

STUDY TRIP FOR WORKING GROUP ON PERCENTAGE DESIGNATION MECHANISM

Date: 17 – 19 April, 2013

Location: Bratislava, Slovakia

BACKGROUND INFORMATION

The recently adopted ***Strategy for Development of the Civil Society in the Republic of Moldova for 2012-2015*** introduces a supplementary measure to ensure financial sustainability for Moldovan NGOs through directing part of the income tax in the amount of 2% to non-profit organizations with public benefit status. A working group composed of representatives of the Moldovan civil society, the Ministry of Finance and the Main State Tax Inspectorate has considered models for designation as applied in Slovakia, Hungary and other countries in a number of experts meetings and through reviewing background information. Based on that, the Moldovan Ministry of Finance considers adopting the 2% designation mechanism by legal entities starting from 2014. However, designations by physical persons raise concerns due to the fact that the income tax by physical taxpayers is attributed to the local budgets and may result in considerable budget deficits and inconsistencies, income tax being the main source of income for local budgets. The working group will need to explore additional modalities to develop possible models for designation by physical persons, as well as to establish the framework principles for the mechanism based on the technical details and practical experience with the designation in Slovakia and Hungary.

Following the ***"In the Search for Financial Sustainability: Exploring Funding Mechanisms for CSOs"*** workshops and working group meetings that took place in February-March this year, the ***Slovak Atlantic Commission*** – in cooperation with the ***European Center for Not-for-Profit Law*** and the ***National Council of NGOs of Moldova*** and with the financial support of ***SlovakAid*** – organizes a ***study trip for the members of the working group to Slovakia*** with the objective to allow the transfer of Slovakia's expertise, know-how and experience with the implementation, functioning and impacts of the designation mechanism.

Members of the working group travelling to Slovakia are:

- ***Antonina Fonari*** – General Secretary, National Council of NGOs of Moldova
- ***Ecaterina Mardarovici*** – President, Political Club of Women 50/50
- ***Iuliana Cantaragiu*** – Expert, National Environment Center
- ***Daniela Vidaicu*** – Legal Expert and Advisor to the Working Group
- ***Liliana Iaconi*** – Head of Directorate of Analysis, Monitoring and Evaluation, Ministry of Finance of Moldova
- ***Natalia Plamadeala*** – Main State Tax Inspectorate under the Ministry of Finance of Moldova

AGENDA

THURSDAY, 18 APRIL

9:00 – 10:30 MEETING WITH THE PLENIPOTENTIARY OF THE SR GOVERNMENT FOR THE DEVELOPMENT OF CIVIL SOCIETY FILIP VAGAČ

Speaker: Mr. Filip Vagač, Government Plenipotentiary for Civil Society

Venue: Kempinski Hotel Bratislava (Corvinus 1)

Key topics and issues: What was the process and reasons leading to adoption of the mechanism? What were the main problems and issues with implementation of the mechanism in Slovakia? What is the experience with the working of the mechanism in Slovakia and what is its impact (societal, political, economic)? What are its pros and cons from the point of view of the civil society and the state?

11:30 – 13:30 MEETING WITH THE MINISTRY OF FINANCE OF THE SR

Speakers and experts: Ms. Miroslava Brnová, Expert, Direct Taxes Section

Mr. Marek Porubský, Director of the Tax Income and Fiscal Analyses Department, Institute for Financial Policy

Venue: Ministry of Finance of the SR (meeting room K1), Štefanovičova 5

Key topics and issues: How does the designation mechanism work? What does the law stipulate? What are the specifics of the law and the mechanism? Who can make the designation and who can be the beneficiary? What are the conditions each party must meet? How many people make the designations every year? How much money was designated via the mechanism on average every year? What was the impact of the mechanism on the state budget? Does the MF SR support the mechanism? What are its pros and cons? What would make the mechanism work better? What measures ensure the transparent use of the designated money?

13:40 – 15:00 LUNCH

15:15 – 18:00 MEETING WITH THE 1ST SLOVAK NON-PROFIT SERVICE CENTRE

Expert: Mr. Milan Andrejkovič, Director of 1stSNSC

Venue: 1stSNSC, Kocel'ova 9

Key topics and issues: The complex view on the percentage designation mechanism in Slovakia – how was the mechanism implemented, how does the process work, what are

the steps for designating the money and for receiving the money? Which are the involved institutions, what are their roles and responsibilities? How much money is designated in total each year? How much money do the beneficiaries receive? What are the pros and cons of the mechanism? How could be the mechanism adapted to Moldova's reality?

FRIDAY, 19 APRIL

10:00 – 12:00 MEETING WITH THE FINANCIAL DIRECTORATE OF THE SR

*Expert: **Mária Dimitrovová, Department of Tax Methodology, Tax and Customs Section, Financial Directorate of the SR***

Venue: Falkensteiner Hotel Bratislava

Key topics and issues: What is the role and responsibility of the Financial Directorate of the SR and the tax offices in Slovakia? What happens from the moment when the tax declaration is submitted to the point when the beneficiary receives the designated finances? What is the capacity of the state administration body responsible for the mechanism and % allocations administration (in terms of number of staff, competences, costs, etc.)? What are the main challenges with administration? What are the most common procedural mistakes? What happens if there was an error in calculations of the taxpayer? How could be the process and mechanism improved? What are the pros and cons from the perspective of the FD SR?

12:00 – 13:30 LUNCH

13:30 – 15:30 MEETING WITH THE CENTER FOR PHILANTHROPY

*Experts: **Mr. Boris Strečanský, Director of CfP***

Mr. Dávid Zajac, Deputy Director of CfP

Venue: Cfp, Kožia 11

Key topics and issues: What is the view of the civil society organizations and their perception of the mechanism? What is their experience with practical working of the mechanism? How does the mechanism help them, what are its pros and cons? What is the difference between the use and importance of the mechanism from the point of view of corporate foundations and small NGOs? What is the difference between the percentage philanthropy and fundraising in case of natural persons and in case of legal entities? What is the impact of the mechanism on the civil society? How do the NGOs use the mechanism, how do they fundraise? How transparent is the use of the mechanism and the designated financial resources? What could make the mechanism work better?