

AGREEMENT FOR BILATERAL COOPERATION

The **Estonian Tax and Customs Board** (hereinafter referred to as the ETCB), Narva mnt 9j, 15176 Tallinn, Estonia, represented by **Mr. Enriko Aav**, Director General,

on the one part,

and the **Main State Tax Inspectorate of the Republic of Moldova**, (hereinafter referred to as the MSTI), MD-2005, mun. Chişinău, Str Cosmonautilor, 9, Moldova, represented by **Mr. Nicolae Platon**, Chief of Inspectorate,

on the other part,

have agreed to implement the developmental cooperation project:

„Providing an exhaustive overview of the best practice of Estonia in tax administration and of the EU principles of taxation to the tax officials of the Main State Tax Inspectorate of the Republic of Moldova with the aim to update the fiscal system of the Republic of Moldova, focusing on e-services, tax supervision, fiscal control and transfer prices“.

I Objective and contents of the project

Objective of the project

Overall objective of the project is to increase the capacity of the public sector of the Republic of Moldova, more precisely the capacity of the Moldovan tax authority for organizing of their tax system and administration of taxes.

Specific objective of the project is to introduce the best practice of Estonia in this domain and to educate the officials of the MSTI in the sphere of E-services, risk management, fiscal control and application of transfer prices. Through introducing the measures applied in the European Union in the field of fiscal control ETCB is helping to approximate Moldova to the European Union. In the course of the thematic workshops that will be arranged within the framework of this project the Moldovan officials engaged in these work areas will be better prepared for making improvements in their fiscal system. Needs for practical solutions to be applied in these spheres will be identified by means of mapping exercises. Comprehensive grounds will be created for long-term cooperation with the Main State Tax Inspectorate of Moldova.

Contents of the project

In order to introduce the best practice of Estonia and the EU principles of taxation to Moldovan tax officials, five thematic activity blocks will be carried out. Four workshops will be carried out in specific areas of activity.

In e-service sphere the performance and use of the ETCB call centre and the possibilities of mass information facility will be dealt with. The concept and application of e-service, including service standards, complaints, feedback, test purchases, training of the service staff and the process of declaring the income of natural persons in the electronic

environment starting from the submitting of income tax returns up to the refunding of the overpaid amounts of income tax will be explained.

The workshop on tax supervision issues will be focused on the structure of information analysis and on the risk management system (base analysis and analysing methods).

At the fiscal control (tax audit) workshop the legal issues of taxation, principles of conducting tax proceedings, tax auditing process and methods, proceeding of the claims for refund, control for registration of taxable persons as VAT liable persons and conduct of tax audits in the electronic environment (incl. software used and legal basis for e-audits) will be explained.

The workshop on transfer prices will provide an overview of the basic principles for determination of these prices and explain the advantages, disadvantages, cost and benefits of implementing of the system. The needs of the partner country in the above spheres of activity will be mapped and recommendations for development will be given. Possibilities and needs for initiating of a follow-up project will be identified.

A visit of the Moldovan tax officials into Estonia will take place to get an overview of the practical application of the principles and methods used in Estonia in the work areas covered by the project.

II Implementation and management of the project

General conditions

The project will be implemented within the time period November 2010 till the end of September 2011.

The ETCB will be responsible for the contents of the projects, for the preparation of the activity blocks and for the supervision of the expenses. The MSTI will assist the project team of ETCB in providing of suitable rooms and equipment and in communication with the officials of the MSTI (distribution of the information, carrying out the mapping of needs, other) or other institutions.

The documented eligible costs of the project will be financed from the resources assigned to the ETCB by the Estonian Ministry of Foreign Affairs for the developmental cooperation with the Republic of Moldova as the priority partner country.

Implementation of the project

The project will be implemented through activity blocks, described in the Annex I.

After the completion of each activity block, the ETCB will compile recommendations and an interim report in mutual cooperation with the MSTI, to be presented to the Heads of both Tax Authorities. The organisational and financial details of the next activity block will be discussed.

Management of the project

The ETCB has appointed Mr Egon Veermäe, Acting Deputy Director General (egon.veermäe@emta.ee, tel: +372 676 2111, fax: +372 676 2812), as the Project Manager.

Ms Ruth Hint, Chief Expert of the International Cooperation Division (ruth.hint@emta.ee, tel: +372 676 2322) has been appointed as the coordinator general of the project by the ETCB.

The MSTI has appointed Ms Svetlana Bujac, Chief of the Public Relations, International Cooperation and European Integration Department (svetlana.bujac@fisc.md, tel: +373 22 82 33 79) as the coordinator general of the project from its part.

Staff

The list of experts and their areas of responsibility is indicated in the Annex II. The ETCB retains the right to involve experts outside the list, according to necessity.

III Force Majeure

In the case of force majeure (natural disaster, war (declared or undeclared), invasion, revolution, insurrection or any other event of equal nature or force), each Party shall advise the other promptly, as soon as the event occurs, and shall provide the details of the problem in writing, if possible, should the Party(ies) be unable to fulfil all or part of the obligations or responsibilities acquired under the Project Agreement. The Parties shall consult on the appropriate action to be taken.

IV Difference of opinion

In the case of difference of opinion concerning the implementation of the project, the Parties will reach consensus through friendly consultation and negotiations.

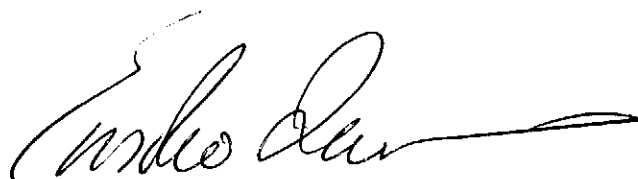
V Entry into force, termination and review

The Agreement shall enter into force from the moment of signing and expire at the completion of the project.

The present Agreement may be amended after the completion of an activity block at the request of a Party through a written agreement of the Parties.

The Agreement is drawn up in three languages – English, Estonian and Moldovan. In case of difference of opinion the English version shall prevail. The Annexes will be compiled in English.

Signed in Chişinău on 10 November, 2010.



Enriko Aav
Director General
On behalf of the ETCB



Nicolae Platon
Chief of Inspectorate
On behalf of the MSTI