

## Chapter 16 – Taxation

The **indirect taxation acquis** consists of harmonized legislation in the field of value-added tax (VAT) and excise duties. VAT was first introduced in the European Community in 1967, which eventually led to the Sixth VAT Directive in 1977. This was later reformed into Directive 2006/112/EC, which is still in force today. The directive provides for the application of a non-cumulative general tax on consumption, covering all stages of production and distribution of goods and services.

The VAT acquis ensures equal tax treatment for internal and external (import) transactions. VAT is also based on the principle of neutrality, meaning the tax applied is proportional to the price, regardless of the number of intermediate transactions.

In the field of excise duties, the acquis includes harmonized legislation on energy products (including electricity), tobacco products, and alcoholic beverages. EU legislation defines the structure of the tax to be applied, along with a system of minimum rates for each product group.

The **direct taxation acquis** focuses on certain aspects of corporate taxation and capital duty, aiming to eliminate distortions for cross-border economic activities between businesses in the European Union. The Code of Conduct for Business Taxation represents a political commitment by Member States to tackle harmful tax measures. Member States are obligated not to introduce new harmful fiscal measures and to repeal existing ones.

To ensure the effectiveness of the automatic exchange of information, the operational capacity and computerization acquis covers various areas of taxation. In the field of VAT, the **Value Added Tax Information Exchange System** (VIES) enables national administrations to monitor and control intra-EU trade and detect potential irregularities.

In addition, a specific IT system, the VAT refund system, became operational on 1 January 2010 to ensure the electronic processing of VAT refund requests for VAT paid in Member States other than the Member State of establishment of economic operators. The VAT Single Window (OSS) in the IT system facilitates the exchange of information between Member States regarding three special schemes: the non-Union scheme, the Union scheme, and the import scheme.

Regarding excise duties, the EU acquis requires IT systems, such as the **Excise Control and Circulation System (EMCS)**, to enable Member States to exchange information on authorizations granted to producers and traders of excise goods (SEED). The system also tracks real-time movement of goods under the excise duty suspension regime.

The international commitments assumed by the Republic of Moldova within the World Trade Organization (WTO), as well as under the ratified free trade agreements, expressly prohibit discriminatory policies and support for domestic producers at the expense of imported products. In this context, according to Article 152 of the Association Agreement, the assets of the other party are granted national treatment in accordance with Article III of the General Agreement on Tariffs and Trade (GATT 1994), including the interpretative notes.

Thus, **Article III of GATT 1994** regulates the principle of national treatment in matters of taxation and internal regulations, establishing that each WTO member must grant products from another member a tax treatment no less favorable than that given to domestic products. [Association Agreement of the Republic of Moldova](#)