



Crowe

Doing Business in Bulgaria

Audit / Tax / Advisory

Smart decisions. Lasting value.

Welcome

to Doing Business in Bulgaria

Doing Business in Bulgaria has been prepared by the Crowe Global member firm in Bulgaria in order to provide general information for persons planning to do business with or in the country concerned and/or individuals intending to live and work in Bulgaria temporarily or permanently.

This Guide includes relevant information about business operations and taxation matters. It is intended to assist organizations that are considering establishing a business in Bulgaria either as a separate entity or as a subsidiary of an existing foreign company. It will also be helpful to anyone planning to come to Bulgaria to work and live here either on secondment or as a permanent life choice.

Unless noted otherwise, the information contained in this Guide is believed to be accurate as of 1 January 2020. However, general publications of this nature cannot be used and are not intended to be used as a substitute for professional guidance specific to the reader's particular circumstances.

All lasting business is built on friendship.

Alfred A. Montapert



About Crowe Global

Crowe Global is ranked among the top 10 global accounting networks with more than 180 independent accounting and advisory services firms in about 140 countries around the world. Crowe Global's member firms are committed to impeccable quality service, highly integrated service delivery processes and a common set of core values that guide decisions daily.

Each firm is well-established as a leader in its national business community and is staffed by nationals, thereby providing the knowledge of local laws and customs which is important to clients undertaking new ventures or expanding into other countries. Crowe Global member firms are known for their personal service to privately and publicly held businesses in all sectors and have built an international reputation in the areas of audit, tax and advisory services.

General information

Local currency,
Exchange rate to EUR BGN1.95583 = EUR1
as of 01/06/2020

Types of organization

LLC

Name in local language	Дружество с ограничена отговорност (ООД) - Limited Liability Company
Registrable in commercial register / legal entity	Yes
Minimum capital	BGN 2
Minimal number of shareholders/ Maximum number of shareholders	1 or 2
Capital tax / Registration fees	BGN 55-110
Written form/ notarization	Yes
Registration with tax authorities	No
Statutory audit	If medium or large companies, or if exceeding at least two of the following criteria: <ul style="list-style-type: none">• net revenue: BGN 4m (EUR 2m);• total assets: BGN 2m (EUR 1m);• number of employees: 50

Public company (joint-stock company)

Name in local language	Акционерно дружество (АД) - Joint Stock Company
Registrable in commercial register / legal entity	Yes
Minimum capital	BGN 50,000
Minimal number of shareholders/ Maximum number of shareholders	1 or 2
Capital tax / Registration fees	BGN 200-400
Written form/ notarization	Yes
Registration with tax authorities	No
Statutory audit	If listed on the stock exchange or if medium or large companies or if exceeding at least two of the following criteria: net revenue: BGN 4m (EUR 2m); total assets: BGN 2m (EUR 1m); number of employees: 50

Branch (permanent establishment)

Name in local language	Клон
Registrable in commercial register / legal entity	Yes
Minimum capital	n/a
Minimal number of shareholders/ Maximum number of shareholders	1
Capital tax / Registration fees	BGN 170-340
Written form/ notarization	Yes
Registration with tax authorities	Yes

Statutory audit	If medium or large companies, or if exceeding at least two of the following criteria: net revenue: BGN 4m (EUR 2m); total assets: BGN 2m (EUR 1m); number of employees: 50
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Single person Limited Liability Company

Name in local language	Еднолично дружество с ограничена отговорност (ЕООД) - Single-person Limited Liability Company
Registrable in commercial register / legal entity	Yes
Minimum capital	BGN 2
Minimal number of shareholders/ Maximum number of shareholders	1
Capital tax / Registration fees	BGN 55-110
Written form/ notarization	Yes
Registration with tax authorities	No
Statutory audit	If medium or large companies, or if exceeding at least two of the following criteria: net revenue: BGN 4m (EUR 2m); total assets: BGN 2m (EUR 1m); number of employees: 50

Non-profit legal persons

Name in local language	Юридически лица с нестопанска цел - Non-profit legal persons
Registrable in commercial register / legal entity	Yes
Minimum capital	n/a
Minimal number of shareholders/ Maximum number of shareholders	n/a

Capital tax / Registration fees	BGN 25-50
Written form/ notarization	Yes
Registration with tax authorities	No
Statutory audit	<p>If designated as operating for the public benefit and listed in the Central Register with the Ministry of Justice exceeding one of the following criteria for the current year:</p> <p>total assets as at 31 December: BGN 1m (EUR 0.5m);</p> <p>income from for-profit and not-for-profit operations for the current year: BGN 2m (EUR 1m)</p> <p>total amount of financing received during the current year and non-absorbed financing received in previous reporting periods as at 31 December: BGN 1m (EUR 0.5m)</p>
<p>All Public interest entities (PIE) (such as financial and credit institutions, pension funds and insurance companies) are subject to statutory audit.</p>	

Value added tax (VAT)

Tax rates	<p>Standard VAT rate 20%. The standard rate of VAT applies to all supplies of goods or services unless a specific measure provides for a reduced rate, the zero rate or an exemption. Reduced rate: 0%/9%. Hotel accommodation services are 9% rated. Examples of supplies of goods and services taxable at 0%</p> <ul style="list-style-type: none"> • Exportation of goods • International transport and related services • Intra-Community supplies • Services related to the international traffic of goods • Inward processing of goods (under certain conditions) • Supplies related to duty-free trade • Intermediary services of agents, brokers or other intermediaries related to zero-rated supplies
Supply of goods	<p>The taxable event for goods is the transfer of ownership of the goods, the transfer of another right in rem of the goods or the transfer of any other right to dispose of the goods. If the transfer of ownership in goods is deferred until the fulfillment of certain conditions, the date of supply is the date the goods are handed over.</p> <p>VAT for imported goods is chargeable when the goods are cleared for customs purposes.</p>
Supply of services	<p>The taxable event for services is the date of completion of the service. VAT also becomes due on the date of the receipt of an advance payment for supplies of goods or services to the extent of the payment received.</p>

Special provisions (exemptions to the general rule)	<p>Leased assets. The time of supply for leased assets may vary in view of the type of lease and the specific contractual arrangements:</p> <ul style="list-style-type: none"> • Operational leases (rentals) are taxed for Bulgarian VAT purposes as supplies of services. VAT becomes chargeable proportionately on each installment and the time of supply follows the rules for periodic and continuous supplies. • Finance leases are taxed either as a supply of services (rentals) or as a supply of goods depending on the contractual arrangements. VAT becomes chargeable proportionately on each installment if the lease is considered a supply of rental service. A finance lease qualifies as a supply of goods and the time of supply is upon handing over of the leased asset if one of the following is true under the contract: <ul style="list-style-type: none"> ○ Legal title over the leased asset will transfer upon expiry of the lease term. ○ An option for transferring the title on the leased asset is envisaged, but the total amount of the lease instalments, less the interest payments, equals the fair value of the leased asset. <p>VAT on the total price of the goods received under financial leasing with option to transfer their legal title, would be chargeable upon handing over of the goods if the total amount of the lease installments is identical to the fair value of the leased goods upon inception of the lease.</p>
Reverse charge on local supplies	Local reverse charge can be applied in limited cases, for example, for investment gold, for sale of waste materials and agricultural products.
Import of services	A taxable person receiving crossborder services subject to the reverse charge in Bulgaria must register for VAT purposes in Bulgaria regardless of its taxable turnover.
Deadline and conditions for VAT refund	The reporting month for VAT purposes is the calendar month. VAT returns and ledgers are filed and the VAT shall be paid by the 14th day of the following month. Effective 1 January 2018, VAT returns must be filed in electronic format only.
Major Tax exemptions	<p>The term “exempt supplies” refers to supplies of goods and services that are not liable to VAT and that do not qualify for input tax deduction.</p> <p>Examples of exempt supplies of goods and services</p> <ul style="list-style-type: none"> • Certain real estate transactions • Leasing of residential buildings to individuals • Financial services • Insurance and reinsurance services • Medical care services • Education, cultural and sports services • Betting and gambling • Intermediary services related to international adoption procedures under the Family Code in Bulgaria <p>Option to tax for exempt supplies. For certain supplies, such as the sales of old buildings, the taxable person may opt for taxable or</p>

	<p>exempt treatment. Suppliers may opt to tax the following exempt supplies:</p> <ul style="list-style-type: none"> • Certain real estate transactions • The interest element on finance lease (hire-purchase) installments
Real Estate	<p>An exempt supply is the transfer of ownership of land (excluding regulated plots), the establishment or transfer of real rights over land, as well as its rental or lease.</p> <p>An exempt supply is also the transfer of ownership of buildings or of parts of them, which are not new (acquired and used for more than 60 months), the delivery of the adjacent terrains, as well as the establishment and transfer of other real rights over them.</p> <p>However, suppliers may opt to tax these supplies and not to make any correction of the used tax credit.</p> <p>The transfer of ownership of a regulated plots of land is a taxable supply.</p>
Foreign taxable persons (VAT registration)	<p>There is no VAT registration threshold for taxable persons who are non-established in Bulgaria and perform any taxable supplies. Non-established taxable persons are obliged to apply for VAT registration seven days before VAT becomes chargeable regardless of the generated turnover.</p>

Corporate tax

Accounting rules	IFRS or Bulgarian Accounting Standards
Tax rate	10%
Tax base	<p>Bulgarian companies are subject to corporate tax on their worldwide income. Bulgarian companies are companies incorporated in Bulgaria.</p> <p>Foreign companies are taxed in Bulgaria on their profits generated from activities conducted through a permanent establishment in the country and on income from Bulgarian sources.</p> <p>The tax base is the accounting profit/ loss determined in accordance with the applicable accounting standards, adjusted for tax purposes.</p>
Tax assessment period	Calendar year
Loss set-offs/ carry forwards	5 years, no tax losses carry back

Tax/ accounting depreciation

The tax depreciation is straight-line depreciation. It is determined by CITA, could be different from the accounting depreciation. The law provides the following maximum tax depreciation rates for categories of assets.

Category Assets Rate (%)

1 Buildings, facilities, communication devices, electricity carriers and

communication lines - 4%

2 Machines, manufacturing equipment and other equipment 30%

(a)

3 Transportation vehicles, excluding automobiles, road coverings and aircraft runways 10%

4 Computers, software and the right to use software, and mobile phones 50%

5 Automobiles 25%

6 Intangibles and other tangible assets that are legally protected for a limited time period – (b)

7 Other tangible assets 15%

(a) The rate may increase to as high as 50% for new machines for investment purposes.

(b) The depreciation rate is determined by dividing 100 by the number of years

of the legal restriction. The maximum rate is $33\frac{1}{3}\%$.

Goodwill arising from business combinations is not treated as a depreciable asset for tax purposes.

Tax deductibility of interest, Excessive interest rate rule, Thin capitalization rule

The interest-limitation rule is applied to corporate taxpayers that incur net interest and other borrowing costs exceeding BGN3 million for the calendar year. The tax deduction of such costs is limited to 30% of the respective entity's taxadjusted earnings before interest, tax, depreciation and amortization (EBITDA). The borrowing costs include the following:

- Interest on all types of debt arrangements, regardless of the creditor status
 - Interest-like items, such as depreciation of real estate that includes capitalized borrowing cost and currency losses
- All taxpayers (including those below the threshold of BGN3 million) should also adhere to the **thin-capitalization regime**. This regime is triggered when a **company's total debt exceeds three times its equity** (both figures should be calculated as an average of the opening and closing balances for the year).

Thin-capitalization provisions regulate the deductibility of interest expenses related to certain transactions, such as the following:

- Nonbank loans from related and unrelated parties
- Financial leases entered into with related parties
- Bank loans obtained from related parties or guaranteed by related parties

The tax deductibility for the net amount of the regulated interest expenses subject to the thin-capitalization provisions (after deduction of any interest income) is limited to 75% of earnings before interest and tax (EBIT). If the financial result before taking

	<p>into account the interest expense is a loss, the entire amount of the interest expense is not deductible.</p> <p>Taxpayers that are both thinly capitalized and that have net borrowing costs of more than BGN3 million should apply both tests and limit their deduction to the outcome that is more restrictive.</p> <p>The interest not deducted under both regimes can be carried forward indefinitely.</p>
<p>Reserves for bad debts, leaves, etc.</p>	<p>Bonuses, unused leave are not tax deductible in the year of their accrual but are deductible in the year of their payment.</p> <p>Impairments and write-offs of receivables are not deductible for tax purposes until their materialization or the expiration of the five-year statute of limitation to pursue the claim at court.</p>
<p>Other Major tax adjustments a) increasing and b) decreasing taxable profit</p>	<p>Accounting depreciation and impairment of assets are not deductible. Tax depreciation is deductible.</p> <p>The write-down of assets as a result of impairment is not deductible. The loss is deductible on realization.</p> <p>Not documented expenses and expenses not related to the business activity are not deductible.</p> <p>Shortages and losses of assets are generally not deductible, except from specific cases.</p> <p>Interest expenses, subject to thin-capitalization rules are not deductible but can be carried forward for indefinite period.</p> <p>Provisions are not tax deductible in the year of their accrual but are deductible in the year of their payment.</p> <p>Capital gains derived from the sale of shares, rights and government bonds through the Bulgarian stock market or stock exchanges in EU/EEA countries are exempt from tax. Similarly, losses from the sale of shares, rights and government bonds through such stock exchanges are not deductible for tax purposes.</p>
<p>Transfer pricing, Transfer pricing documentation, Related parties</p>	<p>Arm's length basis</p> <p>Transfer pricing documentation prepared in line with the OECD and the issued in 2010 Tax Authorities Guidelines and Ordinance No H-9 from 14.08.2009 of the Finance Minister for the order and ways for applying of the transfer pricing methods.</p> <p>Mandatory transfer pricing documentation rules apply effective from 1 January 2020. Under the new rules, Bulgarian companies, nonresidents that have a permanent establishment (PE) in Bulgaria, and sole traders generally are required to prepare a local file, but are exempt from the obligation where at least two of the following thresholds are not exceeded for the year prior to the reporting period:</p> <ul style="list-style-type: none"> • BGN 38 million in asset net book value; • BGN 76 million in net sales revenue; and • An average number of 250 personnel for the reporting period. <p>Entities that carry out only domestic controlled transactions also are exempt from the obligation to prepare a local file. The local file must be prepared for any transactions that exceed the following annual thresholds:</p>

- Sales of goods - BGN 400,000;
- Loans - Principal of over BGN 1 million or interest and other revenue and expenses related to the loan of over BGN 50,000; and
- All other transactions – BGN 200,000.
The local file must be prepared by 31 March of the year following the reporting year, and the master file must be available by 31 March of the second year following the reporting year.

According to the definition provided in the Bulgarian Tax and Insurance Procedures Code, as **related parties** are considered:

- Any two persons, of whom one participates in the management of the other or of a subsidiary thereof;
- Any persons in whose management or supervisory body one and the same natural or legal person is a member, including where the said natural person represents another person;
- A corporation and a person who holds more than 5 per cent of the issued voting participating interests or shares in the corporation;
- Any two persons, of whom one exercises control over the other;
- Any persons whose activity is controlled by a third party or by a subsidiary thereof;
- Any persons who jointly control a third party or a subsidiary thereof;
- Any two persons of whom one is a commercial representative of the other;
- Any two persons of whom one has made a donation to the other;
- Any persons who participate, whether directly or indirectly, in the management, control or capital of another person or persons and, therefore, they can agree on conditions other than the customary conditions.

Withholding tax	10% (a lower rate/elimination may be provided in accordance with the applicable DTT)
Interest	10/0% The zero rate applies to EU associated companies (a minimum holding of 25% of the share capital must be maintained for at least two years). Also a lower rate/elimination may be provided in accordance with an applicable DTT.
Royalties	10/0% The zero rate applies to EU associated companies (a minimum holding of 25% of the share capital must be maintained for at least two years). Also a lower rate/elimination may be provided in accordance with an applicable DTT.
Dividends	0% for local companies and EU-member states parents; 5% withholding tax is imposed on dividends paid by Bulgarian companies to companies resident for tax purposes in non-EU/EEA countries, as well as on hidden profit distributions to residents of EU/EEA countries.

Services	10% (a lower rate/elimination may be provided in accordance with the applicable DTT)
Group taxation	No

Personal income tax

Taxable income	<p>Individuals, who are considered tax residents in Bulgaria, are subject to income tax on their worldwide income.</p> <p>Individuals, who are non-residents for tax purposes, are subject to income tax on their Bulgarian-sourced income only.</p> <p>The personal income tax rate is flat 10%</p>
Income from employment/ self-employment	<p>Employment income - Employed individuals are subject to income tax on remuneration (money or benefits in kind) paid directly or provided by or on behalf of a Bulgarian employer. Income derived from employment activities performed in Bulgaria is considered to be from a Bulgarian source.</p> <p>Self-employment and income from other economic activities - Self-employment and income from other economic activities is income derived from professional services and business activities, such as the following:</p> <ul style="list-style-type: none"> • Income from activity as a sole entrepreneur • Copyright royalties • Agricultural income • Forestry income • Earnings from self-employment and nonemployment activities
Income from property and property rights	<p>Real estate - Bulgarian and EU/EEA tax residents are not subject to tax on a gain derived from the disposal of one principal private residence in a tax year if at least three years have passed between its purchase and subsequent sale. Such residents are also exempt from tax on gains derived from up to two other real estate properties if the properties have been owned for at least five years.</p>
Income from capital	<p>Capital gains - Income derived from the sale of shares and other financial assets is taxable. Gains on disposals of securities traded through the Bulgarian or an EU/EEA regulated stock exchange are exempt from tax.</p>
Other income	10%
Withholding tax	10%
Interest	8/10% (a lower rate/elimination may be provided in accordance with the applicable DTT)
Royalties	10% (a lower rate/elimination may be provided in accordance with the applicable DTT)

Dividends	5% withholding tax is imposed on dividends paid by Bulgarian companies to individuals
Capital gain	10% (a lower rate/elimination may be provided in accordance with the applicable DTT). Capital gains derived from the sale of shares, rights and government bonds through the Bulgarian stock market or stock exchanges in EU/EEA countries are exempt from personal income tax.

Mandatory social contributions

Contribution rates	The total social security insurance contribution ranges from 32.7% to 33.4% (the employer's portion ranges from 18.92% to 19.62% and the employee's portion is 13.78%).
Minimum and maximum contribution	Different social security regimes apply to individuals, depending on various factors – type of activities performed, age, retirement status, etc. Individuals performing working activities in Bulgaria are subject to Bulgarian mandatory social security contributions unless an exemption is provided. Labor is divided into three categories, depending on the characteristics of the work performed. Professions involving harmful or risky conditions are included in the first or second category. Currently, the monthly social security base is capped at BGN 3,000.
Self-employed individuals	Sole entrepreneurs and freelancers insure themselves by paying contributions on a level of monthly income selected by them. For these individuals, the annual amount of social security and health insurance contributions is recalculated at the end of the year, based on actual annual income received. The minimum monthly income is BGN610.
Employed individuals	Employees working in Bulgaria under an employment contract are covered under all of the social security funds, as well as the Pension Fund. The minimum monthly salary is BGN610.

BEPS implementation

CFC	Bulgaria has implemented the requirements of the ATAD 1 for controlled foreign companies (CFCs). If a Bulgarian taxpayer has a CFC, it must include its proportionate share of the CFC's taxable profits in its Bulgarian taxable income. A foreign company/PE is considered to be a CFC if it lacks substantive economic activity and meets certain requirements relating to Bulgarian shareholding and low or no taxation abroad.
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DAC6	Yes, it is adopted. Effective from 1 July 2020
CRS	Yes, it is adopted. Effective from 2016
Profit shifting rule	<p>Rules on hybrid entities and hybrid instruments in line with the ATAD 2 apply in Bulgaria as from 1 January 2020. The rules apply in situations involving a hybrid mismatch, i.e., where there is a deduction from the taxable income of the payer without a corresponding increase in the taxable income of the recipient; or where, due to the specific tax status of one of the parties to the transaction, the same income is deducted from the results of two entities that are subject to taxation in different countries. The new provisions apply only to hybrid mismatches between related parties, a head office and its PE, or two or more PEs of the same entity, or under a structured arrangement between unrelated parties. A specific definition of related entities that applies only in hybrid mismatch scenarios is introduced.</p> <p>Rules for exit taxation in line with the ATAD 1 apply in Bulgaria as from 1 January 2020. Previously, exit taxation applied only to transfers between a Bulgarian PE and another part of the same enterprise located outside the country. The new provisions extend the scope of exit taxation to include the following:</p> <ul style="list-style-type: none"> • Transfers of assets from a head office in Bulgaria to a PE outside the country; • Transfers of assets in cases in which an entity changes its tax residence (excluding transfers of assets that continue to be effectively connected to a PE in Bulgaria); and • Transfers of a business carried out from a PE in Bulgaria to another country. <p>The amount subject to exit taxation is calculated by subtracting the tax value of the transferred asset from its market value. Exit taxation may arise only where Bulgaria loses its right to tax the result of the subsequent disposal of the transferred asset. The provisions are not intended to tax the transfer of assets between two or more companies belonging to a multinational group. An option to defer the exit tax applies in certain circumstances.</p> <p>Bulgaria has adopted the rules on country-by-country reporting introduced by EU directive on the mandatory automatic exchange of information in the field of taxation.</p>
GAAR/ other anti-abuse rules (PPT, etc)	<p>Bulgarian CITA provides the following anti-abuse rule: Where one or more transactions, including between unrelated parties, are concluded under conditions the execution of which gives rise to a tax evasion, the taxable amount shall be determined without taking into account those transactions, certain of their terms or their legal form, but shall be taken into account the tax base that would be obtained by carrying out a normal transaction of the respective type at market prices and aimed at achieving the same economic result, but which does not lead to tax evasion.</p>

Global employment issues

Work and Residence permit

Visa-free regime – Nationals of some countries, explicitly determined by EU regulations, as well as holders of Schengen visas and residence permits issued by Schengen countries, Liechtenstein and Switzerland, are not required to obtain visas. They may stay in Bulgaria for up to 90 days within each 6-month period, counting from the date of the first entry into Bulgaria. These individuals are required to possess valid international passports to enter the country. If they intend to work or engage in self-employment activities in Bulgaria, they are subject to the same regime as citizens of nonpreferred countries.

Visa regime – Citizens of nonpreferred countries (countries whose nationals are not subject to a visa-free regime) need a valid international passport and a Bulgarian visa to enter the country. Citizens of some non-preferred countries may require a Bulgarian type 'C' visa (business visa) to travel through the country or an air transit visa to stay in the international transit zone of a Bulgarian airport.

A Bulgarian type 'D' visa (longterm visa) allows the individual to commence working activities in the country.

Work permits - Individuals not enjoying preferential treatment who intend to work in the country under a local employment contract or under the terms of a secondment or intra-corporate transfer must obtain a work permit from the Employment Agency. Work permits are issued to foreign nationals who possess proper education, special skills or professional experience, suitable to the position they intend to take. In most cases, the Bulgarian employer must perform a labor market test to establish the lack of Bulgarians and individuals enjoying preferential treatment, who are suitable for the position.

Residence permits may be issued to non-EU nationals who have entered Bulgaria with a long-term type 'D' visa.

- **Prolonged residence permits** – generally issued for a stay of up to one year, most often on the basis of employment, study, marriage or a management agreement. Depending on the grounds for application, the non-EU national must present a specific set of documents to the Immigration Office.
- **Permanent residence permits** – Non-EU nationals, who have legally and continuously resided in Bulgaria for the preceding five years, can acquire a permanent resident status. Holders of a permanent resident status enjoy equal treatment with Bulgarians in respect of access to work and self-employed activities and certain other matters.

Minimum salary

BGN 610

Taxation of immovable property

Tax depreciation	Determined per any year, the minimum tax rates below are determined by CITA
Depreciation categories	<p>The CITA provides the following maximum tax depreciation rates for categories of assets.</p> <p>Category Assets Rate (%)</p> <p>1 Buildings, facilities, communication devices, electricity carriers and communication lines - 4%</p> <p>2 Machines, manufacturing equipment and other equipment 30% - The rate may increase to as high as 50% for new machines for investment purposes.</p> <p>3 Transportation vehicles, excluding automobiles, road coverings and aircraft runways 10%</p> <p>4 Computers, software and the right to use software, and mobile phones 50%</p> <p>5 Automobiles 25%</p> <p>6 Intangibles and other tangible assets that are legally protected for a limited time period – The depreciation rate is determined by dividing 100 by the number of years of the legal restriction. The maximum rate is 33⅓%.</p> <p>7 Other tangible assets 15%</p>
Land	n/a
Building	4%
Tax base	Book value
Special depreciation	n/a
Real estate transfer tax	<p>0.1% to 3%</p> <p>Transfer tax is imposed on the sale or exchange of immovable property and motor vehicles, at rates ranging from 0.1% to 3%, determined by the municipality.</p>
Property tax (rate and base)	<p>0.01% to 0.45%</p> <p>The owner of real estate is subject to a real estate tax ranging from 0.01% to 0.45% of the higher of the gross book value or the tax value of nonresidential property, and from 0.01% to 0.45% of the tax value of residential property. The actual rate is determined annually by the municipality.</p> <p>As from 1 January 2020, the municipality may use a different value in determining the tax base if the taxpayers have violated the accounting legislation.</p> <p>The owner of real estate also is subject to a garbage collection fee determined by each municipality. The garbage fee generally is levied as a percentage of the gross book value of the real estate property. Alternatively, it may be determined based on the number and volume of waste containers used or by direct contract with the garbage collection company.</p>

Real estate funds	n/a
Owner of the fund assets	n/a
Valuation	n/a
Investment	n/a
Risk diversification	n/a

Other significant business-related taxes

Description of other taxes	<p>Inheritance/donation tax: Inheritance tax is levied at a rate of 0.4%-6.6%, depending on the relationship of the beneficiary. The rate is determined by each municipality. A donation tax is levied at 0.4%-6.6% of the value of donated property, depending on the relationship between the donor and the donee. The rate is determined by each municipality. Exemption from inheritance/donation tax applies for spouses and certain direct-line relatives.</p>
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Incentives

Investment incentives	<ul style="list-style-type: none"> • Up to 100% corporate income tax relief for manufacturers in underdeveloped regions. • Accelerated depreciation for new investments • Tax relief for initial investment in tangible production assets and manufacturing plants/facilities. • Qualified investors are allowed to self-assess VAT (to a certain amount) on import instead of effectively paying it. • Bulgaria has the shortest general VAT refund periods – practically three months. • Qualified investors and exporters enjoy a shorter 30-day refund period.
R&D incentives	100%-expense deduction allowed for intangible assets from R&D activity
Young employees, elderly employees	Employers may benefit from salary and social security reimbursement schemes when hiring people from certain social groups.
Educational incentives	n/a

Other special incentives/ tax regimes and opportunities for business models (where relevant)

n/a

Tax liabilities

	For taxpayers	For directors (chief officers)	For shareholders
Binding opinion/ Advanced tax rulings	The tax authorities provide free answers for tax treatment of transactions but they are not binding		
Penalties for late declaration and late payment of tax	Between BGN 500 and BGN 5,000 plus 10% default interest on the tax liability	n/a	There is a penalty of 20% for hidden profit distribution amounts plus 5% tax on dividends
Tax misdemeanor provisions	<p>The penalty for non-compliance with the CFC reporting is between BGN 3,000 and BGN 6,000.</p> <p>A taxpayer that is required to prepare a local file and if fails to do so may be subject to a penalty of up to 0.5% of the total value of the transactions that should have been documented. An entity that is required to provide a master file and fails to do so may be subject to a penalty between BGN 5,000 and BGN 10,000.</p> <p>To producers/distributors of non-declared Commercial Point-of-Sale Sales Management Software” (or “SUPTO”) between BGN 5,000 and BGN 10,000. For tax payers using non-approved SUPTO - between BGN 5,000 and BGN 10,000</p>	Between BGN 500 and BGN 5,000	n/a
Criminal provisions	Criminal penalties for tax fraud	Criminal penalties for tax fraud	Criminal penalties for tax fraud

Penalties for non-registration	<p>The penalty for non-registration for VAT ranges from BGN 500 to BGN 10,000.</p> <p>An additional penalty equal to the amount of VAT that should have been charged may be imposed.</p> <p>A penalty ranging from BGN 500 to BGN 5,000 may be assessed for failure to deregister on time.</p>	n/a	n/a
Piercing the corporate veil	Personal liability of company's owners, directors, employees and related parties for misuse of their powers - property sanction up to BGN 1m (EUR 0.5m)		
Advanced pricing agreements	No	No	No

Deadlines for reporting and payment of taxes and social contributions

Type of tax	Reporting deadline	Payment deadline
CPT	31 March of the following year	3t March of the following year
PIT	30 April of the following year	30 April of the following year
VAT	14th day of the following month	14th day of the following month
Social contributions	25th day of the following month	25th day of the following month
Other - WHT declaration	31st day of month following the quarter of accrual of the income	31st day of month following the quarter of accrual of the income

Double taxation treaties

Bulgaria signed the OECD multilateral instrument (MLI) on 7 June 2017 but has not ratify it.

Country	Dividends	Royalties	Interest
Albania	15/5	10	10
Algeria	10	10	10/0
Armenia	10/5	10/5	10/5
Austria	0/5	5	0/5
Azerbaijan	8	10/5	7/0
Bahrain	5/0	5/0	5/0
Belarus	10	10	10/0
Belgium	10	5	10
Canada	15/10	10	10/0
China	10	10/7	10/0
Croatia	5	0	5
Cyprus	10/5	10	7/0
Czech Republic	10	10	10/0
Denmark	15/5	0	0
Egypt	10	12.5	12.5/0
Estonia	5/0	5	5
Finland	10	5/0	0
France	15/5	5	0
Georgia	10	10	10
Germany	15/5	5	5/0
Greece	10	10	10
Hungary	10	10	10
India	15	20/15	15/0
Indonesia	15	10	10/0

Iran	7.5	5	5/0
Ireland	10/5	10	5/0
Israel	10/12.5-7.5	7.5	10/5
Italy	10	5	0
Japan	15/10	10	10/0
Jordan	10	10	10/0
Kazakhstan	10	10	10/0
Korea (North)	10	10	10
Korea (South)	10/5	5	10/0
Kuwait	5/0	10	5/0
Latvia	10/5	7/5	5/0
Lebanon	5	5	7/0
Lithuania	10/0	10	10/0
Luxembourg	15/5	5	10
Malta	0	10	0
Moldova	15/5	10	10/0
Mongolia	10	10	10/0
Montenegro*	15/5	10	10
Morocco	10/7	10	10
Netherlands	15/5	5/0	0
North Macedonia	15/5	10	10/0
Norway	15/10/5	5	5/0
Pakistan	12.5	12.5	10
Poland	10	5	10/0
Portugal	15/10	10	10/0
Qatar	0	5	3/0
Romania	5	5	5
Russian Federation	15	15	15/0

Saudi Arabia	5	10/5	5
Serbia*	15/5	10	10
Singapore	5	5	5/0
Slovak Republic	10	10	10/0
Slovenia	10/5	10/5	5/0
South Africa	15/5	10/5	5/0
Spain	15/5	0	0
Sweden	10	5	0
Switzerland	10/0	0	5/0
Syria	10	18	10/0
Thailand	10	15/5	15/10/0
Turkey	15/10	10	10/0
Ukraine	15/5	10	10/0
United Arab Emirates	5	5/0	2/0
United Kingdom	15/5	5	5
United States	10/5/0	5	10/5/0
Uzbekistan	10	10	10/0
Vietnam	15	15	10/0
Zimbabwe	20/10	10	10/0
Non-treaty jurisdictions	5	10	10

*The Treaty with Yugoslavia (FYR) applies



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About Crowe in Bulgaria

Crowe Bulgaria provides a comprehensive range of professional services tailored to the clients' needs and their operating environment to help their business to achieve its growth potential.

In Bulgaria we are among the top 10 professional services companies, providing the full scope of related services including: Audit and Assurance, Advisory Services, Accounting Services, Tax Services, Enterprise Risk Services.

Being part of Crowe Global enhances our international reach whilst giving us the opportunity to enrich our knowledge through the internationally recognized experience and know-how in all service lines we offer.

Our Global Reach

In addition to our local and regional services, as members of Crowe Global, we can draw on a worldwide network of independent professionals and their know-how. The Crowe Global network consists of more than 180 independent accounting and advisory services firms in about 140 countries around the world.

As member firm of Crowe Global we offer comprehensive, international expertise in a broad range of business consulting practices, including assurance, M&A, corporate finance, forensic services, human resources services, tax & regulatory.

This unique combination of our local and regional talent coupled with the global reach of our network provides us with the local expertise and global worldwide capabilities our clients expect and deserve.