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MOLDOVA'S ECONOMIC ADVANTAGES IN THE FURNITURE INDUSTRY

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ACRONYMS

ATP	Autonomous Trade Preferences
B2B	business to business
CEFTA	Central European Free Trade Agreement
CIS	Commonwealth of Independent States
CNC	computer numerically controlled
EU	European Union
FEZ	free enterprise zones
GSP	Generalized System of Preferences
MDL	Moldovan Leu
RMS	risk management system
RUB	Russian Rubles
UAH	Ukrainian Hryvnia
VAT	value-added tax
WTO	World Trade Organization

EXECUTIVE SUMMARY

The following paper represents a draft analysis of Moldova's economic advantages - specifically for the production of furniture with the purpose of exporting it to the EU and the CIS.

The essence of this report is to be published in to a brochure that will be distributed to potential international investors and used during international furniture exhibitions and B2B events in order to promote Moldova as a furniture manufacturing destination.

MOLDOVA YOUR GATEWAY TO THE RICH EU AND CIS FURNITURE MARKETS

The Republic of Moldova enjoys favorable trade treaties with The European Union, Russia, Ukraine, Georgia and all the Commonwealth of Independent States.

Furniture and furnishings products "Made in Moldova" (or with partial value-added) may be exported to and sold in the EU and CIS countries with zero import duties. In the case of furniture, this can represent a saving of from 15 to as much as 35% to the buyer (for example, many categories of furniture imported into Russia are taxed not according to value but instead on weight; at as much as €1.40 per kg).

Moldova has established 9 Free Enterprise Zones where products, materials and machinery may be imported, value added and finished products exported all with minimal customs formalities and with zero duties or value added taxes applied. Enterprises established within these zones enjoy numerous additional advantages including:

- freedom from expropriation
- indemnity from loss of rights
- corporate profits tax rate of only 6% on export sales (with further exemptions depending on the capital invested in infrastructure).

Furniture manufacturers in Moldova report paying monthly salaries of between €200 (entry level) and €400 (highly qualified and CNC operators). Supervisors and department heads earn between €550 and €700. These salaries are not only lower than elsewhere in the EU and CIS but significantly lower than reported in China's principal furniture manufacturing centers.

There are currently several furniture manufacturers operating in Moldova's FEZ's, importing components from the EU and exporting duty-free finished wood and upholstered furniture to Russia, Ukraine and other CIS and EU countries. As well, there

are several tier-one automobile suppliers manufacturing in Moldova's Free Enterprise Zones.

Moldova has a profound tradition of furniture production, a stable and productive workforce and a furniture technical trade school operating in the capital of Chisinau. Between Moldova and nearby Romania and Ukraine, there is supply of all raw materials necessary to produce any kind of wood or upholstered furniture. For example, E1 certified composite wood products and fire retardant polyurethane foam are readily available in the country.

Moldova is your gateway to the rich furniture markets of the European Union and Commonwealth of Independent States.

SECTION 1

1ST RESEARCH TOPIC: FACILITIES FOR INVESTORS IN MOLDOVA; FACILITIES FOR INVESTORS IN FURNITURE PRODUCTION IN MOLDOVA; FACILITIES FOR INVESTORS IN FREE ECONOMIC ZONES IN MOLDOVA

GUARANTEES

According to the Law no 81-XV dated 18 March 2004, on investments in the entrepreneurs' activity, the most important guarantees for the investors include:

- Investments shall not be expropriated or subject to any other similar measures, which can directly or indirectly deprive investor of its property right or the right to control investments;
- Investor shall enjoy the guarantee against losses as a result of its rights' violation, also as a result of acts adopted by the public authority, which violates investor's rights and interests, or any other unlawful actions of the body of public administration. Amount of compensation shall be equal to the real cost of caused damage'
- Damages, including loss of profit incurred by investor as a result of execution of any instruction of public authority or official, violating the rights of investor, and also damages caused as a result of non- fulfillment or improper fulfillment of obligations to investor by public authority or official; damages shall be compensated at the expense of public authority to have caused the damage to investor;

- Amount of compensation shall be paid in the currency the investment was made, or any other convertible currency, if investment was made in convertible currency;
- Monetary means and property, obtained on account of foreign investments, shall be freely used and transferred on the territory of the Republic of Moldova and outside, after fulfilling tax liabilities. Foreign investors shall have the right to freely convert national currency of the Republic of Moldova and foreign currency, and conversely.
- Foreign investors shall have the right to export from the Republic of Moldova their profits, left after fulfillment of tax liabilities, or part of these profits in the form of products, purchased on the domestic market of the Republic of Moldova;
- Foreign investors shall have the right to take possession of real estate on the territory of the Republic of Moldova to carry out business activity, except for agricultural lands and forestry fund lands;
- Republic of Moldova shall acknowledge cession of right of foreign investor over its investments on the territory of the Republic of Moldova to other state or legal entity from other state.
- Moldova has entered into intergovernmental agreements on encouragement and mutual protection of investments with 35 countries.

FISCAL FACILITIES

CORPORATE TAX RATE

The corporate tax rate in Moldova at present moment is 0%, but it is expected to be changed to 12% in 2012.

According to the Moldovan Tax Code, there are several tax benefits for investments:

- All companies, irrespective of their sphere of activity
 - Companies that constitute or increase their equity capital, or make capital investments (expenditures) in the amount that exceeds the equivalent of USD 250 thousand, are exempted of the income tax by 50% for 5 years, provided that at least 80% of the amount of the income tax are re-invested in the development of own production (works, services) or state or branch programmes of national economy development.
 - Companies that constitute or increase their equity capital, or make capital investments (expenditures), are exempted of the income tax, for the following tax periods, depending on the size of the equity capital constituted or increased or depending on the amount of capital investments (expenditures) made, as follows:
 - for 3 years – if the amount of the equity capital, constituted or increased, or made capital investments (expenditures), exceed the equivalent of USD 2 million, provided that at least 80% of the amount of the income tax are re-invested in the development of own production (works, services) or state or branch programmes of national economy development;

- for 3 years – if the amount of the equity capital, constituted or increased, or made capital investments (expenditures), exceed the equivalent of USD 5 million, provided that at least 50% of the amount of the income tax are re-invested in the development of own production (works, services) or state or branch programmes of national economy development;
 - for 3 years – if the amount of the equity capital, constituted or increased, or made capital investments (expenditures), exceed the equivalent of USD 10 million, provided that at least 25% of the amount of the income tax are re-invested in the development of own production (works, services) or state or branch programmes of national economy development;
 - for 4 years – if the amount of the equity capital, constituted or increased, or made capital investments (expenditures), exceed the equivalent of USD 20 million, provided that at least 10% of the amount of the income tax are re-invested in the development of own production (works, services) or state or branch programmes of national economy development;
 - for 4 years – if the amount of the equity capital, constituted or increased, or made capital investments (expenditures), exceed the equivalent of USD 50 million.
- Immediately after the expiration of the term of income tax exemption, companies have the right to benefit during 3 additional years of income tax exemption, provided that, the amount of the equity capital increased, or made capital investments (expenditures) exceed the amount equivalent to USD 10 million.
 - Companies, including those that have benefited of the income tax exemption for the constitution or increase of the equity capital, with the amount that exceeds the equivalent of USD 2 million, have the right to benefit of the tax benefits, provided that, in total, the exemption period, including that provided previously, will not exceed 7 years.
 - One of the main conditions that qualify companies for tax exemption is that they have no state budget liabilities, nor a delay in excess of 30 days to pay taxes declared or reassessed during a tax audit.
- Special categories of taxpayers
 - The following economic agents have the right to the integral exemption from the payment of income tax for three years:
 - economic agents with the average annual number of personnel not exceeding 19 persons and annual proceeds from sales, including from the rendered services, not exceeding MDL 3,000,000, irrelevant of the legal form of organization and type of activity;
 - agricultural entities (farming entities);
 - agricultural cooperatives providing services, provided that at least 75% of the total value of the deliverables of the cooperative constitute the value of the

goods and services delivered to the members of this cooperative and the value of the goods delivered to the cooperative by its members;

- residents of the scientific-technological parks;
 - residents of innovatory incubators.
- Immediately after the expiration of the period of exemption of the income tax payment for three tax periods (years), the economic agents have the right to an exemption of 35% of the income tax during two tax periods (years).
- Economic agents can benefit of the exemption of the income tax payment, as well as further reduction by 35% of the tax rate, only once.
- Residents of free economic zones
 - the tax on the income of the residents, obtained from the export of goods (services) originating from the free economic zone outside the customs territory of the Republic of Moldova, is levied in a proportion of 50% of the rate established in the Republic of Moldova;
 - the income tax from the activity of the residents of the free economic zones, except the one stated above, is levied in a proportion of 75% of the rate established in the Republic of Moldova;
 - the residents that invested in the fixed assets of their economic agents and / or in development of the infrastructure of the free economic zone a capital equivalent to at least one million USD, are exempted of the income tax payment for the income obtained from export of goods (services) originating from the free economic zone outside the customs territory of the Republic of Moldova, for a period of 3 years;
 - the residents that invested in the fixed assets of their economic agents and/or in development of the infrastructure of the free economic zone capital equivalent to at least five million USD, are exempted of the income tax payment for the income obtained from export of goods (services) originating from the free economic zone outside the customs territory of the Republic of Moldova, for a period of 5 years;

VALUE ADDED TAX (VAT)

Moldova's standard VAT rate is 20%, with reduced rates for food and other goods or services. A 6% VAT rate is applied for gas, while bakery, milk or drugs are subject to a VAT rate of 8%.

0% VAT rate is applied to:

- The export of goods and services
- All kind of international transportation for passengers and goods
- Electricity, thermal energy and hot water provided to the population
- Goods and services imported to the Free Economic Zones

- Services provided on territory of Moldova by light industry entities under customs regime of active processing
- Import goods for official use of diplomatic missions in Moldova
- Import goods for the purpose of technical assistance
- Goods delivered to duty-free stores.

Also, 0% VAT rate is applied to goods and services delivered within the Free Economic Zones from outside the customs territory of Moldova, delivered from the Free Economic Zones outside the customs territory of Moldova, delivered from the Free Economic Zones to the remaining part of the customs territory of Moldova and delivered between the residents of different Free Economic Zones of Moldova to each other.

Most important VAT exemptions:

- Food and non-food products for children
- State property purchased as part of the privatization process
- Tangible assets, representing contribution to the statutory capital (equity) of a company.
- These assets are also exempted of customs duties.
- Goods introduced according to an international leasing agreement and placed under a temporary admittance regime (up to 7 years) are also exempted of VAT and customs duties.
- Companies are subject to VAT refund on tangible assets and services, purchased on capital investments, except for dwelling and investments in means of transportation.

Goods temporarily imported into Moldova for processing or moved through Moldova under a transit regime are not subject to VAT, excise duties or customs duties. Entities involved in this type of operation must conclude arrangements with the Customs Office.

The duration of the transit of goods through the territory of Moldova is set out by the customs authorities, but shall not exceed eight days from the moment they passed over the customs borders of Moldova.

VAT refund. VAT-payers are entitled to refund VAT if they meet the following conditions:

- Goods or services delivered are subject to the reduced VAT rate (8%, 6%) or to the 0% VAT rate (e.g. export of goods/services);
- Related input VAT exceeds the output VAT for the relevant deliveries of goods or supplies of services.

The VAT refund procedure in Moldova has been simplified recently. Companies have to submit a claim at the State Tax Service every month and to receive the VAT refund in up to 45 days.

TAX ON DIVIDENDS

The dividend tax rate in Moldova is 15%, but will be most probably eliminated starting from 2012, for legal entities, with the introduction of the 12% corporate income tax.

FACILITIES FOR INVESTMENTS IN FURNITURE PRODUCTION

There are no specific incentives for investors in furniture production, different from the general incentives for other investors.

FACILITIES FOR INVESTMENTS IN FREE ECONOMIC ZONES

Free economic zones in Moldova offer investors the following facilities and incentives; below there is a summary of all guarantees and incentives for residents of FEZ):

- Legal protection from the state of investments on the territory of FEZ (apart from the general guarantees for investors);
- Legal status of free zones regulated by law adopted and/or modified only by the Parliament;
- Possibility to transfer profits (dividends) abroad, and proceeds from the sale of goods or shares (share) of the resident enterprise, or from the liquidation / reorganization of the enterprise;
- Simplified control and bureaucracy system - controls planned by state bodies can be conducted not often than once during a calendar year by all state bodies simultaneously;
- Guarantee for 10 years for the application of the legislation in force at the moment of registration as resident of the free zone;
- For investments in fixed assets of more than 200 million U.S. dollars, the state guarantees for the application of the legislation in force at the moment of registration as resident are extended for the entire period of activity of resident in the free zone, but not more than 20 years;
- Possibility to use the existing FEZ infrastructure;
- Exclusion of expropriation, nationalization, requisition and confiscation of goods from free zones, with the exception of those by court order;
- Exemption from customs duties on imports and exports;
- Free of quota and licensing regime on imports and exports of goods (services);
- Possibility to transfer goods (services) within a free zone, from a resident to another without customs declarations;
- Possibility to make payments among residents of FEZ in foreign currency;

- Preferential customs treatment (customs posts located in FEZ);
- Special fiscal regime (also described above):
 - 50% exemption of corporate income tax for the income from the export of goods (services), originating in the free economic zone, outside the territory of Moldova;
 - 25% exemption of corporate income tax for the income of residents from other activities, than the export of goods (services);
 - total exemption for 3 years of corporate income tax from the export of goods (services), originating in the free economic zone, outside the territory of Moldova, as result of investing in the FEZ of at least 1 million US\$;
 - total exemption for 5 years of corporate income tax from the export of goods (services), originating in the free economic zone, outside the territory of Moldova, as result of investing in the FEZ of at least 5 million US\$;
 - VAT not applicable to goods (services) delivered within the territory of the free zones;
 - VAT at 0% rate for (1) goods (services) delivered into the free zone from outside the territory of Moldova, (2) goods (services) delivered from the free zone outside the territory of Moldova, (3) goods (services) delivered into the free zone from the rest of the territory of Moldova, (4) goods (services) delivered by the residents of different free zones of Moldova to each other;
 - exemption from excise taxes for (1) goods delivered into the free zone from outside of the territory of Moldova, (2) from other free zones, (3) from the rest of the territory of Moldova, as well as (4) goods originating from the same zone and exported outside the territory of Moldova;
 - exemption from excise taxes (1) of goods delivered within the territory of the free zone and (2) goods delivered from one free zone to another.
- Originating from the FEZ are goods wholly produced or sufficiently processed on its territory, if as a result of this:
 - there is a change of the heading (classification code of goods) at the level of one of the first four digits,
 - the value of exported goods declared exceeded the value of goods imported into the FEZ due to an increase of more than 35% of the share of own costs/expenses.

FACILITIES FOR INVESTMENTS IN INDUSTRIAL PARKS

Industrial parks also offer a series of incentives to investors. These include:

- Free of charge change of the category of land with agricultural destination;

- Right to privatize the public property land associated with constructions at the land normative price¹;
- Free of charge transfer of public property assets with the purpose of industrial parks establishment (to administrator company);
- Opportunity to rent state-owned land with 30% discount;
- Optimization of state controls (limited and controlled state inspections);
- State contributions to infrastructure and technology development (allocation, by the state budget, of financial means for establishing technical and production infrastructure);
- Assistance from local authorities and the Council for promotion of investment projects of national importance;
- The administrator company may act as resident of the industrial park;
- Minimization of bureaucratic barriers for investors.

FREE TRADE AGREEMENTS

Autonomous Trade Preferences with the European Union

17 Free Trade Agreements with:

- Members of CEFTA (7 countries of SE Europe)
- Members of CIS (9 countries) + Georgia

Double Taxation Avoidance Agreements with 44 countries.

¹ Normative price of land, EUR/ha: Chisinau – 95121, Balti – 50888, District centers – 18789, Communes/villages - 17224

SECTION 2

2ND RESEARCH TOPIC: IMPORT REGIMES OF FURNITURE IN RUSSIA, UKRAINE AND THE EUROPEAN UNION

CUSTOMS DUTIES ON FURNITURE IMPORTS INTO RUSSIA FROM CHINA, VIETNAM, EU AND USA

When importing furniture² into the Russian Federation, irrespective of the country of origin, the following taxes and fees shall be paid:

- Value Added Tax (VAT) in the amount of 18 (eighteen) % on the full cost of supply (the cost of goods plus transportation), according to the invoice for all codes;
- Customs duty: Customs duty is calculated as % of the invoice price for the combined rates of customs duties, a RMS (Risk Management System) system, in which Customs establishes the lowest limit of the possible cost for the calculation for each code - see table below;

EXHIBIT 1. CUSTOMS DUTY CALCULATION

	NAME OF PRODUCT, CODE	THE CUSTOMS DUTIES IN PERCENT OF THE INVOICE VALUE OF GOODS
1	9401610000, Upholstered	15% but not less than 1,4 Euro / kg
2	9403 50 0000 Wooden furniture of the kind used in the bedroom	0,75 Euro / 1 kg
2.1	sub code 9403 50 0001- with the value under the terms of franco-border in the country of importation not exceeding 1,8 Euro per 1 kg gross weight (franco- border means free from duties, transportation charges and other levies)	0,75 Euro / 1 kg
2.2	sub code 9403 50 0009 – Other furniture	15 %

² "Furniture" includes commodity codes 9401610000, 9403500000 (including sub codes 9403500001, 9403500009) and 940360 (including sub codes 9403601001, 9403601009, 9403603000, 9403609001).

	NAME OF PRODUCT, CODE	THE CUSTOMS DUTIES IN PERCENT OF THE INVOICE VALUE OF GOODS
3	940360 - Other wooden furniture	0,75 Euro / 1 кг
3.1	sub code 9403601001 – value under the terms of franco-border in the country of importation not exceeding 1,8 Euro per 1 kg gross weight	15% but not less than 0,8 Euro per 1 кг
3.2	sub code 9403601001 – value under the terms of franco-border in the country of importation not exceeding 1,8 Euro per 1 kg gross weight	15 %
3.3	sub code 9403603000 - Wooden furniture of the kind used in shops	15% but not less than 0,8 Euro per 1 кг
3.4	sub code 9403 60 900 1 - Other wooden furniture, value under the terms of franco-border in the country of importation not exceeding 1,8 Euro per 1 kg gross weight	0,75 Euro / 1 кг
3.5	sub code 9403 60 900 9 – Other furniture	15 %

OTHER PAYMENTS WHEN IMPORTING GOODS INTO RUSSIA

CUSTOMHOUSE FEES

The system of calculation of customhouse fees:

250 rubles (RUB) - for customs clearance of goods across the customs border of Russia by individuals for personal, family, household and other non-entrepreneurial activities, needs (including the goods sent to the person who is not following through the customs border of the Russia) except for passenger cars, which are classified in headings 8702 and 8703 HS Russia.

500 rubles (RUB) - for the customs clearance of goods transported by railroad in accordance with the customs regime of international customs transit (in respect of each consignment of goods transported by the same railroad). 500 rub. RF - for customs clearance of goods, customs value of which does not exceed 200 thousand RUB, inclusive;

1 thousand RUB - for the customs clearance of goods, customs value of which is 200 thousand rubles 1 kopeika and more, but not exceeding 450 thousand RUB, inclusive;

2 thousand RUB - for the customs clearance of goods, customs value of which is 450 thousand rubles 1 kopeika and more, but not more than 1200 thousand rubles, inclusive;

5.5 thousand RUB - for the customs clearance of goods, customs value of which is 1200 thousand rubles 1 kopeika and more, but does not exceed 2500 thousand rubles, inclusive;

7.5 thousand RUB - for the customs clearance of goods, customs value of which is 2500 thousand rubles 1 kopeika and more, but does not exceed 5000 thousand rubles, inclusive;

20 thousand RUB - for the customs clearance of goods, customs value of which amounts to 5000 thousand rubles 1 kopeika and more, but not more than 10,000 thousand rubles, inclusive;

50 thousand RUB - for the customs clearance of goods, customs value of which is 10,000 thousand rubles 1 kopeika and more, but less than 30,000 thousand rubles, inclusive;

100 thousand RUB - for the customs clearance of goods, the customs value of which is 30,000 thousand rubles 1 kopeika and more.

THE COST OF CUSTOMS DECLARATION

Moscow and St. Petersburg area: For a cargo customs code for the import - 10,000 rubles for one vehicle, for each additional vehicle included in the declaration + 2000 rubles;

Other regions of the Russian Federation: 1 cargo customs code for the import – 6000 RUB for one vehicle, for each additional vehicle in the declaration + 1000 rubles;

Services for the processing of customs duties payments in rubles - 1.5% of customs duties; Additional operations for customs clearance - 3000 rubles; All rates for services are exclusive of VAT - 18%;

Exchange rate on 09/30/11: 1 USD = 31.87 rub. RF, 1 Euro = 43.39 rub. Russian Federation;

REGISTRATION CERTIFICATES AND OTHER PERMITS

- Certificate of origin
- Certificate of Conformity
- A quarantine certificate for fumigation treatment
- Phytosanitary inspection
- A certificate confirming the holding of veterinary inspection (required if the fabric or fittings will contain items of animal origin, such as: wool, leather, horn items, ivory, etc.)
- A certificate confirming the environmental control

SPECIAL ARRANGEMENTS ON IMPORTS INTO RUSSIA

There are no special arrangements (i.e. free trade agreement, preferential trade agreements, tax incentives, etc.) for the respective codes and countries of import.

CUSTOMS DUTIES ON FURNITURE IMPORTS INTO UKRAINE FROM CHINA, VIETNAM, EU³ AND USA

- Value Added Tax (VAT) of 20 (twenty) % of the full cost of supply (the cost of goods plus transportation), according to the invoice for all codes
- Customs duty for all codes - 0%

OTHER PAYMENTS WHEN IMPORTING GOODS INTO UKRAINE

- Customs clearance - 1900 UAH;
- The cost of a customs declaration for one cargo customs code to import - 600 UAH for 1 vehicle, for each additional code - 80 UAH;
- Other services:
 - accreditation of the entity in the customs database for one year - 700 UAH;
 - definition of the product code on the classifier UKTNZED - 150 UAH;
 - Registration of certificates and other permits - 900 UAH;
 - identification screening of the cargo - 900 UAH;
- Registration certificates and other permits:
 - Certificate of origin
 - Certificate of conformity
 - A quarantine certificate of fumigation treatment
 - Phytosanitary inspection
 - A certificate confirming the holding of veterinary inspection (required if the fabric or fittings will contain items of animal origin, such as: wool, leather, horn items, ivory, etc.)
 - A certificate confirming an environmental control

SPECIAL ARRANGEMENTS ON IMPORTS INTO UKRAINE

Ukraine is a member of the WTO, the import into Ukraine of the above codes are subject to all WTO Agreements. There are no other special agreement in respect to the import of the abovementioned codes from the respective destinations into Ukraine.

³ For EU, if there is no single regime for the import of these items, the data will be made available for the UK, Germany and Italy) in respect of commodity codes 9401610000; 9403500000; 9403600000 (including 9403601000, 9403603000, 9403609000).

CUSTOM DUTIES ON FURNITURE⁴ IMPORTS INTO THE EU FROM CHINA, VIETNAM AND USA

When importing furniture to the EU, a WTO member, regardless of country of origin, the following taxes and fees shall be paid:

- Value added tax (VAT)

EXHIBIT 2. VALUE ADDED TAX

	COUNTRY	VAT RATE IN PERCENT
1	Ciprus, Luxembourg	15
2	Spain, Malta	18
3	Germany, Slovakia, Netherlands	19
4	France	19.6
5	Austria, Bulgaria, Estonia, Italy, Great Britain, Slovenia, Czech Republic	20
6	Belgium, Irland, Lithuania	21
7	Latvia	22
8	Finland, Poland, Portugal	23
9	Romania	24
10	Hungary, Denmark, Sweden	25

- Customs duty for all codes - 0%
- Customhouse fees - 0%

OTHER PAYMENTS WHEN IMPORTING GOODS INTO EU

- The cost of the customs declaration for 1 cargo customs code on import - 40 Euro for 1 vehicle;
- Registration certificates and other permits:
 - Certificate of origin
 - Certificate of conformity
 - A quarantine certificate for fumigation treatment

⁴ "Furniture" refers commodity codes 9401610000, 9403500000 and 940 360 (including 94036010, 94036030, 94036090).

- Phytosanitary inspection
- A certificate confirming the holding of veterinary inspection (required if the fabric or fittings will contain items of animal origin, such as: wool, leather, horn items, ivory, etc.)
- A certificate confirming the environmental control

SPECIAL ARRANGEMENTS ON IMPORTS INTO EU

The European Union is a member of the WTO, the import into the EU of goods the above codes are subject to all WTO Agreements.

DEFINITION OF "MADE IN MD" ON IMPORTS INTO RUSSIA AND UKRAINE

For the CIS countries including Moldova, the country of origin is the country in which the final assemblage (processing) of furniture from the materials imported from other states-participants of the Agreement took place. The quality of these materials should be confirmed by the certificate of origin CT-1 (further - the certificate of form CT-1).

If a third party participated in final assemblage (processing) of the goods (from a country that is not part of the Agreement), the origin of the materials imported on the territory of origin of the goods for final assemblage is determined on the basis of criteria of “sufficient processing of goods”.

Criteria of “sufficient processing of goods” are the following conditions:

- Change of classification of the goods in any of the first four signs of the commodity position (classification code) after its processing;
- Performance of production or technological operations corresponding to the technologies applicable for the definitive assemblage of the goods in the country of origin;
- Observance of the rule which regulates the percentage of components of materials of a foreign origin in the final price of the processed goods.

For the definition «made in Moldova», in accordance with the criteria of “sufficient processing of goods”, allowing the use foreign materials, their price component shouldn't exceed:

For codes 9401; 9403 (including all sub codes) – 50 % from the goods final price, after which the goods must be certified on conformity according to the standard accepted in Moldova (GOST 16371-93) CP-5.

DEFINITION OF "MADE IN MD" ON IMPORTS INTO EU

The condition for a manufacture imported into the EU to satisfy the rules of origin under the GSP terms, which Moldova is part of, is that the non-originating materials used (the materials imported into the country) have undergone "sufficient working or processing".

For the definition „made in Moldova”, manufactures under the headings 9401 and 9403 in which the value of all non-originating materials used does not exceed 40 % of the ex-works price of the product satisfy the "sufficient working or processing" criteria. When exporting goods, produced in Moldova, using imported components, the following documents are necessary:

- EUR.1 goods moving certificate, confirming the origin of goods exported to the EU countries under the Autonomous Trade Preferences (ATP), provided to Moldova under the provisions of Regulation (EC) nr.55/2008 of 21 January 2008. The procedure for issuing the certificate is set out in the Customs Service Order no. 50-A of 18.02.2008
- Transport certificate confirming EUR.1, confirming country of origin of exported goods in the Member States to the free trade regime established under the Central European Free Trade Agreement (CEFTA). The procedure for issuing certificates is established in the Customs Service Order no. 244-O of 03.07.2007
- Certificate of origin Form A - confirming the country of origin of goods exported to States not members of the European Union that offer Moldova the Generalized System of Preferences (GSP). The procedure for issuing the certificate is set out in the Customs Service Order no. 50-A of 18.02.2008.

SECTION 3

3RD RESEARCH TOPIC: FURNITURE EXPORTS FROM MOLDOVA IN 2009 AND 2010 BY WEIGHT (KG) AND VALUE (USD\$)⁵

EXHIBIT 3. MOLDOVAN FURNITURE EXPORTS

PRODUCT CODE	PRODUCT NAME	UNIT	2009		2010	
			QUANTITY	VALUE IN THOUSANDS US\$	QUANTITY	VALUE IN THOUSANDS US\$
940161000	UPHOLSTRED	PIECES	20626	4063.1	21952	6010.8
	CIS Countries		8,013	1,664.0	6,937	1,733.4
	Russia		6,170	1,245.9	5,731	1,403.9
	Ukraine		651	166.5	327	118.2
	EU		12,568	2,386.1	14,868	4,194.5
	Other		45	13	147	82.9
940350000	WOODEN FURNITURE OF A KIND USED IN BEDROOM	KG	1,209,781.2	7,090.3	1,263,342.2	6,871.4
	CIS Countries		760,976.5	5,642.6	657,555.7	5,364
	Russia		663,078.0	5,10.,8	623,121.7	5,149.1
	Ukraine		57,009.5	226.9	8,816.0	12.9
	EU		448,804.7	1,447.7	605,786.5	1,507.4
	Other		-	-	-	-

⁵ The research is for the following codes of goods: 940161000; 940350000 and 940360000 (including sub-codes 940360100, 940360300 and 940360900)

PRODUCT CODE	PRODUCT NAME	UNIT	2009		2010	
			QUANTITY	VALUE IN THOUSANDS US\$	QUANTITY	VALUE IN THOUSANDS US\$
940360	OTHER WOODEN FURNITURE	KG	923,408.5	7,662	572,382.4	7,046.6
	CIS Countries		624,298.9	6,146.9	572,382.8	5,667.4
	Russia		558,824.4	5,539	541,365.6	5,415.9
	Ukraine		21,150	212.3	465	2.3
	EU		296,609.6	1,511.2	245,167.6	1,377.2
	Other		2,500	3.9	1,092	2
940360100	OTHER WOODEN FURNITURE OF A KIND USED IN DINING AND LIVNIG ROOMS	KG	763,880.6	7,156.4	709,800.9	6,737.8
	CIS Countries		609,116	6,067.2	562,082.9	5,626.8
	Russia		551,302.5	5,490.3	531,065.7	5,375.3
	Ukraine		20,930	211.1	465	2.3
	EU		154,764.6	1,089.2	147,606	1,110.3
	Other		-	-	112	0.7

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