

## Tax system in Bulgaria

### TYPES OF ORGANISATIONS

#### Types of organisation

	<i>Name in local language</i>	<i>Registrable in commercial register / legal entity</i>	<i>Minimum capital</i>	<i>Sole shareholder company</i>
<b>Limited liability company</b>	Дружество с ограничена отговорност (ООД)	yes / yes	BGN 2 (approx. EUR 1) minimum BGN 1 per shareholder	yes
<b>Joint stock company / European Company</b>	Акционерно дружество (АД) / Европейско дружество	yes / yes	BGN 50,000 (approx. EUR 25,500) minimum BGN 1.00 per shareholder	yes
<b>Cooperative (with limited liability)</b>	Кооперация	yes / yes	no	Minimum of seven members.
<b>General partnership</b>	Събирателно Дружество (СД)	yes / yes	no	no
<b>Limited partnership</b>	Командитно Дружество (КД)	yes / yes	no	no
<b>Registered branch office</b>	Клон	yes / no	no	n / a
<b>Permanent establishment</b>	Място на стопанска дейност	no / no	no	n / a

#### TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

	Capital tax / registration fees	Written form / notarisation	Tax transparency	Registration with tax authorities	Statutory audit <i>If at least two out of three thresholds are exceeded: revenues more than BGN 4 million, total assets more than BGN 2 million, more than 50 employees</i>
<b>Limited liability company</b>	No registration fees	yes / yes	no	yes	<ul style="list-style-type: none"> <li>micro enterprises - not applicable</li> </ul> if 2 of the above statutory thresholds are exceeded accordingly; mid-sized and large enterprises, enterprises of public interest, mid-sized and large groups or those including at least one enterprise of public interest -obligatory
	No registration fees	yes / yes	no	yes	Obligatory except for micro enterprises
<b>Cooperative (with limited liability)</b>	No registration fees	yes / yes	no	yes	if 2 of the above statutory thresholds are exceeded accordingly micro enterprises - not applicable
<b>General partnership</b>	No capital tax / registration fees	yes / yes	no	yes	if 2 of the above statutory thresholds are exceeded accordingly micro enterprises - not applicable
<b>Limited partnership</b>	No registration fees	yes / yes	no	yes	if 2 of the above statutory thresholds are exceeded accordingly micro enterprises - not applicable
<b>Registered branch office</b>	No registration fees	yes / yes	n / a	yes	As part of any audit of the parent company
<b>Permanent establishment</b>	No registration fees	n / a	n / a	yes	As part of any audit of the parent company

## DOUBLE TAXATION AGREEMENTS

### Double taxation agreements

The right to taxation in the event of a sale of interests in property companies is subject to differing provisions. In accordance with the OECD Model Agreement, for those countries for which there is a "yes" in the real estate clause column, the right to taxation lies generally not with the country of residence of the seller but with the country in which the property is situated.

As regards withholding tax rates, a possible reduction must be taken into account when EU Directives (Parent-Subsidiary Directive, Interest and Royalties Directive) are applicable.

Country	Effective date / amended	Real estate clause	Dividends %	Interest %	Royalties %
Albania	01.07.1999	no	5/15	10	10
Algeria	11.04.2005	no	10	0/10	10
Armenia	01.12.1995	no	5/10	10	10
Austria	03.02.2011	no	0/5	0/5	0/5
Azerbaijan	01.01.2009	yes	8	0/7	5/10
Bahrain	06.10.2010	no	5	5	5
Belarus	17.02.1998	no	10	10	10
Belgium	30.12.1988/1993	no	10	0/10	5
Canada	25.10.2001	no	10/15	0/10	0/10

### TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Country	Effective date / amended	Real estate clause	Dividends %	Interest %	Royalties %
China	25.05.1990/2003	yes	10	10	7/10
Croatia	30.07.1998	no	5	5	0
Cyprus	03.01.2001	no	5/10	0/7	10
Czech Republic	02.07.1999	no	10	0/10	10
Denmark	27.03.1989	no	5/15	0	0
Egypt	11.05.2004	no	10	12.5	12.5
Estonia	01.01.2009	yes	0/5	0/5	5
Finland	21.04.1986	yes	10	0	0/5
France	01.06.1988	no	5/15	0	5

Country	Effective date / amended	Real estate clause	Dividends %	Interest %	Royalties %
Georgia	01.07.1999	no	10	0/10	10
Germany	21.12.2010	no	5/15	5	5
Greece	27.06.2001	no	10	10	10
Hungary	07.09.1995	no	10	0/10	10
India	23.06.1995	yes	15	0/15	15/20
Indonesia	25.05.1992/1993	no	15	0/10	10
Iran	29.06.2006	yes	7.5	0/5	5
Ireland	05.01.2001	yes	5/10	0/5	10
Israel	31.12.2002	yes	10/7.5-12.5	0/5/10	7.5-12.5

Country	Effective date / amended	Real estate clause	Dividends %	Interest %	Royalties %
Italy	10.06.1991	no	10	0	5
Japan	09.08.1991	no	10/15	0/10	10
Jordan	19.12.2008	yes	10	0/10	10
Kazakhstan	24.07.1998	yes	10	0/10	10
North Korea	07.01.2000	no	10	0/10	10
South Korea	22.06.1995	no	5/10	0/10	5
Kuwait	23.02.2004	no	0/5	0/5	10
Latvia	18.08.2004	no	5/10	0/5	5/7
Lebanon	10.11.2001	no	5	0/7	5

#### TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Country	Effective date / amended	Real estate clause	Dividends %	Interest %	Royalties %
Lithuania	27.12.2006	yes	0/10	0/10	10
Luxembourg	15.03.1994	no	5/15	0/10	5
Macedonia	24.09.1999	no	5/15	0/10	10
Malta	01.01.1988	no	0-30	0	10
Moldova	24.03.1999	yes	5/15	0/10	10
Mongolia	17.02.2003	no	10	0/10	10
Montenegro	10.01.2000	no	5/15	10	10
Morocco	06.12.1999	yes	7/10	10	10
Netherlands	31.07.2021	yes	5/15	5	5

Country	Effective date / amended	Real estate clause	Dividends %	Interest %	Royalties %
Norway	30.07.2015	no	5/15	0/5	5
Pakistan	20.02.2020	no	12.5	10	10/12.5
Poland	10.05.1995	no	10	0/10	5
Portugal	18.07.1996	no	10/15	0/10	10
Qatar	23.12.2010	no	0	3	5
Romania	29.03.2016	yes	5	5	5
Russia	24.04.1995	no	15	0/15	15
Serbia	10.01.2000	no	5/15	10	10
Saudi Arabia	01.10.2018	no	5	5	5/10
Singapore	26.12.1997	no	0/5	0/5	5
Slovakia	02.05.2001	no	10	0/10	10

Country	Effective date / amended	Real estate clause	Dividends %	Interest %	Royalties %
Slovenia	04.05.2004	yes	5/10	0/5	5/10
South Africa	27.10.2004	yes	5/15	0/5	5/10
Spain	14.06.1991	no	5/15	0	0
Sweden	28.12.1988	no	10	0	5
Switzerland	18.10.2013	no	0/10	0/5	5
Syria	04.10.2001	no	10	0/10	18
Thailand	13.02.2001	no	10	0/10/15	5/15
Turkey	17.09.1997	no	10/15	0/10	10
Ukraine	03.10.1997	yes	5/15	0/10	10

#### TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Country	Effective date / amended	Real estate clause	Dividends %	Interest %	Royalties %
United Arab Emirates	01.01.2009	no	5	2	5
United Kingdom	15.12.2015	yes	0/5/15	0/5	5
USA	15.12.2008	yes	0/5/10	0/5/10	5
Uzbekistan	21.10.2004	yes	10	0/10	10
Vietnam	04.10.1996	yes	15	0/10	15
Zimbabwe	29.01.1990	yes	10/20	0/10	10

## MERGERS & ACQUISITIONS

### Financing

#### Financial assistance by subsidiary

Loans may be provided to parent company by subsidiary, and vice versa. There are no legislative restrictions.

#### Subordinate debt (mezzanine capital)

The use of subordinate debt is allowed.

#### Interest expenses for acquisition financing

Allowable deduction, with 10 % withholding tax deductible on interest payments if finance provided by a foreign person, except as relevant DTA otherwise provides Allowable in full, if finance provided by Bulgarian resident.

#### Interest expenses on subordinate debt

No special provisions

### EU interest barrier

An interest surplus (excess of tax-deductible interest expense over taxable interest income of a financial year), is only deductible to the extent of 30% of the tax EBITDA. An allowance of EUR 3 million is applicable.

### Squeeze-out options

#### Buy-out of minority shareholders ("squeeze-out")

Shares can be subject to compulsory sale if shareholders do not comply with the provisions of commercial law. Compulsory sale requires a judicial decision.

### Capital gains - corporations and partnerships

#### Sale of shares in joint stock corporations (AG)

Gains on the disposal of shares in stock exchange listed companies in EEA countries by legal persons are not liable to tax. Gains on the disposal of unlisted shares are taxable.

#### Sale of shares in limited liability companies (GmbH)

Capital gains on the sale of shares in limited liability companies are taxable.

### TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

### **Sale of interests in a partnership**

As for public limited companies.

### **International participation exemption**

With effect from 1 January 2007, mergers, demergers, transfers of assets and the exchange of shares involving Bulgarian companies and companies in other EU member states are tax neutral for corporate income tax. Exemption for tax loss carry forward and non-deductible interest resulting from thin-capitalization adjustment.

## **Sale of business**

### **Definition**

The sale of businesses is possible. The component parts of a business are tangible and intangible assets, liabilities and employees.

### **Valuation**

Valuation of assets at market value and recognition of goodwill if required

### **Goodwill**

Non tax deductible

## **Mergers and demergers**

### **Types of mergers described by commercial law**

Mergers by way of acquisition, amalgamation or creation of a new company, demergers

### **Valuation**

Valuation of fixed assets to fair market value is required in case of merger by acquisition. In general, an authorized independent valuer must be appointed for the valuation of fixed assets.

### **Valuation in financial accounting**

The difference between fair value and book value is recorded as goodwill.

### **Goodwill amortisation**

Non tax deductible.

### **Tax consequences**

Revaluation of assets is not recognized for tax purposes. Revaluation can be tax deducted in the year of disposal of the assets.

## **Contributions (transfer of assets as capital introduced into a company)**

### **Contributions in kind**

In general, the contribution of assets is allowed (services cannot be contributed).

### **Tax treatment**

Contributions in kind as part of the registered capital of the company are permissible, subject to the following rules:

1. The value of assets contributed must be the subject of valuation by experts appointed by the Court.
2. The value of such assets, the method of valuation and the number of shares issued in exchange must be specified in the articles of incorporation after the value has been established by the experts.

### **TPA Steuerberatung GmbH**

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

3. The valuation methods vary depending on the nature of the assets and on the scope of the valuation. Fair market value is the most common basis, discounted cash flow analysis is another method (based on future earnings, e.g. for real estate).

**Goodwill amortisation**

Non tax deductible.

**VAT**

**Tax rates**

Standard rate: 20%

reduced rate 9%

the accommodation provided in hotels, shelters in places of accommodation or chalets; books; restaurant and catering services for delivery of ready food; baby food and hygiene materials; fitness clubs.

Zero rate: Export of goods

Supply of goods within the European Community International transport services, and related services

Supplies of gold (except for gold as an investment) to central banks of EU member states

Certain transactions in connection with international trade, and certain supplies under international agreements

Sales of duty-free goods in duty-free shops, where sales are exports for the purposes of customs legislation

**Supply of goods**

Supplies of goods and withdrawal for private use (self supply) are taxable, as far as there are no exceptions

**Place of supply of goods**

in principle, wherever the object is situated at the time the power to dispose of the goods is acquired (static supply)

in the case of transport or dispatch by purchaser or supplier, where transport or dispatch begins (moving supply)

Import from third countries: if supplier is liable for import VAT, in importing country

Delivery by water, air or rail inside the EU: point of departure

Special provisions for chain and triangular transactions

**Supply of services**

Supply of services and private use / supply of services without consideration (self-supply) are taxable, as far as there are no exceptions

**Place of supply of services**

A differentiation is made between services rendered

- to taxable persons ("Business to Business", "B2B") or
- to non-taxable persons ("Business to Customer", "B2C").

For purposes of determining the place of the supply of services,

- taxable persons (within the EU holding a VAT registration number) and
- non-taxable legal entities holding a VAT registration number will be considered as "taxable persons"

**Basic rule**

B2B	B2C
Place of recipient (The place where the recipient of services has established his business)	Place of supplier (The place where the supplier of services has established his business)

**TPA Steuerberatung GmbH**

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

### Special cases

	B2B	B2C
Supplies of services by intermediaries	Place of recipient (basic rule)	Place of the underlying transaction
Property services	Place of the property	Place of the property
Cultural, artistic, scientific, educational, sports, entertainment or similar services, like services in connection with fairs and exhibitions including services of the respective organizers	Place of recipient (basic rule)	Where the services are physically carried out
Admission and other related services for events like fairs and exhibitions	Place of the event (no Reverse Charge System for admission etc.)	Where the services are physically carried out
Passenger transport	Distances covered	Distances covered
Transportation of goods (without intra-Community goods transportation)	Place of recipient (basic rule)	Distances covered
Intra-community goods transportation	Place of recipient (basic rule)	Place of departure
Ancillary transport services	Place of recipient (basic rule)	Where the services are physically carried out
Appraisal and processing of movable tangible objects	Place of recipient (basic rule)	Where the services are physically carried out
Restaurant and catering services	Where the services are physically carried out	Where the services are physically carried out
Restaurant and catering services in connection with intra-community passenger transport	Place of departure	Place of departure
Renting of means of transport for up to 30 days	Where the means of transport is actually put at the disposal of the customer	Where the means of transport is actually put at the disposal of the customer
Renting of means of transport for over 30 days	Place of recipient (basic rule)	Place of recipient Special regulations for renting pleasure boats
“Listed services” to third country customers		Place of recipient
“Listed services” to customers in the EU		Place of supplier (basic rule)
Electronically supplied services, such as telecom, radio and TV services <sup>2)</sup>	Place of recipient (basic rule)	Place of recipient <sup>3)</sup> as of January 1, 2019: place of supplier in case the total revenue does not exceed the amount of EUR 10,000 <sup>4)</sup>

### Mini-One-Stop-Shop (MOSS) / One-Stop-Shop (OSS)

Currently taxable persons from an EU member state or third country – who provide electronically supplied services, telecom, radio and TV services to consumers within the EU – can, subject to certain conditions, make use of simplifications within the MOSS system. The taxable person will thereby only be registered for VAT purposes in the member state where the headquarters of the economic activity and/or the permanent establishment are located.

As of July 1, 2021 a registration in the country of destination is not required anymore for the following services, because sales can be declared in one member state of the EU via the One-Stop-Shop (OSS) and VAT can be paid in a centralized way:

- B2C services
- Supplies to consumers: turnover threshold is eliminated (exception for micro-businesses).
- Import: Tax exemption for imports from goods with value < EUR 22 is eliminated; Import One-Stop-Shop (IOSS) is applicable for imports to consumers for goods with value < EUR 150
- Platforms: certain platforms are treated as if they delivered the goods by themselves (notional delivery); platform may become a tax debtor

### Reverse charge “reversal of tax liability”

Generally for all transnational supplies of services and work supplies; exceptions: entry tickets and toll

#### TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

### Requirements

Supplier is a foreigner (no residence, no place of business or permanent establishment in Bulgaria involved in providing the service).  
Customer is an entrepreneur  
(even with non-taxable activities) or tax-exempt legal entity holding a VAT identification number, or a legal entity under public law

### Consequences

Invoice without VAT, indication that tax liability is transferred to the customer, both parties' VAT registration numbers  
Customer owes the VAT Supplier is liable for VAT

### Special regulations

apply to areas susceptible to fraud (sale of scrap, sales of industrial crops, etc.)

## Tax reliefs

### Exemption (Input VAT deductible even though no VAT chargeable on supply of goods and services)

- Exports
- Intra-Community supplies
- Sales revenues for sea and air transport
- Processing under contract on goods for export
- Cross-border transport of goods
- Cross-border sea and air transport of passengers
- Mediation of above services
- Renting to diplomats

### Zero rates ("non-genuine" tax exemption) (Input VAT is not deductible)

- Banking, insurance services
- Certain financial services
- Education and training services
- Betting
- Health care services
- Supply of undeveloped land not scheduled for development

## Deductible input VAT

VAT invoiced to the business for the supply of goods and services

In general no deduction of input VAT in respect of

- expenses not deductible for the purposes of the business (e.g. expenses related to private use of company assets)

Reimbursement:

Effective in 30 days of the date of filing of the VAT return, following a 3 months set-off procedure, except in cases of initiated tax audit.

## Input VAT correction

In case of fixed assets (resp. major repairs): If the circumstances which have been relevant for the input VAT deduction change subsequently, a corresponding positive or negative input VAT correction must be made.

As a general rule, the observation period for input VAT correction is 5 years. The observation period for input VAT correction related to properties is generally 20 years.

### TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

## Real estate

### Rentals

Generally liable to VAT (exception for non-taxable persons when used for residential purposes)

### Sale

Liable to VAT: newly constructed buildings. Exemption applicable for old buildings. Sale of non-developed land is exempt, seller may opt for liability to tax at 20%

## Refund of input VAT for Bulgarian taxable persons within the EU

Electronic application (via portal.nra.bg) has to be made by the Bulgarian taxable person at its competent Bulgarian tax office at the latest by September 30 of the following year. Separate applications are required for each member state.

Filing of original invoices is only necessary if required by fiscal authorities of the respective member state.

Minimum amount of refundable input VAT: EUR 400 (EUR 50 if the refund period coincides with the calendar year)

## Foreign taxable persons

Taxable persons with no place of business or permanent establishment in Bulgaria

### Registration

Obligation to register, or to appoint a fiscal representative and to register, provided the relevant threshold (BGN 100,000 / approx. EUR 51,000 or BGN 20,000 / approx. EUR 10,300 in the case of IC-acquisition) is exceeded

### Refund of input VAT for taxable persons domiciled in the EU

If no sales are made in Bulgaria, electronic application at the competent tax office in the EU member state (originating country) of the taxable person within the EU by September 30 of the following year at the latest

### Refund of input VAT for taxable persons not domiciled in the EU

If no sales are made in Bulgaria, refund has to be applied for by June 30 of the following year at the latest

Official form, original invoices to be submitted. Minimum input VAT refundable: EUR 400 (EUR 50 if the refund period coincides with the calendar year). The procedure is applicable for short list of third countries.

## GENERAL MANAGERS

---

### Civil law

Contract of employment, contract for services, shareholders' resolution, management contract, etc.

### Social insurance

Bulgarian regulations on social insurance are applicable for work performed in the country. EU Regulations on the coordination of social security systems have to be observed. Contract of employment or contract for services: social and health insurance.

### Income tax

10 % flat-rate taxation

### TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

## VAT

No VAT under employment and management contract

## Work permit

For general managers from EU no work permit is required

For self-employment no work permit is required

## Residence permit / settlement permit

Required in the case of a stay of more than 183 days within the calendar year, unless the general manager remains resident in another EU country and regularly returns there.

## Liability

In case of acting in bad faith, e.g. with respect to employer's and corporate taxes, delay in declaring insolvency, in case of insolvency generally with respect to all non-paid public liabilities.

## Minimum remuneration

BGN 780 (EUR 400) per month.

## SOCIAL INSURANCE AND NON-WAGE LABOR COST

---

### Social insurance

Statutory sickness pay, accident, pension and disability insurance for all gainfully employed persons (based on benefits in kind and in cash)

### Contribution rates and maximum contributions

Contribution rates fixed, contribution ceiling for pension and invalidity insurance: BGN 3,400 monthly

Contributions deductible for income tax purposes

### Self-employed persons

#### Health insurance

8.0%

#### Pension insurance

14.8 %

#### Obligatory pension fund

5.0%

#### Accident insurance

#### Maximum contributions

Contributions limited to a maximum of BGN 1,000 per month

### TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

## Employed persons

### Health and accident insurance

8.00%

(of which 3.20% is the employee's share)

### Pension insurance

19.8 % (of which 3.38% is the employee's share)

### Maximum contributions

Contributions limited to a maximum of BGN 468 per month.

### Others

Additional pension insurance - 5.00% (of which 2.20% is the employee's share)

### Severance fund

### Non-wage labor costs

N/A

## IMMOVABLE PROPERTY

---

### Tax depreciation

#### Straight-line

over the expected useful life of the asset limited for tax purposes

#### Additional

N/A

### Depreciation categories

#### Land

No depreciation

#### Buildings

Up to 4 %

#### Tax base for buildings

Acquisition costs evidenced by documents or valuation in case of contribution in-kind.

### Special depreciation

N/A

### TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

## Write-ups

Up to a maximum of the historic acquisition costs

## Real-estate income tax

### Objects of taxation

Capital gains from the sale of operative and private real estate (irrespective of the holding period) by individuals

### Tax rate

10%

### Tax collection

Self-assessed in yearly income tax declaration

### Exemptions

Exemptions are applicable for 1 real estate held by individuals for more than 3 years and 2 real estates held by individuals for more than 5 years.

## Property transfer tax

### Object of taxation

Transactions resulting in transfer of ownership of land in Bulgaria, or of rights to use of land.

Types of property affected: land, buildings, additions, building rights, buildings on land owned by others; possibly avoidable in case of transfer of shares in companies.

### Basis of assessment

Land: area

Buildings and their components, in two main categories:

- Households – assessment based on tax valuation by tax authorities
- Industrial and commercial buildings – assessment is based either on the carrying value, as set down in the accounting law, or on the tax valuation by the tax authorities (whichever is the higher amount)

Land: assessment based on tax valuation by tax authorities, or on carrying value in accordance with accounting law

Other constructions and their parts: carrying value

### Tax rate

For real property, 0.1 % to 3.0 %

## Property-related taxes

### Property tax

General tax rate 0.1 - 4.5  $\frac{0}{100}$  property in Bulgaria:

- agricultural and forestry land
- real estate
- business assets consisting of company land

### TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Basis of assessment:

- Households – assessment based on tax valuation by tax authorities
- Industrial and commercial buildings – assessment is based either on the carrying value, as set down in the accounting law, or on the tax valuation by the tax authorities (whichever is the higher amount)

Land: assessment based on tax valuation by tax authorities, or on carrying value in accordance with accounting law

Other constructions and their parts: carrying value

## Real estate funds

Regulated by the Act on Special Investment Companies

### Owner of the fund assets

Minimum required capital; EUR 250 000.

### Annual valuation

Purchase or sale of real estates only following to valuation of independent expert valuator.

### Borrowing

Maximum permissible: up to 20% from value of assets

### Diversification of risk

### Tax liability

Not subject to Corporate Income Tax

## TAX CONCESSIONS

---

### Direct

N/A

### Indirect

#### Income tax concessions, e.g.

Mortgage interest incurred in the procurement of residential space by young families. As of 1 January 2014 the tax relief for young families shall be applicable

#### Tax credits

##### Family Bonus Plus:

N/A

##### Children surplus:

N/A

##### Sole earner deduction pa.:

N/A

### TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

**Single parent deduction pa.:**

N/A

**Child deduction:**

For 1 child - approx. EUR 306 per year; for 2 children - EUR 612 per year; for 3 children - EUR 918 per year

**Alimony deduction:**

N/A

**if in employment / pension income p.a.:**

N/A

**Allowances and exemptions**

**Profit allowance:**

N/A

**Investment allowance:**

N/A

**Government subsidies**

N/A

**OTHER TAXES**

---

**Business tax**

no

**Wealth tax**

no

**Inheritance and gift tax**

Inheritance tax 0,4% to 6,6%. Donation tax up to 6%

**Property transfer tax**

For real property, 0.1 % to 3.0 %

**Capital duties and fees**

**Contract duties**

no

**TPA Steuerberatung GmbH**

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

#### **Registration fees**

Entries in the Real Estate Register: 0.1%.

#### **Capital duty**

no

## **FILING DATES AND DEADLINES**

---

### **Annual tax returns**

Corporate Tax returns - between 1 March and 30 June of the following year. Income tax return - by 30 April of the following year. VAT return - by the 14th. of the following month.

### **VAT interim return**

N/A

### **European Sales Listing**

Within the term for filing of VAT return

## **INCOME TAXES**

---

### **Tax Rate**

10 % flat rate; sole proprietors: 15 % flat rate; 8 % for interest incomes of individuals

### **Special tax rates**

See Income Tax Act

### **Tax liability**

#### **Unlimited**

On worldwide income (except where restricted by DTA)

Resident natural persons:

- permanent address in Bulgaria; or
- 183 days in a 12-month period test of physical presence; or
- centre of vital interests (prevails over the permanent address criterion)

#### **Limited**

On certain income in Bulgaria

Any person who is not a resident person (see above)

### **TPA Steuerberatung GmbH**

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

## Tax assessment period

Calendar year

## Income categories

Income from

1. Employment relationships
2. Economic activity in a sole-trader capacity
3. Other economic activity
4. Rent or other income for the use of rights or property
5. Transfer of rights or property
6. Other income

## Accounting

Double-entry bookkeeping in accordance with Bulgarian accounting regulations

Mandatory retention period for books and records

## Loss set-offs

Permitted in principle

## Loss carryback

not possible

## Loss carryforward

Losses incurred by an individual entrepreneur in the course of business activities can be carried forward for a maximum of 5 years

## Operating expenses

Business expenses

## Tax allowable expenses

Expenses necessary for acquiring, securing or maintaining the revenue of the business

## Lump sum option

Possible for incomes from self-employment, agriculture, forestry and specific professions.

## Motor vehicles

Depreciation over 4 years, up to 25% p.a., straight-line basis. Several limitations are applicable on tax deductibility of motor vehicle expenses. Applicable only for individual entrepreneurs.

## TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: [wien@tpa-group.at](mailto:wien@tpa-group.at) [www.tpa-group.at](http://www.tpa-group.at), [www.tpa-group.com](http://www.tpa-group.com),

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

## Social insurance

Deductible

## Withholding tax

Generally, 10 %:

lower rate may be provided by applicable DTA

### Interest

10 % or applicable DTA (8% for local tax residents)

### Royalties

10 % or applicable DTA

### Dividends

5 % or applicable DTA

## CORPORATE INCOME TAXES

---

### Object of taxation

Income

### Tax rate

10 %

Corporate income tax rate for corporations as well as for partnerships with limited or unlimited liability to tax, no minimum corporate income tax

### Tax liability

#### Unlimited

Corporations resident or managed in Bulgaria, on worldwide income.

#### Limited

Foreign legal entities neither resident nor managed in Bulgaria, on certain income in Bulgaria

### Financial year

Calendar year

### Accounting

Generally, double-entry bookkeeping in accordance with the Bulgarian Accounting Act

### TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: [wien@tpa-group.at](mailto:wien@tpa-group.at) [www.tpa-group.at](http://www.tpa-group.at), [www.tpa-group.com](http://www.tpa-group.com),

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

## Loss carryback

not possible

## Loss carryforward

Possible, subject to set off / carry forward; limits: carryforwards for 5 years, with the balance in following years.

## Shell company purchase

Possible, as acquisition of shares

## Operating expenses

Costs or expenses incurred in connection with the generation of income, and with procuring and maintaining sources of income.

### Transfer prices

Reference to OECD transfer pricing principles Thresholds for obligatory local TP documentation: assets: over BGN 38 million; net sales: over BGN 76 million; average number of personnel: 250 Two of three criteria shall be exceeded for the previous fiscal year.

### Interest on financing of acquisition

Deductible

### Debt / equity

3:1

### Tax depreciation

As a general rule, straight line. 100 % depreciation of acquisition costs up to BGN 700 (approx. EUR 358) net of VAT

### Provisions

Accounting provisions are not tax deductible in the year of accrual (limited number of very restrictive exceptions). Reversal of provisions is allowed under conditions specified in the tax law.

### Motor vehicle expenses

Depreciation over 4 years, up to 25% p.a., straight-line basis. Several limitations are applicable on tax deductibility of motor vehicle expenses.

## Non-deductible expenses

See Corporate Income Tax Act for exhaustive list provisions made for financial accounting purposes Tax penalties and fines

Expenses of unlawful activities

Expenses non-related to company's activity; non-documented expenses; Fines and penalties for breach of legislative acts; bribe. See Corporate Income Tax Act for exhaustive provisions.

## Interest barrier

Interest surplus which exceeds 30% of the EBITDA and EUR 3 million (interest barrier).

## TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

## Interest and royalties to intra-group companies

10 %, or per applicable DTA and EU Interest and Royalty Directive (as of 1 January 2015 – 0% (subject to preconditions) withholding tax in the areas covered by the EU Interest and Royalty Directive)

## Withholding tax

Generally, 10 %

A DTA can provide for a lower rate of taxation, relief is granted by refund or reduction at source (Double Taxation Relief Regulation: detailed evidence of entitlement required).

Bulgarian taxpayer's liability.

### Interest

At 10%, or per applicable DTA and applying EU Interest and Royalty Directive for group purposes

### Royalties

At 10%, or per applicable DTA and applying EU Interest and Royalty Directive for group purposes

### Dividends

At 5% or per applicable DTA and applying the EU Parent-Subsidiary Directive for group purposes

## Controlled foreign corporation (CFC) rules

Taxation of certain income of foreign corporations/permanent establishments at the level of the controlling Bulgarian corporation.

## Hybrid mismatches

Mismatches which, due to differing fiscal recognition methods, lead to a different tax treatment in different countries and may under certain circumstances lead to profit shifting or profit reduction must be neutralized, i.e. as a rule, the related expenses are treated as non-tax-deductible.

## National parent-subsidiary exemption

No minimum holding period / no threshold

- Dividends are tax exempt
- Capital gains are subject to tax
- Capital losses, liquidation losses are generally deductible over 5 years

## International investments

No threshold

- Dividends are tax exempt for companies tax residents in EU or EEA countries
- Capital gains are taxable. Tax losses are deductible against tax profits from the same source and within 5 years.

## International parent- subsidiary exemption and portfolio investments

A tax credit of foreign corporate income tax in certain cases is possible.

- Dividends basically tax-free

### TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

- Capital gains subject to tax

### **Goodwill amortisation**

Not possible

### **Group taxation / pooling**

Not possible

#### **Tax group**

N/A

#### **Pooling**

N/A

#### **TPA Steuerberatung GmbH**

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: [wien@tpa-group.at](mailto:wien@tpa-group.at) [www.tpa-group.at](http://www.tpa-group.at), [www.tpa-group.com](http://www.tpa-group.com),

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia