

GUIDE

**WHAT ARE THE
REQUIREMENTS TO
SET UP AND REGISTER AN**

**E-COMMERCE
BUSINESS**

IN THE REPUBLIC OF MOLDOVA
ecommerce4all.eu

2022

Project supporter

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ABOUT THE PLATFORM

ecommerce4all.eu

The ecommerce4all.eu platform is a resource and information center on key e-commerce aspects for all CEFTA markets (Albania, Bosnia and Herzegovina, N. Macedonia, Moldova, Montenegro, Serbia, and Kosovo*). The web platform consists of relevant e-commerce data and resources, including basic e-commerce data, interactive graphs, and data on CEFTA e-commerce market development, as well as data on key aspects of doing business in e-commerce.

The data on key aspects of doing business in e-commerce is structured in five modules: e-commerce data, regulation, payment, delivery, and e-commerce success stories in all CEFTA markets. Each of these modules will contain relevant market-specific information, tutorials, manuals, topic-related documents, and video presentations, except for the first module “e-commerce data” which is meant to present the state of e-commerce in all CEFTA markets through statistics and data on the development of the e-commerce markets (interactive graphs of the state of e-commerce in each market and comparisons of e.g. customers, payment cards, digital skills, UNCTAD B2C e-commerce readiness index and other relevant Eurostat data). All data will be presented in both the local language of each of the CEFTA markets and in English.

The platform is supported by the Open Regional Fund for South – East Europe – Foreign Trade project, implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the European Union and the German Federal Ministry for Economic Cooperation and Development (BMZ).

*This designation is without prejudice to positions on status and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

INTRODUCTION

Are you looking to start a modern and easy-to-do business or do you already have an existing business and want to grow it through virtual presence? E-commerce is an optimal solution that requires few resources and brings considerable results. This guide will help you understand everything you need to know about an e-shop.

Companies that are already registered at the Public Services Agency and operate as “offline” sellers, but wish to expand the way they sell goods and services, do not need to re-register or make any changes to their statutory documents. The E-Commerce Law does not require a license or special approval from a seller wishing to engage in E-commerce.

WHAT CONDITIONS SHOULD THE E-COMMERCE MERCHANT MEET?

Unlike physical shops, which are required by regulations to meet certain conditions and minimum technical space standards, owning and operating an e-shop does not require physical space at all. Also, the online trader does not need to have its own offline shop, but can only operate online with the use of a warehouse.

In physical stores, according to legislation, it is necessary to have a certain minimum number of employees, depending on the work schedule of the store (one or two shifts). The e-shop, theoretically, can work with only one employee and thus meet the legal requirements, despite the fact that the working hours are 24/7, since most of the processes are automated and do not require shift work. The E-commerce merchant may not have cash register machine and control equipment if payments are only made online through bank processing centers or payment service providers.

WHY DO I NEED TO OPEN A PAYMENT CARD PROCESSING ACCOUNT FOR AN E-SELLER?

In order for a bank in Moldova to allow its client – the e-seller to engage in e-commerce, several conditions need to be met, including the implementation of a business plan. The bank checks and evaluates the potential e-seller to prevent fake, malicious companies from opening an e-shop in time.

The bank does not open a special merchant account for E-commerce. In fact, if the merchant is already a customer of that bank, he is allowed to use it for entries made through online payments, and if he is not a customer of that bank, then he needs to open a single transaction account. The bank and the merchant sign an agreement, which regulates their mutual rights and obligations more precisely. The whole procedure of verification and signing of agreements is imposed by the international card organizations, which might be concerned about situations of possible future disputes of the transaction.


WAYS TO SELL ONLINE

Before starting an E-commerce business, the E-commerce merchant needs to choose which form of online selling they will use. The options available are listed below:



Your own e-shop - which can be created in one of the following ways:


- On an open-source platform such as WordPress, Magenta, etc.
- On a solution designed according to the merchant's needs, which is usually of a better quality, but more expensive
- On a "do it yourself" platform that allows you, without any technical knowledge, to build your own web shop that accepts credit and debit card payments. Such platforms (e.g., price.md) require monthly maintenance and usage payments



Online Marketplace - Online marketplaces are a common web-based E-commerce platform where several independent suppliers sell their products online. The most popular such marketplace is Amazon, and the most popular auction marketplace is eBay. While Amazon retailers sell everything from needles to locomotives, eBay is more likely to attract retailers who, in addition to consumer goods, offer rare items and antiques to collectors. Other examples of internationally known online marketplaces are Etsy, AliExpress etc.


When talking about local experience, we can mention these:

- <https://a1.md/en>
- <https://999.md/ru/>




Selling via social networks - Social networks, in particular Facebook and Instagram, offer the possibility to sell products via the Facebook Store or Instashop. It is the possibility to connect an online shop and social networks which is a good strategy for multi-channel sales. Although it is technically possible to sell a product exclusively through social networks, it is not in any case recommended for businesses as it does not meet the basic legal requirements for online sales in the Republic of Moldova. As a result, this option is important but must be used in combination with one of the above mentioned.

The following two options are used at international level:



Dropshipping is a form of retailing in which the e-seller has no products in stock, meaning they place orders with a supplier/manufacturer who delivers directly to the customer – only after the customer completes the order. This allows each seller to open their own online shop without significant start-up capital. The biggest disadvantages of this type of online trading are very low sales margins and a competitive market with reduced (or no) control over the quality of goods delivered.



Online advertiser - An online advertiser is a website where private and commercial vendors have the opportunity to place ads for the sale of a product, for which they are usually paid upon download. Direct selling without verification and control is a virtue and the biggest disadvantage of this platform, as there is no possibility to verify the seller or buyer of the products.

HOW TO SET UP AN E-SHOP IN A FEW STEPS?

Just as setting up an offline company, registering an E-commerce company is no different. Here are some steps you can take to start the process of preparing for your business.

STEP 1: RESEARCH

For a small business to be successful, it has to fill a need or offer something the market wants. There are many ways you can identify this need, and some of the questions you need to answer include:

- Is there a need for the products/services I offer?
- Who needs them?
- Do I plan to sell locally and/or internationally?
- Are there other companies offering similar products or services in the same
- How will my business fit the market?

STEP 2: CREATE A BUSINESS PLAN

A business plan is a blueprint that will guide your business from the start-up phase to business growth. The good news is that there are different types of business plans for different types of businesses.

STEP 3: PLAN YOUR BUDGET

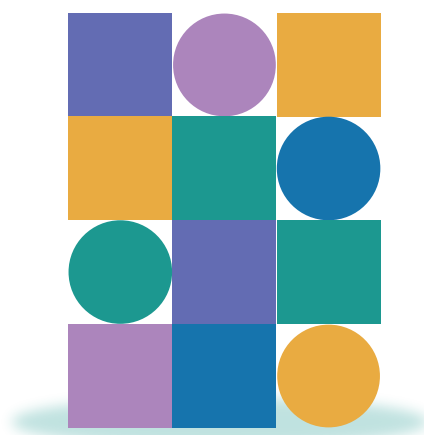
Make a list of start-up costs for your business (licenses and permits, equipment, insurance, market research, inventory, trademarks, etc.) as well as the costs required to keep your business running for at least 12 months (rent, utilities, marketing, advertising, production, materials, travel expenses, staff salaries, your own salary, etc.). These numbers would represent the initial investment you will need to start your own business.

STEP 4: SETTING UP THE BUSINESS

Choosing the form of business registration

Physical person:

- Self-employed person in retail trade
 - ◆ Trade in all types of goods other than the goods referred to in Customs duties, is allowed (e.g. perfumes and toilet waters, alcohol, cigarettes, fur clothing (mink, polar fox, fox, ferret), etc., see Annex 1 to Title IV of the Tax Code https://www.legis.md/cautare/getResults?doc_id=131753&lang=ro)
 - ◆ The maximum sales limit is 600 000 lei for one calendar year
 - ◆ Mandatory use of cash register machine and control equipment (cash machine, hereafter ECC). The cost of the cash register equipment can be deducted from the taxes calculated in the first year of activity
 - ◆ The rate of income tax is 1% of sales revenue, but not less than 3 000 lei
 - ◆ The following are the social insurance contributions to be paid in a fixed amount (12 838 lei for 2022) and the obligatory health insurance policy (4 056 lei for 2022)
 - ◆ No employment of staff is allowed
 - ◆ Registration is free of charge at the Territorial State Tax Service, which is the nearest office of the State Tax Service (hereinafter SFS)
 - ◆ It is mandatory to keep the register of sales and purchases (item 12, Methodical Guidelines Regarding the Particularities of Keeping Records of Sales and Purchases for Tax Purposes by Self-employed Physical Persons, approved by the MF Order no. 2 of 9 January 2017). https://www.legis.md/cautare/getResults?doc_id=112341&lang=ro#)



- A person running a business on the basis of an entrepreneur's license
 - ◆ The maximum sales limit is 300 000 lei for a period of 12 consecutive months (for example, 01 June 2022 – 31 May 2023) approximately 25 000 lei per month
 - ◆ Only certain types of activities are possible (e.g. self-made artisanal objects, retail trade of local food products, shoemaking, etc. see section 2. Production of goods, doing of works and performing of services listed in the Annex to the Law on Entrepreneurs' Patent No. 93/1998
https://www.legis.md/cautare/getResults?doc_id=121971&lang=ro
 - ◆ A fixed fee is required to be paid for the patent, depending on the type of trade
 - ◆ ECC not required
 - ◆ A fixed amount must be paid for the social insurance contribution (12 838 lei for 2022), and the obligatory medical insurance policy (4 056 lei for 2022)
 - ◆ No employment of staff is allowed
 - ◆ Registration is free of charge at the territorial SFS
 - ◆ Bookkeeping: not required
- Individual entrepreneur
 - ◆ No maximum sales limit
 - ◆ Trade in all types of goods and products is allowed
 - ◆ Income tax of 12% of taxable income (profit) is applicable, in addition to which all related taxes (e.g. local taxes, employee taxes, etc.) are paid
 - ◆ ECC is required for cash payments
 - ◆ The social insurance contribution in a fixed amount (12 838 lei for 2022) and the obligatory medical insurance policy (4 056 lei for 2022) are to be paid
 - ◆ Employment of staff is allowed
 - ◆ Registration is against payment to the Public Services Agency (hereinafter PSA)
 - ◆ Bookkeeping: mandatory

Legal entity

- Limited Liability Company LLC (the most common form):
 - ◆ Lack of a sales limit
 - ◆ Trade in all types of goods and products is allowed
 - ◆ Income tax of 12% of taxable income (profit)/or 4% of all income until VAT status is obtained. In addition, all related taxes (e.g. local taxes, employee taxes, etc.) are paid
 - ◆ ECC must be used for cash payments
 - ◆ There are no fixed fees to pay, such as the patent fee, the fixed amount for the social insurance contribution or the obligatory health insurance policy
 - ◆ Employment of staff is allowed
 - ◆ Registration is against payment at the Public Services Agency
 - ◆ Bookkeeping is mandatory

Conclusion:

In order to work under the special regime provided for self-employed person in the area of retail trade, and on the basis of the entrepreneur's patent, the physical person shall submit an application/request to the Territorial State Tax Service. Afterwards, the physical person is to receive the status of insured person in the State Social Insurance System at the Territorial Social Insurance House and pay the cost of the obligatory medical insurance policy to the Territorial Medical Insurance Company.

In order to work under the individual entrepreneur system, the physical person must submit an application/request to the PSA. Afterwards, the physical person has to pay the cost of the insurance policy to the Territorial Health Insurance Company and receive the status of insured person at the Territorial Social Insurance House.

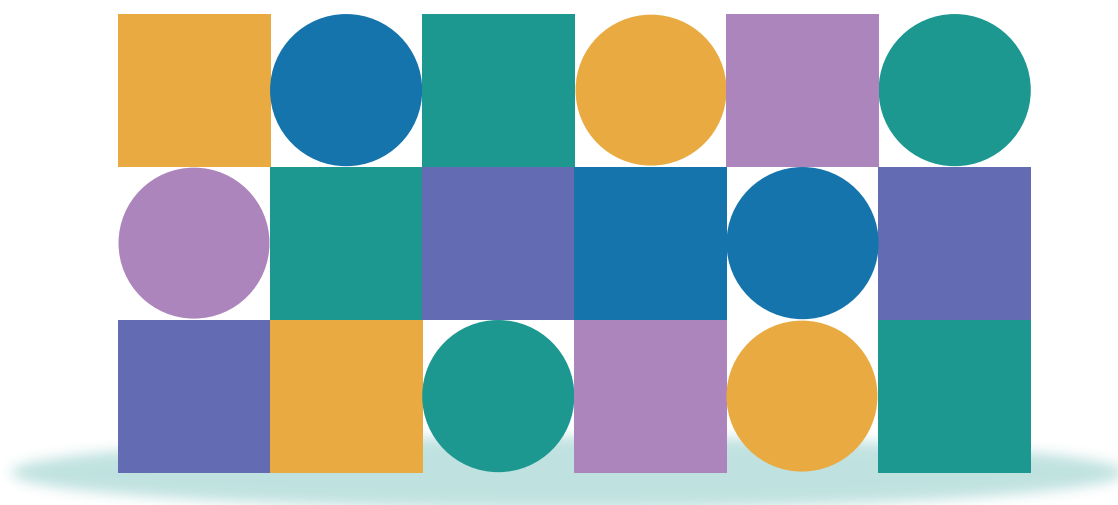
In order to operate as an LLC (Limited Liability Company), the physical person has to submit an application/request to the PSA (Public Services Agency). It is not necessary to submit any additional documents to CNAS and CNAM; the status of insured person in the social and medical insurance system is held by the employees of the LLC on the basis of their individual employment contracts and through the use of the taxpayer's office with the application of digital signature.

STEP 5: LAUNCH OF THE BUSINESS

After choosing the form of organization of the entrepreneurial activity, the entrepreneur has to go through the following steps:

- Choose the location from which the e-commerce will take place
- Open a bank account
- Receive the necessary permission documents and equipment for carrying out commercial activity
- Launch an electronic application through which they will trade
- Establish a mechanism for the delivery and payment of marketed goods
- Provide itself with the necessary staff (if allowed to employ staff)

Note: The following steps described refer to the most common form of entrepreneurial organization – LLC



CHOOSING THE LOCATION FOR E-COMMERCE

The main distinctive element of E-commerce is the partial or total lack of physical exposure of the goods and the lack of maintenance costs of the commercial spaces. Moreover, many online shops also have no stock and no need to maintain a warehouse. As a rule, this space can be reduced to the legal offices registered by the Public Services Agency PSA. If the legal offices are to be different from the physical address where the establishment is located, a rental agreement will need to be signed.

Important: The legal seat and, where applicable, any other type of subdivision must be registered with the State Tax Service STS.

OPENNING A PAYMENT/BANK ACCOUNT

The payment/bank account will be required to make cash transfers to suppliers and collect cash from buyers.

Virtually all e-commerce payments are made either in cash or by bank card transfer, or via Visa/Mastercard or payment service providers (Paynet, QIWI, etc.). In order to be able to collect these funds, it is necessary to purchase and legalize the cash machine and control equipment at the State Tax Service STS. Cash payments are recorded in the ECC with the issuance of the tax receipt to the buyer. Cash machine and control equipment may not be used if payments are made only online through bank processing centers or payment service providers.

Important: Non-release of the receipt is punishable.

RECEIPT OF PERMISSION DOCUMENT

The document that allows the online shop to carry out commercial activity is the “Notification on the initiation of commercial activity”. This document is issued by the local government department – the town hall.

Important: *Holding the notification implies the payment of a quarterly fee (Trade Establishment Fee), the size of which is specified in the decisions of the local government councils for each year.*

LAUNCH OF THE E-APPLICATION




The choice of electronic application is at the discretion of the trader and depends exclusively on their expectations and possibilities.

Important: *At the moment, there are many “ready-to-use” applications – specialized software packages that allow launching and maintaining an e-shop, there are also platforms providing merchants with presence spaces in its electronic environment and allow the development of the virtual e-shop in the marketplace.*



ESTABLISH A MECHANISM FOR DELIVERY AND PAYMENT OF GOODS

The delivery of goods can be carried out by own forces, by courier services, or by postal shipments.

-  Delivery of goods by own forces means physical transportation of the goods by a representative of the company with direct delivery to the buyer at the delivery address
-  Delivery by courier services involves outsourcing the process of collecting, transporting and handing over the goods to the buyer to a specialized service provided by another company for a fixed fee
-  Delivery by postal shipments involves the collection, transport and delivery of goods by postal service providers

The first two types of delivery imply that payments will be made directly to the e-shop, respectively in the case of cash or bank card payments, and the e-shop will be required to issue the receipt.

Deliveries via postal service providers can be made cash-on-delivery. In this case the payment for the goods will be collected by the service provider with the issue of the corresponding tax receipt. The e-shop will collect the money from the provider within a contractually agreed period by bank transfer.

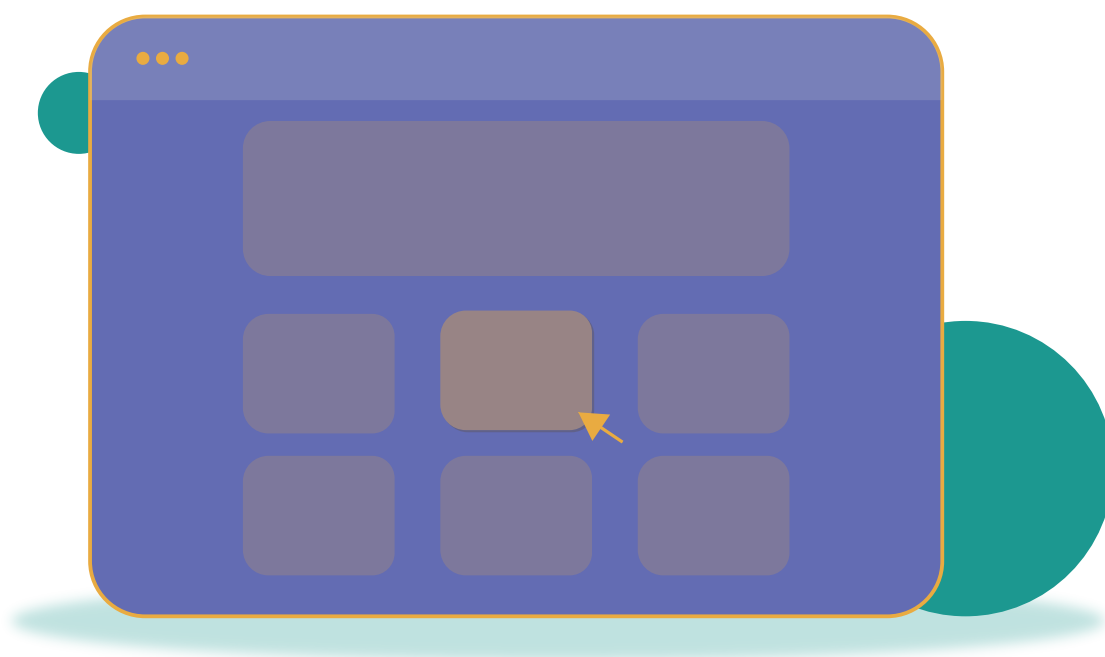
Payments through banks or payment service providers (PayNet, Qiwi; PayPal, etc.) constitute a specific case. When such providers are registered as payment providers on the territory of the Republic of Moldova, transactions with them are legally regulated. In this case, the buyer is able to make the payment through the payment terminal, or through the electronic payment application on the web page of the e-shop. In the case of payment operators that are not registered on the territory of the Republic of Moldova, such as PayPal, WebMoney, etc., their activity is not legally regulated at national level, meaning that there is no universal solution for their use. Currently, for example, Victoria Bank offers the possibility of converting funds from PayPal account to current account.

ENSURING SPECIALIZED STAFF

For a good development of the E-commerce business, in addition to the necessary “basic staff” (administrator, accountant), it is important to ensure the necessary specialized staff in the promotion of the sales platform and the sales itself (marketing and SMM specialist, web-designer, etc.).

To a large extent, staff needs can be outsourced, with some tasks being delegated to outsourcing companies, e.g. bookkeeping, software maintenance, advertising and marketing, and SMM, etc.

Once you have gone through the steps listed and already know what to do to start an e-shop, you should know that an online trader, just like other agents of the business environment, has legal obligations towards buyers, which are necessary to be rigorously respected in order to keep good faith and to be honest by the Law.





Project implementator



Project partners



eCommerce Association in
Bosnia and Herzegovina



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