



Bulgaria

International Tax Contact

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Corporate Income Taxes

Resident legal entities, which are legal entities incorporated under Bulgarian legislation, and certain companies and cooperatives based in Bulgaria that are entered in a Bulgarian register and are incorporated under EC legislation, are generally subject to tax on their worldwide income.

Non-resident legal entities are generally subject to tax on their Bulgarian source income, subject to the terms of any relevant tax treaty.

The standard corporate income tax rate is 10%. Certain gambling activities are subject to alternative tax at the rate of 15%, or to fixed tax rates. Qualifying shipping businesses may choose to be taxed under a tonnage tax scheme.

Taxable income must generally include any taxable capital gains. Gains from the disposal of qualifying financial instruments traded on a regulated market are exempt.

Unutilised losses can generally be carried forward for up to five years. Losses cannot generally be carried forward in cases where a business has been transferred.

Group tax consolidation is not available in Bulgaria; consequently losses cannot be offset against the profits of another company in the same group.

The tax year is the calendar year.

The corporate income tax return, and an annual activity report, is generally due for filing by 31 March of the following year.

Taxable entities are generally required to make monthly or quarterly advance payments of corporate income tax based on estimated current year taxable profit. Taxable entities are not generally required to make advance payments in their year of incorporation, or if net sales revenue in the previous year did not exceed BGN300,000. Monthly advance payments are generally required by legal entities whose net sales revenue in the previous year exceeded BGN3m; otherwise advance payments are made on a quarterly basis. Any remaining corporate income tax due is payable by 31 March of the following year. Taxable entities that submit their corporate income tax return and annual activity report electronically by 31 March, and pay their corporate income tax by the same deadline, are generally entitled to a 1% corporate income tax discount, up to a maximum of BGN1,000.

Personal Taxes

Resident individuals are generally subject to tax on their worldwide income. Non-resident individuals are generally subject to tax on their Bulgarian source income, subject to the terms of any relevant tax treaty.

Individuals are generally subject to personal income tax on taxable income at the rate of 10%. A 15% rate generally applies to business income.

Taxable income must generally include any taxable capital gains, subject to exemptions (eg for sales or exchanges of residential property held for at least three years).

Inheritance and gift taxes generally apply at rates ranging from 0.4% to 6.6%, subject to possible allowances and certain exemptions (eg for qualifying relatives).

There is no wealth tax in Bulgaria.

Employment Related Costs and Taxes

Fringe benefits

There is no separate fringe benefits tax. Unless specifically exempt, taxable benefits-in-kind form part of the taxable income of individuals and are subject to personal income tax.

Social security costs

Employers and employees are generally required to make the following social security contributions:

Contribution Category	Employer Rate	Employee Rate
Pension contributions	9.9%	7.9%
Unemployment contribution	0.6%	0.4%
Sickness and maternity	2.1%	1.4%
Health insurance	4.8%	3.2%
Work-related injuries and diseases	Between 0.4% and 1.1%, depending on risk categorisation	N/A

Withholding Taxes on Payments Abroad

The rates of withholding tax on the following payments made abroad by companies are generally:

	%
Dividends	5
Interest	10
Royalties	10

Dividend, interest and royalty payments that satisfy the provisions of the EU Parent-Subsidiary Directive or the EU Interest and Royalties Directive are not subject to withholding tax.

For payments made to recipients in countries with which Bulgaria has a double tax treaty, the rates of withholding tax may be reduced under the terms of the treaty.

Value Added Tax (VAT)

VAT is generally levied on the supply of goods and services in Bulgaria, on the intra-Community (EU) acquisition of goods, and on the importation of goods.

The standard VAT rate is 20%. A reduced rate of 9% applies to accommodation provided by hotels and similar establishments. A 0% rate applies to certain supplies, including exports, intra-Community supplies, and international transport of passengers and goods. Certain supplies are VAT exempt, including health services, social services, educational services, and certain financial and insurance services.

Traders are generally required to register for VAT purposes if taxable turnover (as defined) in the previous 12 months is BGN50,000 or more.

Registered traders can generally recover the VAT with which they themselves are charged on their purchases of goods and services, subject to conditions and possible exceptions.

Other Taxes

Stamp duty

There is no stamp duty in Bulgaria.

Insurance premium tax

An insurance premium tax of 2% is imposed on taxable insurance contracts whose risks have been assumed by insurers, subject to exemptions including life insurance and cargo in transit insurance.

Immovable property tax

An annual immovable property tax is generally levied on immovable property, subject to exemptions. The rates are set by municipalities from a range of 0.01% to 0.45%.

Transfer tax

A transfer tax is generally levied on transfers of immovable property and motor vehicles, subject to exemptions. The rates are set by municipalities from a range of 0.1% to 3%.

Excise taxes

Excise taxes are imposed on certain goods, including alcohol, alcoholic beverages, tobacco products, energy products, and electricity.

Other taxes

Other taxes in Bulgaria include the tourist tax and various local taxes.

Tax Incentives for Businesses

Employment related incentives

Taxable entities operating in the production sector in municipalities where unemployment is higher than the national average may benefit from tax relief on up to 100% of profits from production activities. Qualifying conditions include:

- Production activities must be carried out only in municipalities where the unemployment rate in the previous year was at least 25% higher than the national average
- At least 10 employees must be supported during the tax period, at least 50% which must be directly engaged in production, and
- At least 30% of employees must be domiciled in the municipality.

Tax benefits may generally apply for a further five years in cases where the required unemployment rate in the municipality is no longer met.

Tax incentives are also available in respect of hiring the unemployed (salary and social security cost deductions), hiring the disabled (100% corporate income tax relief), and providing educational scholarships (recognition of accounting costs).

Agricultural incentive

Qualifying agricultural producers may benefit from a 60% corporate income tax relief in respect of profits from the production of unprocessed plant and animal products. Certain conditions must be met, including the requirement that the relief amount must be invested in new buildings or new agricultural equipment necessary for producing unprocessed plant or animal products by the end of the following year.