# THE LEGISLATIVE-NORMATIVE FRAMEWORK AIMED AT CITIZEN-ENTREPRENEURS: CHALLENGES AND TRENDS

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***Summary:*** *The legislative-normative framework represents the primary key in the formation of a favorable (friendly) economic-financial environment for the initiation, encouragement and development of entrepreneurs. At the same time, the minimization of financial risks and the creation of economic conditions offer entrepreneurs the chance to implement the idea in their own business. The regulations in this compartment are intended to ensure transparency, the protection of the economic rights and financial rights persons who are members of the entrepreneurial environment and the stimulation of trust and offer the chance to be a component part of the national economic system.*
*The research and systematization of the legal documents will allow the revision and highlighting of the main documents that are aimed at supporting and protecting security including financial of citizens-entrepreneurs from the Republic of Moldova that influence their social-economic activity. Identifying the gaps in the legislative system which present some impediments, and in some places create challenges in the legal activity of citizen-entrepreneurs allow us to focus more deeply on working with the business environment and state institutions / local authorities.*
*The consolidation, improvement and communication of state institutions with the business environment allow the application of various instruments, including financial assistance and social solidarity. These can be found in ensuring integration into the European Union, being based on the National Plan "Building European Moldova".*

***Keywords:*** *citizen-entrepreneurs, legislative acts, business environment, economic security, financial security.*

***JEL Classification:*** *K19 H59 H89.*

## INTRODUCTION

The security of citizen-entrepreneurs is found and established within the legislative-normative documents (acts) that establish clear rules in the initiation and activity of all persons who are interested in being part of the business environment. In this context, it is necessary to highlight the concepts of *economic insurance* and *financial insurance* of citizen-entrepreneurs, being structural elements in the security of the activity of the entrepreneurial environment.

Economic security is aimed at subjects that carry out activity at various stages of the economic-financial relations between entrepreneurs and state institutions. At the same time, they offer the opportunity to be encouraged, protected from factors and policies that stop and devalues these processes.

In turn, financial security viewed from the point of view of the functional approach to resources, is the protection of the financial interests of economic entities at all levels of financial relations by providing enterprises, organizations and institutions, regions, sectors of the state economy with sufficient financial resources to satisfy their needs and obligations. (Doga-Mirzac, 2024).

State institutions have the possibility to considerable influence on some obstacles or impediments that may appear or are present in the national legislative or strategic documents.

These are meant to be directed in the European way by encouraging and granting support to citizen-entrepreneurs who want to create the business environment and influence the development of economic processes at the national level.

The results that we propose to be obtained in this research and presented in the article directed the authors to analyze the legislative-normative acts regarding ensuring the activity and financial security of citizen-entrepreneurs structured in the formation of the business environment. We also aim to highlight the legislative documents that are aimed at supporting native entrepreneurship.

The methodology within the carried out research allowed to use: the analysis method, the synthesis method, the comparative method, the logical method.

The structural components within the research allowed us to select information from the Law on Small and Medium Enterprises and various legislative acts, the Ministry of Economic Development and Digitization, the Ministry of Finance, the State Fiscal Service, the Entrepreneurship Development Organization, the 2030 Sustainable Development Agenda, scientific publications and analytical materials.

## LEGISLATIVE DOCUMENTS

The development of legislation and the structure of approved normative and legislative acts offer citizens-entrepreneurs the opportunity to be active in the business environment. This allows them to be safe in their activity and provide them with a framework of centralized rules that would ensure transparent and free processes of all procedures, stages in compliance with the objectives highlighted by businesses, consumers and state institutions.

A first step in establishing an emphasis on the small and medium-sized enterprises sector is provided by Law no. 179 of 21.07.2016 on small and medium enterprises (LP181 of 07.07.23, MO272-273/27.07.23 art.470; of 01.03.24) which divides economic entities into three categories using the following criteria: average number of employees, annual turnover and balance sheet value of assets.

We emphasize the fact that in terms of European integration and citizen-entrepreneurs, it is necessary to re-evaluate the criteria mentioned above, including what defines access to support from the state.

The fact that only local entrepreneurs with a sales income of up to 95,824 mil. MDL (5 mill. EUR) have the opportunity to apply for support programs that actually undermine their advantage including their competences compared to actors in the European business environment. We emphasize that entrepreneurs in the European Union have support benefits provided that they will not exceed the income from sales of 958,240 mil. MDL (50 mill. EUR). (Cenusha and other, 2023)

Initial efforts were directed towards supporting and highlighting the transparency of operations and activities to support and promote the possibilities of the business environment to develop in a healthy competitive environment. At the same time, the promotion and protection of micro enterprises and small enterprises that were based on non-state property, were the drafting of legislation, which is currently not applicable, such as: the fund for supporting entrepreneurship and small business development approved by Decision no. 659 of 21.10.1993 and Law no. 112-XIII the support and protection of small business from approved on 20.05.1994.

Innovative entrepreneurship based on the legislation in this field, in turn collaborates with the university environment which is directed towards research which will centrally formulate unique rules in the activity. They would allow and at the same time ensure the good activity of all members and processes being transparent and free. At the same time with the involvement of teachers, young entrepreneurs and the population interested in entrepreneurship. (Doga-Mirzac, 2015)

The offer that comes from the university environment is focused on young entrepreneurs through the lens of innovative incubators. Innovation incubators that positively influence the activity

of entrepreneurs, with a focus on the research sector come with a number of conditions: legal, economic, financial, scientific-technological and political.

With the results obtained in scientific research and having an influence through technique, technology, scientific-practical investigations, social innovations on the production and the economy all in all, they also determine the prospects to develop the future entrepreneurs. (Doga-Mîrzac, 2021)

Law on small and medium enterprises no. 179 of 21.07.2016, in which it is found explanation of the concept - Business Incubator which represents the place where newly registered businesses are concentrated, in a limited space, start-up registered enterprises.

This law establishes your priority to increase and extend the period of activity of these enterprises and to have "immunity" from external challenges with the support of business incubators.

The legislative documents that were developed can be found in the information base, highlights alternative sources and indirect financial sources to ensure citizens-entrepreneurs such as:

- The law no. 182 on industrial parks, approved at 15.07.2010 with amendments of 13.06.2024, MO278-281/ of 02.07.24;
- The law no. 226 on science and technology parks and innovation incubators approved at 01.11.2018;
- The decision no. 614 on the approval of the concept of cluster development of the industrial sector approved at 20.08.2013.

Improved regulatory framework for the business environment can be found in in decision no. 561 with reference to the period 2025-2027 which was approved on 07.08.2024. The main objectives that are highlighted would be:

- simplified accessibility of financial resources for citizenship-entrepreneurs,
- accessibility and promotion of financial programs (including through the leasing offer for citizen-entrepreneurs who want to make investments in maintaining the agricultural sector),
- job creation through the subsidy process,
- investment of remittances in business highlighting family businesses,
- supporting and promoting the green economy and rural tourism with a focus on family businesses,
- supporting and promoting the internationalization processes of entrepreneurs, simplified accessibility of financial resources for citizenship-entrepreneurs.

In the research paper "Financing the innovative activity from the macroeconomic perspective" the author points out that: "In turn, the entrepreneurship that has the innovative element is determined by the scientific, technological, organizational, financial and commercial activity it carries out that is associated with the formation, introduction and implementation of innovations. Actors of the innovative activity can be considered the state, the academic sector and the private sector of the economy." (Ganea, 2014)

## FISCAL LEGISLATION

In this context, the tax legislation is constantly monitored and, if necessary, some corrections or changes are made. This fact is related to economic and financial instability that is influenced by factors, especially external factors at certain stages of its development. The taxation system aims to create a business environment that is friendly and favorable to investments and economic activity (even in difficult situations), in general, taking into account the interests of society.

Therefore, changes in the tax system in various states are carried out under the impact of the following factors:

- The fiscal system must contribute to increasing the economic efficiency and competitiveness of the business environment.
- The distribution of budget revenues following the accumulation of taxes must be subject to the principles of equity and fairness for society.

- The need for stability of fiscal obligations and the combating fiscal fraud.

We mention that the tax burden is an indicator within the tax system and is one of the main tools that the government can use to reduce and support some specific/vulnerable activities. When assessing taxation, both the absolute level and the structure of incentives deriving from the use of taxes must be taken into account.

According to tax legislation. profit and salary are the most taxed items. In these conditions, the more profitable an enterprise is, the fiscal pressure on economic entities is greater.

When the fiscal pressure becomes unbearable, including the factors that negatively influence the activity of entrepreneurs, its possibility to avoid paying taxes increases. It is necessary to mention that an important role in the degree of fiscal compliance of the business environment is its profitability to allow it to activate in real conditions and continue to develop its activity.

In the article "Interpreting the correlation between fiscal policy and economic growth in the Republic of Moldova" the fiscal pressure is a problem faced by the vast majority of countries and represent the tax systems tend to modernize, to improve. The economic crisis and the difficult times of the world economy have raised the issue of "relaunch", governments have turned to reforms aimed at easing fiscal pressure." (Bulgac, 2022)

The evolution of the fiscal pressure in the Republic of Moldova is reflected in the following table:

**Table 2. The evolution of the fiscal pressure in the Republic of Moldova**

| Indicators / Years | GDP, mill. lei | Tax revenues, mill. lei | Pressure tax, % |
|---|---|---|---|
| 2005 | 37652 | 11758,3 | 31,2 |
| 2006 | 44754 | 14719,2 | 32,9 |
| 2007 | 53430 | 17939,0 | 33,6 |
| 2008 | 62922 | 20867,4 | 33,2 |
| 2009 | 60430 | 19175,1 | 31,7 |
| 2010 | 71885 | 22082,3 | 30,7 |
| 2011 | 82349 | 25130,2 | 30,5 |
| 2012 | 88228 | 28863,2 | 32,7 |
| 2013 | 100510 | 32173,2 | 32,0 |
| 2019 | 206256 | 40677,6 | 19,72 |
| 2020 | 199734 | 44634,4 | 22,34 |
| 2021 | 242079 | 42322,4 | 17,48 |
| 2022 | 274488 | 51810,3 | 18,87 |
| 2023 | 300421 | 63026,0 | 20,98 |
| *2024/ 01-09* | *233129* | *67955,1* | *29,15* |

*Source: Calculated by the authors based on the data http://www. statistica.md, http://www.mf.gov.md*

We mention that the main purpose of the fiscal policy is to maintain the balance between the level of revenue increase, being the main source of financing budget expenditures. Also being the need to ensure and protect citizen-entrepreneurs, which is the main factor of stability in the economy.

According to the present legislation, the Fiscal Code, for the year 2024, if we emphasize the income tax for legal entities from 2012 to the present, it is 12%. In accordance with the chronological legislative acts, the income tax rate of legal entities during the years 2008 - 2011 was 0%.

"The purpose stated by the authorities at the time of the presentation of the initiative regarding the introduction of the "zero" rate to the income tax of legal entities was to stimulate economic entities to invest in the development of their own enterprises and businesses. The purpose stated by the authorities at the time of the presentation of the initiative regarding the introduction of the "zero" rate

to the income tax of legal entities was to stimulate economic entities to invest in the development of their own enterprises and businesses." (Petroia, 2011)

We will also highlight the fact that citizens who practice entrepreneurial activity are also taxed from the income obtained according to the quotas stipulated in the Fiscal Code as mentioned in:

***(I)*** *Chapter 1, Art. 15*

- to individual entrepreneurs and people who carry out professional activity in the justice sector and in the field of health - 12% of the annual taxable income;
- for people who carry out unqualified activities of an occasional nature - 12% of the taxable income, without the application of exemptions;
- for legal entities the share of 12% of the taxable income;
- for farmers the share of 7% of the taxable income;
- economic entities whose income has been estimated in accordance with art. 225 and $225^1$ will be 15% of the excess of the estimated income compared to the registered gross income.

***(II)*** *Chapter* $10^2$

- resident persons carrying out independent activities, according to the specifics of the trade activity, the income tax rate is 1% of the subject of taxation, but not less than 3000 lei.

***(III)*** *Chapter 103*

- persons who have activity in the field of purchasing plant products, and/or horticulture and/or objects of the vegetable products – 6% of sales revenue.

The elaboration and development of strategic documents and policy framework regarding ensuring the financial and economic security well-being of citizen-entrepreneurs are currently very important in the formation and structuring of the business environment.

The National Development Strategy "EUROPEAN MOLDOVA 2030" highlights some priorities in ensuring economic activity for citizen-entrepreneurs who train and operate in the business environment, such as:

- Supporting partnerships between the economic environment, the financial environment and the academic environment, companies and educational institutions.
- The visible promotion and support of young people and women with initiative and entrepreneurial spirit to become an integral part of the business environment.

At the same time, we also highlight the actions of the National Plan specifically aimed at citizen-entrepreneurs from the business environment that are currently needed to support and ensure not only their financing, but also protection from certain internal or external factors on the business environment.

Among the multiple actions we highlight:

- ✓ Reduction of bureaucracy for citizen-entrepreneurs that will facilitate business activity (start-up) and accumulation of income from the activity. Reduction of administrative bureaucracy in various fields of activity (stipulated) with the reduction of: reporting requirements for businesses, taxation, liberalization of foreign labor restrictions.
- ✓ Increasing and correct distribution of financial aid for agricultural sector oriented to the review of the conditions and criteria for accessing subsidies by small and medium-sized entrepreneurs with the application of the National Fund for the development of agriculture and the rural environment, financing in the form of loans at low financing costs for investments in technique and technologies. (Doga-Mirzac, 2024)

Also decision no. 653 of 06.09.2023 on the National Program for promoting entrepreneurship and increasing competitiveness in the years 2023-2027 highlights the development activities of citizen-entrepreneurs and highlights the impediments that do not allow economic and social development at the national level.

The program consists of nine objectives, from these we can also find the objectives that highlight the support of the financial security and economic well-being of citizen-entrepreneurs. We

mention that the Government, through this decision, being the priority objective to promote and support access to simplified financing and promoting sustainable development.

The existing legislative framework, also oriented towards citizen-entrepreneurs who own the research-innovation activity, is complex. The analysis of legislative-normative acts in the framework of ensuring the financial security of citizen-entrepreneurs reveals the existence of a diversified legal framework, which regulates aspects such as the protection of financial rights, taxation, access to financing and the prevention of economic risks.

The need for a simplified normative- legislative framework, with the priority of the one directed towards the accessibility of financial sources currently being the main obstacle faced by citizens-entrepreneurs from the Republic of Moldova.

Some of normative-legislative documents that are used by the business environment currently ineffectively regulates alternative financial offerings such as crowdfunding or FinTech. These sources enable citizen-entrepreneurs to invest in family businesses. Currently they are extremely necessary to maintain the business environment. At the same time, they will contribute to the formation of partnership relations with state institutions and citizen-entrepreneurs.

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