAT and excises) to raion budgets, Chisinau and Balti municipality budgets and central budget of autonomous territorial unit of Gagauzia shall be approved as shown in Annex 23.

- (2) VAT on goods and services supplied by businesses registered in the autonomous territorial unit of Gagauzia, as well as excises on excisable goods (products) manufactured in this unit shall be paid in full to its central budget.
- (3) Allocations from general government revenues to the budgets indicated in paragraph (1) cannot be diverted for the state budget purposes, except to settle the debt of these budgets to the state budget.

Art. 23. – According to paragraph (3) of Art. 10 of Local Public Finance Law No. 397-XV of October 16, 2003, 190.0 million lei shall be transferred from Chisinau municipality budget to state budget's fund for financial support of territories.

Art. 24. – (1) The state budget's fund for financial support of territories shall be approved in the amount of 994.0 million lei.

- (2) Transfers from territories financial support fund to raion budgets and central budget of autonomous territorial unit of Gagauzia shall be established in Annex 24.

Art. 25. – (1) A fund in the amount of 5,190.0 thousand lei is approved in the state budget for compensation under the law of the difference in tariffs on electricity and natural gas used by inhabitants of some communities in Anenii Noi, Causeni and Dubasari raions.

- (2) Compensation of expenses from the fund mentioned in paragraph (1) shall be made on a quarterly basis, based on the reports presented by appropriate public authorities.

Art. 26. – (1) A fund in the amount of 10.0 million lei is approved in the state budget for compensation of revenue lost by the budgets of territorial administrative units due to the execution of Art. 18 of Agricultural Enterprises Restructuring Law No. 392-XIV of May 13, 1999.

- (2) Compensation from the fund mentioned in paragraph (1) shall be done by the Ministry of Finance based on the data from Main State Tax Inspectorate on settlement of current liabilities to the budget in the accounting quarter through Ministry of Finance treasury bills.

Chapter V

Final and Transitional Provisions

Art. 27. – At the justified requests from primary budget executors and with the Ministry of Finance consent, it is allowed to make expenses, above the limits provided in the state budget, from additionally accumulated revenue of approved special means and funds, received external project loans and grants, as well as cash balances on special means and funds' accounts and respective projects' accounts at the beginning of 2006.

Art. 28. – (1) The government is entitled to redistribute the allocations for financing capital repairs and investments among beneficiaries and objects mentioned in Annexes 4 and 5, depending on the execution of respective works by beneficiaries.

- (2) State budget allocations (except for external credit receipts and government contributions in investment projects) distributed to local governments according to Annex 4 shall be transferred to the budgets of respective territorial administrative units as special purpose transfers.
- (3) Central and local governments acting as beneficiaries of constructions provided in parliament and government approved investment programs, including objects listed in Annex 4, shall be responsible for accurate assessment of the amount of executed work, construction expenses and accounting of expenses.

Art. 29. – The Ministry of Finance shall be authorized to:

- a) transfer up to 20 percent of the state budget revenue to a special account, directed in accordance with the government approved program for preparation and sustainable operation of public institutions in fall-winter season, within the budget allocations approved for this purpose;
- b) make, at the request of beneficiaries of constructions and capital repairs, up to 30 percent advance payments of the established limit for these objects, organize the technology process, purchase materials and equipment, depending on the terms of works contract signed between recipients and contractors, with a subsequent confirmation of paid amount through the actually executed work in the course of the accounting year;
- c) make, within the budget year, expenses related to the redemption of government securities by using the funds obtained from domestic debt financing and temporary reallocation of budget funds;
- d) temporary use of available balances of special means and funds of the public institutions that are financed from the state budget to cover general state budget expenditures, with their repayment during the budget year.;
- e) redistribute the allocations approved in state budget based on the justified requests from major budget executors:
 - between groups of the same branch (function), except for “Administrative Bodies” group;
 - between central public authorities, if some units, subdivisions or institutions are transferred according to the established procedure (including as a result of separation) from one central public authority to another central public authority;
 - between approved programs of one primary budget executor within a functional group, except for the programs of administrative bodies.

- f) modify relations between state budget and budgets of territorial administrative units as a result of modifications made to existing normative acts and adoption of new acts related to the territorial-administrative organization or transfer, according to the established procedure, of some institutions from the subordination of local public authorities in to the subordination of central public authorities, and vice versa;
- g) re-credit, from external credits, tier II local public authorities and local public authorities of Balti municipality, without requesting any payment guarantees;
- h) replenish the special foreign exchange deposit account, opened in 2005 for accumulation of funds for servicing external bilateral loans to creditors-members of the Paris Club;
- i) suspend, within the budget year, the payments to the state budget and budgets of territorial administrative units in relation to the amounts charged against taxpayers' accounts, but not yet collected to these budgets due to the insolvency declared by the financial institutions.

Art. 30. – Expenditures related to the payment of payrolls, scholarships, pensions, compensations and allowances, compulsory health insurance and public debt commitments shall be financed, as a priority, subject to the revenues collected to the state budget.

Art. 31. – The government will distribute by recipients the allocations provided in the state budget for membership fees in international organizations where the Republic of Moldova is a member, national program for development of technical regulations, demarcation of state border and wage increase in the public sector.

Art. 32. – Annexes 1 – 24 shall be an integral part of this Law.

Art. 33. – This Law shall take effect on January 1, 2006.

Chairman of Parliament

Chisinau, _____2005

No. _____