

ИНВЕСТИЦИОННИ ВЪЗМОЖНОСТИ ЗА ЧУЖДЕСТРАННИ ПРЕДПРИЯТИЯ В БЪЛГАРИЯ. ПРАВНИ АСПЕКТИ.

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ТЪРГОВЦИ ПО СМИСЪЛА НА ТЗ

- Едноличен търговец
- Събирателно дружество
- Командитно дружество
- Дружество с ограничена отговорност
- Акционерно дружество
- Командитно дружество с акции

БИЗНЕС ФОРМИРОВАНИЯ, КОИТО НЯМАТ ТЪРГОВСКО КАЧЕСТВО (unincorporated)

- Клон на чуждестранен търговец;
- Дружество по Закона за задълженията и договорите (ДЗЗД, гражданско дружество);
- Търговско представителство на чуждестранно лице (по Закон за насърчаване на инвестициите)
- Място на стопанска дейност

ЕДНОЛИЧЕН ТЪРГОВЕЦ

- Физическо лице – търговец, не се създава отделен носител на права и задължения
- Условия за регистрация:
 - Дееспособно лице
 - Не е в производство за обявяване в несъстоятелност;
 - Не е осъждано за банкрут
 - Не е било управител, член на управителен или контролен орган на дружество,
 - прекатено поради несъстоятелност през последните две години, предхождащи датата на решението за обявяване в несъстоятелност, ако са останали неудовлетворени кредитори или
 - за което е установено с влязло в сила наказателно постановление неизпълнение на задължения по създаване и съхраняване на определените му нива от запаси по Закона за запасите от нефт и нефтопродукти
 -
- Лично имущество и имущество на предприятието на ЕТ
 - Режим на облагане на имуществото по ЗМДТ;
 - Съпругеска имуществена общност
- Прехвърляне/наследяване на ЕТ
- Данъчно облагане на ЕТ, алтернативи по ЗМДТ, ЗКПО, ЗДДФЛ;

СЪБИРАТЕЛНО ДРУЖЕСТВО

- Две или повече лица (физически лица, компании и други правни форми) могат да учредят такова дружество;
- Без капиталова вноска – няма изискване за капиталова адекватност.
- Регистрира се компания (търговско дружество), която е титуляр на права и задължения отделно от собствениците/партньорите;
- Солидарна и неограничена отговорност на съдружниците.
- Лични възражения, суброгация;
- Несъстоятелност на СД = несъстоятелност на съдружниците в СД;
- Учредителите сключват договор, който определя:
 - вноските на съдружниците и тяхната оценка;
 - участието на съдружниците в печалбите или загубите
 - лицата, които ще представляват дружеството и начина на представляването им;
 - други въпроси, приоритет на договора за дружество;
- прекратяване на участието с предизвестие

- Силно изразен персонален момент
 - Съдружниците не могат да извършват конкурентна дейност извън дружеството;
 - По отношение на определени категории корпоративни решения е предвидено единодушие (закутуване на недвижим имот, вземане на заем);

- Управление и представителство;
 - всеки съдружник поотделно
 - друг начин, определен от договора, включително управител, който не е съдружник;

КОМАНДИТНО ДРУЖЕСТВО;

- Състав
 - един (или повече) съдружник с неограничена отговорност и
 - един (или повече) **съдружник с ограничена отговорност**
- Възниква отделен субект на права (както СД)
- Няма капиталова вноска (както СД)
- Отговорност на съдружниците за задължения на дружеството
 - Солидарна и неограничена отговорност за неограничено отговорните съдружници; (както СД)
 - **Ограничено отговорните съдружници отговарят до размера на уговорената в договора имуществена вноска (различно от СД)**
- Отношенията между съдружниците се уреждат с договор;
- Дружеството се управлява от и според решенията на неограничено отговорните съдружници. **Съдружниците с ограничена отговорност не могат да спират решенията на неограничено отговорните съдружници.**

- По-слабо изразен персонален момент:
 - неограничено отговорните съдружници нямат право на конкурентна дейност.
Ограничено отговорните съдружници **могат да имат конкурентен бизнес.**
 - **единодушието при вземане на решения обхваща само част от съдружниците.**

СД и КД – предимства

- приоритет на договора за дружество (гъвкавост)
- междуфирмени предприятия;
- управление и представителство извършвано пряко от юридическо лице

Дружество с ограничена отговорност

- ограничена отговорност
- възможност за създаване на еднолично дружество
- капитал и дялове
- капиталова адекватност
- управител/управители
 - ограничения
 - назначаване
- изключения в ограничената отговорност
- Общото събрание като основен орган;
- Капиталова същност
- Допълнителни парични вноски

Акционерно дружество

- Ограничена отговорност
- Капитал, капиталова адекватност
- Силно изразен капиталов момент
 - Участието е до размера на вноската за записаните акции, не може да бъде прието решение за допълнителни парични вноски;
 - Различни видове акции, анонимност на участието;
 - Възможност за създаване на класове акционери;
 - По лесни механизми за прехвърляне участието в дружеството;
 - Възможности за придобиване на собствени акции;
 - Възможности за обезпечаване на вземания на дружеството със собствени акции;
- Управление
 - Едностепенна двустепенна структура;
 - Общо събрание на акционерите;
- Задължителен одит
- Възможности за привличане на капитал
 - Издаване на нови акции
 - Издаване на облигации
 - Публично предлагане

КОМАНДИТНО ДРУЖЕСТВО С АКЦИИ

- Хибридна форма
- Учредява се от ограничено отговорните съдружници, които избират акционерите и подготвят (свикват) учредително събрание;
- Дружеството има общо събрание, в което право на глас имат само акционерите;
- Дружеството има съвет на директорите, в който участват неограничено отговорните съдружници;
- Ако неограниченоотговорен съдружник притежава акции, той не може да гласува в общото събрание;

КЛОН НА ЧУЖДЕСТРАННО ЛИЦЕ

Чужди лица (физически/юридически лица) могат да регистрират клон, ако имат право да извършват търговска дейност по силата на националното им законодателство

Клонът се регистрира в Търговския регистър.

Клонът няма регистриран капитал, няма изискване за капиталови вноски;

Регистрираният клон е част от чуждестранната компания, не формира отделен носител на имуществени права задължения;

Независимо от горното:

- Дейността на клона трябва да води отделно счетоводство
- Законът позволява на кредиторите да водят дела в България за спорове, които произтичат от дейността на клона

ТЪРГОВСКО ПРЕДСТАВИТЕЛСТВО РЕГИСТРИРАНО В БТПП

Чужди лица (физически/юридически лица) могат да регистрират такова представителство, ако имат право да извършват търговска дейност по силата на националното им законодателство;

Не се създава юридическо лице;

Представителствата не могат пряко да осъществяват търговска дейност. Дейността се фокусира в маркетинг, популяризиране на бранда, предоставяне на информация, контакти и др.

ГРАЖДАНСКО ДРУЖЕСТВО

Използва се от български и чуждестранни лица;

Не се формира отделен субект на права и задължения, участниците в гражданското дружество са титуляри на правата и задълженията;

За данъчни цели ДЗЗД функционира като юридическо лице, създава се специална правосубектност за данъчни цели.

За дейността следва да се води отделно счетоводство.

Решенията се вземат със съгласието на всички, освен ако друго не е предвидено в договора;

Участието в дружеството не може да бъде прехвърлено освен със съгласието на всички.

Permanent establishment (PE)

Definition in OECD-Model Tax Convention on Income and on Capital, Article 5

All Double Tax Treaties are created following this Model Convention. There are some discrepancies in the separate Treaties. Always a case-by-case examination has to be performed.

Definition of PE:

1) a **fixed place of business** through which the business of an enterprise is wholly or partly carried on;

- any premises, facilities or installations used for carrying on the business of the enterprise;
- own facilities or rented;
- it is important that the place is at the disposal of the person or the enterprise;
- it has to be a link between the place of business and a specific geographical point;
- it has to have certain degree of permanency – no fixed period limit, practice shows that there were many cases where a permanent establishment has been considered to exist where the place of business was maintained for a **period longer than six months**; temporary interruptions of activities do not cause a permanent establishment to cease to exist.

2) List of examples:

- a) a place of management;
- b) a branch;
- c) an office;
- d) a factory;
- e) a workshop, and
- f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

3) A building site or **construction or installation** project constitutes a permanent establishment only if it lasts more than twelve months (period of construction can vary in the separate Treaties between 6 and 18 months).

4) List of **exceptions** to the general definition - activities having a preparatory or auxiliary character; these activities must not be the essential and significant part of whole activity of the enterprise.

5) acting in a country through a **dependent agents** i.e. persons, whether or not employees of the enterprise, who are not independent agents (even if the enterprise does not have a fixed place of business).

- The dependent agents can be individuals or companies;
- They follow the instructions of the enterprise situated in another state;
- Dependent agents are controlled by the principle;
- persons having the authority to conclude contracts; not only formally, but in fact – for example to receive orders and to send them to a warehouse in another state;
- “habitually” exercise an authority to conclude contracts; frequency of contracting must be evaluated according to the nature of the contracts and the business of the principal.

6) doing business through an **independent agent can not constitute a PE**. The independent agent

a) is independent of the enterprise both legally and economically, and

b) he acts in the ordinary course of his business when acting on behalf of the enterprise.

7) The existence of a **subsidiary company does not constitute a permanent establishment of its parent company**.

Electronic commerce and PE

- ✓ A **server** on which a web site is stored and through which it is accessible is a piece of equipment having a physical location and such location may thus constitute a “fixed place of business” of the enterprise that operates that server. The server has to be

located at a certain place for a sufficient period of time. It is common for ISPs (Internet Service to provide the service of hosting the web sites of other enterprises on their own servers

- ✓ An enterprise that carries on business through a **web site** does not acquire a place of business. If the server on which the web site is stored and used is at disposal of that enterprise, it shall constitute a PE.
- ✓ The question of whether the business of an enterprise is wholly or partly carried on through computer equipment needs to be examined on a case-by-case basis, having regard to whether it can be said that, because of such equipment, the enterprise has facilities at its disposal where business functions of the enterprise are performed. It is possible that a PE exist even if the equipment is operated automatically, without personnel.
- ✓ **Preparatory and auxiliary activities through a web site are not a PE (if they are not an essential and significant part of the business activity of the respective enterprise).** Examples of activities which would generally be regarded as preparatory or auxiliary include:
 - providing a communications link — much like a telephone line — between suppliers and customers;
 - advertising of goods or services;
 - relaying information through a mirror server for security and efficiency purposes;
 - gathering market data for the enterprise;
 - supplying;

! The distance sale of goods through a web site may require a VAT registration in the country where the goods are sent. The threshold in Bulgaria for such registration is BGN 70 000,00 within a calendar year.

Performance of services and PE

Even if an enterprise does not fulfil the criteria for having a fixed place of business, where an enterprise of a state performs services in other state it may constitute a PE. According to the last recommendations of OECD the states may deem that a permanent establishment exists when the enterprise provides services in another state:

- through an individual who is present in that other state for a period or periods **exceeding in the aggregate 183 days in any twelve month period**, and **more than 50 per cent of the gross revenues** attributable to active business activities of the enterprise during this period or periods are derived from the services performed in that other state through that individual, or

- for a **period or periods exceeding in the aggregate 183 days in any twelve month period**, and these services are performed for the same project or for connected projects through one or more individuals who are present and performing such services in that other State.

The definition of PE is also applicable to **independent professionals (freelancers)** such as architects, engineers, lawyers, **IT consultants**.

Consequences of the existing of a PE:

The profits of the enterprise from the activity of the permanent establishment are taxable in the country where the PE is situated.

For tax purposes, the PE is deemed as a separate taxpayer.

Obligations of the PE in accordance with the legislation of the country where it is situated:

- To maintain its own accounting;
- To prepare separate annual financial statements;
- To file an annual tax return;
- PE can be registered as employer, to employ staff and respectively it have to declare and pay the social and health insurance contributions, as such as the wage tax;

Compliance difficulties – it is required an enterprise to **retroactively comply** with the administrative requirements associated with a permanent establishment listed above.

II. INVESTMENT PROMOTION

Investment Promotion Act

Equal treatment of local and foreign investors in the Republic of Bulgaria.

Scope: Initial foreign and local investments in tangible and non-tangible fixed assets and/or in new employment.

The measures are multi-sector regional investment aid scheme and training aid scheme in accordance with Regulation (EU) № 651/2014.

Purposes:

1. Enhancement the competitiveness of the Bulgarian economy through increase of investments in **scientific research, innovations and technological development in high value added production and services** respecting the principles of sustainable development;
2. to improve the investment climate and to tackle regional disparities in social and economic development;
3. to create new and highly productive jobs.

Competent authorities: Ministry of economic, InvestBulgaria Agency, Regional governors and municipality mayors

<http://www.mi.government.bg>

<http://www.investbg.government.bg>

Conditions for promotion of investments:

- The investment shall be related to **setting-up of a new enterprise**, to the **growing of an existing enterprise/activity**, to diversification of the output of an enterprise/activity into new products or to a fundamental change in the overall production process of an existing enterprise/activity;
- The investment shall be implemented in the following **economic areas**, according to the Statistical Classification of Economic Activities in the European Community (**NACE**), applicable in Bulgaria as Classification of Economic Activities, namely:
 - **INDUSTRY: manufacturing;**
 - **SERVICES:**
 - **High technology activities in the field of information technologies and services; software publishing;**
 - **Accounting and auditing services and tax consultations;**
 - **Scientific research and development and professional activities of head offices;**
 - **Education;**
 - **Human health care and medical social care;**
 - **Warehousing and support activities for transportation, which includes supporting production activity services (operation of warehouses and transport infrastructure - airports, ports etc.)**
 - **Administrative and office support activities, activities of call centres and business support activities;**
- The income from the investment project, which is being executed, must be at least 80 per cent of the total income of the enterprise of the investor for a period of 5 years after completion of the project and for 3 years for small and medium-sized enterprises;
- The period of project implementation, i.e. the period between the commencement and completion of the project, must not exceed **3 years**;

- Investment shall not be below the minimum amounts specified in the Regulation for application of the Investment Promotion Act;
- At least 40% of the eligible costs for the investment must be financed by the investor's own or borrowed resources;
- The jobs created in relation to the investment must be maintained in the relevant region for at least five years in the case of large enterprises and three years in the case of small and medium-sized enterprises;
- The investment must be maintained in the relevant region for at least five years in the case of large enterprises and three years in the case of small and medium-sized enterprises, calculated from the date of completion of the investment project;
- Any long-term tangible and intangible assets acquired shall be new and purchased under market conditions from third parties independent from the investor.

The amount of the **investments may be reduced** in case that the investment is in:

- Enterprises or activities in **economically disadvantaged regions; there is a list of such regions that is updated from time to time;**
- **high-technology activities.**

"High-technology activities" - the activities defined by Eurostat under the Statistical Classification of Economic Activities in the European Community (NACE) and, respectively, the direct application thereof in the Republic of Bulgaria through the Classification of Economic Activities, specified in the Regulations for Application of this Act, such as:

(a) high-tech manufacturing industries:

- Manufacture of **chemical products**, excluding the manufacture of artificial and synthetic fibers;
- Manufacture of **medicinal substances** and products;
- Manufacture of **computer and communication equipment, electronic and optical products and related installation, repair and maintenance**;
- Manufacture and repair of **electrical equipment** and related installation, repair and maintenance;
- Manufacture of **machinery and equipment** for general and special purpose and related installation, maintenance and repair;
- Manufacture of **motor vehicles, trailers and semi-trailers** and other vehicles and associated installation, maintenance and repair, excluding construction and repair of vessels;
- Manufacture, repair and maintenance of **vehicles, non-motor vehicles**, except for the construction and repair of vessels;
- Manufacture of **medical and dental instruments and devices** and related installation, maintenance and repair.

(b) services defined as "knowledge-intensive services" (KIS) and "high-tech KIS":

- High technology activities in the field of information technologies and services; software publishing;
- Accounting and auditing services and tax consultations;
- Scientific research and development and professional activities of head offices;
- Education;
- Human health care and medical social care;

Minimal requirements of investment and new jobs creation for the issuing of a certificate for the different class of investments.

Class of Investment/ Certificate	Industry		High tech industry	
	Investment in BGN	Number of new jobs	Investment in BGN	Number of new jobs
Class A Standard	10 million		4 million	25
Class A New jobs criteria	4 million	150		
Class A Municipalities with higher unemployment rate	4 million	25		
Class B standard	5 million		2 million	10
Class B New jobs criteria	2 million	100		
Class B Municipalities with higher unemployment rate	2 million	10		

Art of Investment/Certificate	Services		High tech services	
	Investment in BGN	Number of new jobs	Investment in BGN	Number of new jobs
Class A standard	3 million		2 million	50
Class A New jobs criteria	1 million	150		
Class A Municipalities with higher unemployment rate				
Class B standard	1,5 million		1 million	25
Class B New jobs criteria	0,5 million	100		
Class B Municipalities with higher unemployment rate				

- If the investment project is in the high tech industry and is realized in a municipality with a higher level of unemployment the investor chooses the most favourable possibility.
- Bulgarian citizens, citizens of EU Member States, EEA states or Switzerland or by persons residing in Bulgaria occupy the newly opened job positions on the legal grounds stipulated in the Employment Promotion Act.
- Municipal councils and mayors of municipalities may encourage significant investment projects realized on the territory of their municipalities where the amount of investment does not exceed the minimum amount for class B investment. The issue a Certificate for Class C Investment.

PRIORITY INVESTMENT PROJECTS

Investment projects which are executed in the same economic activities mentioned above are **particularly important for the economic development of the Republic of Bulgaria or for the functional regions in Bulgaria.**

They must satisfy one or more of the following **requirements**:

1. the amount of the investments exceeds at least **three times the threshold amount for Class A**;
2. the projects create **employment** through investments in disadvantaged regions or in high-technology activities, the minimum number of employed persons being specified in the Regulations for Application of this Act;
3. the projects envisage the establishment of **industrial zones** with the physical infrastructure necessary for attracting investments under terms and according to a procedure established in the Regulations for Application of this Act;
4. the projects envisage establishment of **technology parks** with the physical infrastructure necessary for attracting investments in scientific research and/or education and/or information technologies, including innovative activities for technological renovation of manufacturing products and technologies under terms and according to a procedure established by the Regulations for Application of this Act.

ADVANTAGES OF THE INVESTMENT CERTIFICATES (INCENTIVE MEASURES):

- ✓ **Right to purchase state or municipal real estate property** or to acquire limited property rights over state or municipal real estate property, located near the investment site, without tender procedures, upon evaluation of the real estate property by at least two licensed independent valuers and upon written consent of the Minister of Economy and the Minister of Regional Development and Public;
- ✓ **Financing of construction of technical infrastructure elements**, such as roads, drainage networks and facilities, and others. Investors awarded with certificates for class A investment or at least two or more investors awarded certificates for class investment where the investment is located in an industrial zone are eligible to receive such financing.
- ✓ **Financing of professional training** of persons, hired by class A and B investors in relation to certified investments;
- ✓ **Issuance** by local or governmental authorities of administrative **documents** for the realization of the investment project within periods one-third **shorter** than the periods set out in the relevant legislative acts.
- ✓ **Individual administrative assistance** and service from the Bulgarian Investment Agency, relating to the submission and obtaining of the necessary documents required under Bulgarian legislation for completion of the investment.

III. LABOR LAW

- Regulation with the Labor Code;
- Employment agreements shall be in writing;
- The employer has to register in NRA the conclusion, amendment and the termination of each employment agreement;
- Employment agreements can be for indefinite time or for a definite time;
- Probation period is maximal 6 months;
- Normally the working hours are 8 per day and 40 per a five days working week. There is different exceptions of this rule.
- The employer should compensate overtime. Regularly the compensation is financial. A compensation with additional holiday is provided for the case of the so-called “irregular working time”.
- Standard holiday paid holiday is 20 working days. Additional holidays may be agreed in the individual agreement or in a collective employment agreement.

Remote work – a new form of employment in the Bulgarian Labor Code

Remote work is a form of organised work outsourced from the employers' premises and performed under an employment contract through the use of information technology, which was, or could have been, performed on the employers' premises before it was outsourced.

An individual employment contract shall lay down all specific conditions, rights and obligations of the parties thereto with regard to the remote work and the performance thereof.

Both, the employer and the employee may propose to the other party to switch from working on the employers' premises to working remotely by an additional agreement under the individual employment contract.

Combined working modes are allowed too.

The possibilities for switching from remote work to work on the employers' premises stays remain unaffected.

An employee working remotely shall

- designate a specific area in his/her home or in other premises chosen by him/her outside the enterprise to serve as a workplace;
- be responsible for the proper storage and operation of the equipment provided to him/her. In case of a failure of the equipment or a breakdown of the information and/or communication systems used, he/she shall immediately alert the employer thereto in accordance with a procedure and in a manner agreed upon in advance.

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The employer shall provide the following at its own expense:

- the equipment needed to perform the remote work, as well as the supplies needed for its operation;
- the software needed;
- preventive maintenance and technical support;
- devices intended for communication with the factory or office worker working remotely, including Internet connectivity;

- data protection;
- information on and requirements for operating the equipment and keeping it in good repair, and the legal requirements and rules, including those of the enterprise in the field of data protection for data to be used in the course of the remote work;
- a surveillance system, where it is necessary to install one at the workplace and the factory or office worker's written consent thereto has been obtained; in such cases his/her right to personal space should be respected;
- other technical or documentary means in accordance with the individual employment contract and/or the collective agreement.

Work Permit For Experts From Third Countries

The EU Blue Card permit is issued by the Ministry of Interior. It allows citizens of non-EU member state countries to reside and work in Bulgaria. It is designated for employees that a highly skilled.

"High-skill employment" is the hiring of a person who possesses the necessary competences for occupying a position: a degree of higher education evidenced by a diploma, certificate or other document issued by a competent authority following a course of study with a duration of no less than three years delivered by an educational institution recognised as a school of higher learning by the relevant country.

The specialist from the IT sector are highly skilled and occupy specific types of professions that are included in a List of the professions for which there is a shortage on the Bulgarian labor market. The List is approved by the Bulgarian Minister of Labor and Social Policy and may be amended from time to time.

At this date, the list includes:

- Sales specialists in the field of information and communication technologies;
- System analyzers;
- Software developers;
- Developers of web content and multimedia;

- Application Developers;
- Software developers and software applications and analysts;
- Database designers and administrators;
- System Administrators;
- Computer network specialists;
- Database and Network Specialists;

The gross salary of the foreign IT experts has to be at least 2 times higher than the average salary in Bulgaria as per the official statistical data for the previous 12 months. For this category of EU Blue Card applicants, there is no requirement for performance of market search by the local employer.

IV. SOCIAL SECURITY AND HEALTH INSURANCE SYSTEM

Compulsory contributions:

- Social insurance contributions for the State Social Insurance (SSI);
- Supplementary Compulsory Pension Insurance (SCPI);
- Health insurance contributions;
- Contributions to the Guaranteed Receivables of Workers and Employees (GRWE) Fund – now they are not collected, because the Fund has enough financial resources.

The Law prescribes a minimal amount of income that is used as a base for calculating all kinds of contributions. The minimum thresholds are determined for each occupation in the respective economic fields.

There is also a maximal amount of the income that is levied with social and health insurance contributions. Now the maximal amount is BGN 2600,00 per month. Every income over this amount is contributions free.

At this date the obligation for payment of the contribution is divided between employer and employee in a proportion 60:40.

The Employer has to report the contributions due on a monthly basis and pay them until 25. day of the month following the reference period.

V. CORPORATE TAX

Corporate Income Tax Act

- 10% flat rate of the corporate tax – levied on profits of local companies, branches of foreign companies, civil partnerships, permanent establishments;
- 15% tax rate for sole proprietors;
- 10% tax on some kind of expenses – representative expenses, social expenses over the amounts for which a tax relief is granted;
- Withholding taxes (standard rate 10%) – applies on incomes of non-resident enterprises, deriving incomes with source Bulgaria.

Bulgaria has signed **Double Tax Treaties (DTT)** with many countries (approximately 70). In some cases they provide most favorable taxation regime in comparison with the national legislation.

The local company that is the payer of the remunerations and the foreign company that is the beneficial owner of the income **are jointly liable for the withholding tax.**

To apply the most favorable regime under the DTT the beneficial owner of the income (the foreign company) has to follow a procedure under the TAX-INSURANCE PROCEDURE CODE.

For income over BGN 500 000,00 for one year from one contract or from a chain of contracts: the beneficial owner has to file a Claim for relief under the respective DTT. Documents certifying the following circumstances shall be attached to the sample claim:

- the applicant is a resident of another country in the meaning of the respective DDT;
- the applicant is a holder of the income from a source in the Republic of Bulgaria;

- the applicant does not have a permanent establishment or a base on the territory of the Republic of Bulgaria, to whom the respective income is actually related;

For income under BGN 500 000,00: the same circumstance shall be proven through presenting of related documents to the Bulgarian payer of income. The documents must be hold in the accounting of the Bulgarian company and shown to the tax authorities in case of tax inspections.

Taxation of Dividends

5% tax is imposed on dividends and liquidation quotas distributed by an entity that is a Bulgarian resident for tax purposes to individuals. The same rate applies to foreign individuals, unless an applicable DTT provides for a lower withholding tax rate.

No withholding tax is due in Bulgaria on liquidation quotas and dividends distributed by Bulgarian entities to tax resident companies in the EU/EEA. Exception is the cases of hidden profit distribution.

Taxation of Royalties and interest

Interest or royalty payments, paid from a Bulgarian company to an associated company situated in another EU Member State, are **exempt from any taxes** in accordance with Directive 2003/49/EC on a common system of taxation applicable to interest and royalty payments made between associated companies of different EU Member States.

Tax preference for certified investors

Regional aid in the form of **retained tax is granted for an initial investment project** subject to fulfilment of additional conditions under art. 189 CITA.

VI. PERSONAL INCOME TAX

- Flat rate 10%;
- There is no a tax free minimum amount of income;
- Labor tax is withhold and paid in by the employer after deduction of the social and health insurance contributions;
- Employer have to declare the labor tax due on a monthly basis;

VII. VALUE ADDED TAX

Standard VAT rate 20%.

VAT over tourist services 9%.

Very high level of harmonization with the EU law.

Period of reporting – 1 month; no exceptions for small und medium-sized enterprises, the monthly VAT returns are final.

VAT returns have to be submitted to the tax authorities until the 14. day of the month following the reference period.

VAT refund standard period – every 3 months according to a deduction procedure. In case that over 30% of all supplies of the tax person are export and/or intra community supply of goods – refund period 30 days.

Invoicing rules: electronic invoices are allowed,

VAT-registered **investors who perform certain eligible investment projects** are entitled to import assets needed for the project without effective payment of import VAT. In addition, such investors are entitled to refund VAT incurred on local purchases within 30

days after filing of the tax return. In order to benefit from the special investment rules, the investor needs to obtain an advance approval from the Minister of Finance. In order to receive the approval, the investment project must meet certain conditions, such as:

- the time limit for implementation of the project does not exceed two years;
- the amount of investment exceeds BGN 5 million for a period not longer than two years;
- more than 20 new jobs are created;
- the person is capable of financing the project, as well as of constructing and maintaining facilities ensuring the implementation of the said project.

VII. LOCAL TAXES AND FEES

Collected by the municipalities.

The Law determines a minimum and a maximum tax rate and the municipality's council adopts an ordinance where the taxes and fees for the respective municipality are determined.

Kinds of local taxes:

- Tax on real estates, land is exempted from taxes;
- Tax on vehicles;
- Tax in case of acquisition of real estates and vehicles; In such cases the acquirer has to declare the acquisition within 2 months since the transfer deal took place.
- Inheritance tax;

Electrical automobiles are exempted from vehicle tax.

„Electrical automobiles" shall be motor cars for up to 8 passengers without the seat of the driver, which use motor with complete electric charge and do not have internal combustion engine.

Fees for collection of garbage.

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