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Tax Card 2023



Bulgaria

TAX CARD 2023 – BULGARIA

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I. Individuals

1.1 Personal Income Tax

Resident individuals are taxed on their worldwide income, while non-residents are taxed on their income derived from sources in Bulgaria.

1.1.1 Residency

In general, individuals are considered tax residents if:

- They have stayed in Bulgaria for more than 183 days in any 12-month period or
- The center of their vital interests is in Bulgaria (determined in view of their personal and economic ties to the country, e.g., factors like permanent address in Bulgaria, family, employment, possession of property, etc.)

1.1.2 Tax Rates

A flat tax rate of 10% on the taxable income is applicable.

1.1.3 Taxable Income

Employment income including salary payments, bonuses, housing allowances etc.
Income from the distribution of dividends
Interest income*
Income from other economic activity (such as, agricultural activities, royalties, activities performed under civil contracts etc.)
Capital gains from the sale of property
Rental income

*8% tax applicable under certain circumstances

1.1.4 Exempt Income

Income from selling residential properties, when such a sale is not by occupation (under certain circumstances)	100%
Income from selling movable properties except works of art and antiques, new vehicles and others	100%
Income from disposal of financial instruments in resident companies - shares, bonds etc.	100%
Income from insurances - pensions, maternity and sickness, unemployment benefits etc.	100%
Capital gains from disposal of shares on regulated Bulgarian/EU/EEA stock market	100%
Interest and rebates on Bulgarian government securities, municipality and corporate bonds and similar bonds from EU / EEA	100%

Interests on non-deposit bank accounts in commercial banks situated in Bulgaria, EU and EEA (interests on deposits are taxable)	100%
Insurance claims (benefits)	100%
Rent, lease or similar for use of agricultural land	100%
Persons with low work efficiency of 50% and more than 50%	Annual tax-free income of EUR 4,050
Income of registered tobacco and agricultural farmers	60%
Sales of manufactured products from agriculture (excluding the above), forestry, hunting and fishing, royalties, remuneration of actors; income from handicraft	40%
Income of freelancers (lawyer, notary, accountant, etc.); civil contract remuneration	25%
Rental income or other kind of income formed from providing of rights of usage of a property; sale or exchange of real property (the taxable income is the difference between the sales price and the acquisition one)	10%

1.1.5 Deductible Expenses

Mandatory social security and health insurance contributions	The whole amount
Gifts and donations to certain qualified beneficiary organisations in Bulgaria and EU/EEA Member States	At the amount of 5%, 15% or 50% of the annual tax base
Interest on mortgage loans to young families under certain conditions	Only for the first EUR 51,130 of the mortgage loan

1.1.6 Non-deductible Expenses

Expenses that are not documented properly
Expenses relating to hidden profit distributions
Withholding taxes received from a third party
Penalties, fines, etc.

1.2 Social Security Contributions

The social security contributions are between 32.7%-33.4% in total (paid by the employer and the employee). There are different amounts of minimum social security taxable incomes according to the company's activity. The cap of the monthly social security base up to 31.03.2022 is BGN 3,000 (approx. EUR 1,533.88) and with effect from 01.04.2022 is BGN 3,400 (approx. EUR 1,738.39) without exception.

Foreigners could be exempt from social security contributions in Bulgaria, or the contributions paid in Bulgaria could be recognised in their home country under applicable social security treaties.

II. Corporation Taxation

2.1 Corporate Income Tax

According to the Corporate Income Tax Law, resident companies are generally subject to corporate tax on their worldwide income, while non-resident companies are taxed only on their income derived from sources in Bulgaria.

2.1.1 Residency

A company is considered to be a Bulgarian tax resident if:

- It is incorporated under the Bulgarian legislation; or
- It is a legal entity established in accordance with EU Regulation 2157/2001 or a cooperative established under EU Regulation 1453/2003, provided that it has a registered seat in Bulgaria and is entered into a Bulgarian register.

2.1.2 Tax Rates

The tax rate is flat and it is 10% on the taxable profit.

2.1.3 Taxable Income

Income type	Taxable amount
Profits accruing to non-resident legal persons, derived from economic activity carried out through a permanent establishment in the country or from disposition of property of any such permanent establishment	100%
Income from financial assets issued by resident legal persons, the Bulgarian State and the municipalities	100%
Income from dividends in shares in a liquidation surplus, accruing from participating interests in resident legal persons	100%
Interest payments, including interest within payments under a financial lease contract	100%
Income from rent or other provision for use of movable or immovable property	100%
Copyright and license royalties	100%
Technical assistance fees	100%
Payments received under franchising agreements and factoring contracts	100%
Compensations for management and/or control of a Bulgarian legal person	100%

2.1.4 Exempt Income

Income on dividends from Bulgarian and EU/EEA companies
Income on unduly paid tax obligations and VAT not refunded
Income from disposal of financial instruments on a regulated market

2.1.5 Deductible Expenses

Expenses	%
Salaries and social insurance contributions made for a newly hired employee which was previously registered as a long-term unemployed	100%
Amounts for scholarships provided to students	100%
Whole or partial deduction for companies employing workers with disabilities	100%
Activity related with the production of plant and animal production	up to 60% *

* Under certain circumstances

2.1.6 Non-deductible Expenses

Expenses	%
Expenses not related to the ordinary course of business	100%
Expenses that are not justified by documentation	100%
Fines, interests and other penalties for violations of regulations	100%
Donations - with the exception of donations to hospitals, schools, orphanages, people with disabilities, cultural institutions and other.	50% *

* Under certain circumstances

2.1.7 Tax Incentives

Production companies investing in municipalities with unemployment higher than 25% from national average rate	Exempt from CIT up to 100% *
Licensed real estate investment trusts and collective investment schemes	Exempt from CIT 100%
Manufacturing companies investing in undeveloped regions	Exempt from CIT 100%*
Newly established companies investing in undeveloped regions (available for 5 years)	Exempt from CIT 10%*

* Under certain circumstances

2.2 Thin Capitalization

The thin capitalization rules are applicable in Bulgaria in case the company's liabilities exceed three times the amount of its equity. The interest expenses may be tax deductible in the current year or in the following five years subject to conditions.

2.3 Withholding Taxes

Withholding taxes due by the Bulgarian entities on incomes distributed to non-resident individuals/entities are:

Incomes	Tax Rate
Withholding tax on dividends and liquidation proceeds distributed to foreign entities (unless reduced by DTT rates)*	5%
Interests (unless reduced by DTT rates)**	10%
Royalties***	10%
Capital gains	10%
Fees for technical services (incl. installation and integration of equipment, marketing studies and consulting services)	10%
Income from rental of movable property	10%
Payment for franchise agreements and factoring	10%
Remuneration for providing of management services to Bulgarian legal entities	10%
Income from financial assets issued by local tax residents, as well as transactions in financial assets	10%
Incomes from immovable property situated in Bulgaria	10%
All other taxable incomes sourced in Bulgaria	10%

*0% WHT for entities in EU / EEA

**Applicable tax rate for related parties from EU/EEA is 5% (under certain circumstances)

***Applicable tax rate for related parties from EU/EEA is 5% (under certain circumstances)

Tax on Expenses

Tax on expenses shall be due on the following expenses certified by way of documents:

1. the expenses of representation relating to the activity;
2. social expenses provided in kind to workers and employees employed under management and supervision contracts (employees);
3. 10 % according to the type of expense.

Withholding tax rates on incomes of foreign legal entities established in countries with preferential tax treatment (offshore):

Incomes	Tax Rate
Fees for services and rights	10%
Penalties and compensations of any kind, with the exception of insurance benefits	10%

2.4 Losses Carried Forward

A loss can be carried forward and offset against any profit for the following five years.

III. Indirect Taxation

3.1 Value Added Tax (VAT)

3.1.1 Tax Rates

Standard VAT Rate	20%
Reduced VAT rate (applicable for hotel accommodation, camping or caravan for tourist groups)	9%

3.1.2 Compulsory Registration

Cases of compulsory registration	Registration threshold
Turnover of the last 12 consecutive months	Over EUR 50 000
Total value of intra-community acquisitions for the current year	Over EUR 10,230
Distance sales	Over EUR 10,000
Provision of services with place of supply in another EU member state	No threshold basis
Services provided by non-resident suppliers (EU or outside)	No threshold basis

3.1.3 Voluntary Registration

Voluntary registration is applicable for any Bulgarian entity. In case of a voluntary registration, such entities will not be able to deregister in the following two years.

3.1.4 Statutory Obligations

Type of obligation	Clarifying comments
Submission of VAT Returns	On a monthly basis, up to 14 th of the following month
Issuing of invoices, including VAT	The VAT registered entities possess the right to claim input VAT
Distance Sales	Over EUR 35,800*
VIES returns	On a monthly basis, up to 14 th of the following month. Obligatory for dispatches of goods and/or provision of services with destination to other Member State.
INTRASTAT returns for dispatches/arrivals	On a monthly basis. Obligatory for dispatches/acquisition of goods to/from other EU member state. The registration threshold for 2021 is EUR 138 048 for the dispatches of goods to EU member state and EUR 219 855 for the acquisitions of goods from EU member state

3.1.5 VAT Refund

The VAT refund can be claimed for a three months' period. The deadline for the tax authorities to refund is 30 days after the submission of the application for VAT refund (along with the monthly VAT tax return).

Special procedures are applicable for VAT refund of VAT paid in Bulgaria by non-resident persons/entities (EU and non-EU).

3.2 Custom Duties

Custom duties are payable on the import of goods and products to Bulgaria. Bulgaria applies the International EU customs legislation directly. Consequently, the Common Customs Tariff of EU is used for calculation of the imported goods.

The customs rates are calculated on the basis of the custom value and could be increased by certain related costs. Reduced and even zero rates are applicable for import of goods from certain countries enjoying a preferential tariff treatment. The standard VAT rate for importing items in Bulgaria is 20%, calculated on the value of the goods, plus the international shipping costs and insurance, as well as any import duty due.

Bulgarian entities could apply for AEO (approved economic operator) certification. These certificates guarantee preferential treatment and simplified procedures.

3.3 Excise Duties

Excise duties are applicable with the following rates on good produced in the country, imported from other EU member state or imported from country outside EU;

Motor Fuels	from EUR 174 up to EUR 424 per 1,000 liters/kilograms or gigajoule depending on the motor fuel
Heating Fuels	from EUR 0.30 up to EUR 25.6 per 1,000 liters/kilograms or gigajoule depending on the heating fuel
Alcohol and alcoholic beverages	Beer – EUR 0.77 per hectoliter Ethyl Alcohol – EUR 562 per hectoliter of pure alcohol
Cigar and cigarillos	EUR 119 per 1,000 items
Tobacco	EUR 78 per kilogram

IV. Local and Other Taxes, Fees

4.1 Environmental Taxes/Fees

Taxes and fees collected locally by municipalities, with different thresholds and amounts applicable for the different municipality includes:

- Garbage collection fee;
- Goods with plastic, paper, metal, glass, wooden, textile, etc. packaging;
- Imports of vehicles and tires;
- Production and import of batteries and accumulators; and
- Production and import of liquid fuels.

4.2 Real estate tax

The real estate tax is local and varies between 0.01%-0.45% on an annual base, depending on the type and the location of the real estate. The tax value is determined by the municipality.

4.3 Transfer tax

The transfer tax is also a local tax, paid to the municipalities. It is applicable on the sale of immovable property and automobiles. It varies between 0.1%-3%.

4.4 Gift & Inheritance

Donation and inheritance taxes are applicable at rates that vary from 0.4% to 6.6% of the value of the property. Certain exemptions apply.

V. Tax Calendar

Activity	Deadline
Submission of VAT and VIES declaration and payment of VAT for the period	Until 14th day of the month following the month it relates to
Submission of INTRASTAT declaration for arrivals/ dispatches of goods (intercommunity delivery of goods)	
Payments of monthly/quarterly advance contribution of corporate tax	Until 15th day of the current month/ of the month following the quarter
Payments for social contributions and income tax	Until 25th of the month following the month it relates to
Submission of declarations for the outstanding social insurance	
Submission of declaration and payment of the tax on incomes from rent; non labour incomes and withholding tax - for the previous 3 months	Until the end of the month following the last 3 months
Closing the previous year and preparing the FS; submitting the annual tax return and paying Corporate Tax. Payments for tax on social expenditures, management expenses and representative expenses	Until the end of June
Submission of personal income tax return and payment. Individuals, who received no other income than employment one and were working only with one employer during the tax year are not obliged to submit tax return	Until the end of April
Publication of the FS for the previous year for the Limited trade companies	Until the end of September
Publication of the FS for the previous year for the Joint-stock companies	Until the end of September

VI. Administrative Penalties

6.1 Individuals

Non-compliance cases	Fine/Penalty
Delayed submission of return/declaration	up to EUR 256
Misreporting of data, leading to a reduction in tax liability	up to EUR 511
Misreporting of data for the received or lent loans	10% of the non-declared amount
Failure to submit or pay tax	up to EUR 511

6.2 Corporations

Non-compliance cases	Fine/Penalty
Misreporting of data or delayed submission, leading to a reduction in tax liability	From EUR 256 up to EUR 5 112
Failure to submit the application to the annual tax return or an indication of incorrect data	From EUR 256 up to EUR 1 534
Not issuing a revenue document	From EUR 511 up to the amount of not accrued VAT
Not issuing receipts	From EUR 256 up to EUR 1 023
Hidden profit distribution	Pecuniary penalty of 20% of the accrued charges, representing a hidden profit distribution

6.3 Value Added Tax

Non-compliance cases	Fine/Penalty
Delayed VAT registration	From EUR 256 up to EUR 2,556 plus not accrued VAT
Delayed accrual of VAT	EUR 256 plus not accrued amount
Delayed VAT submission	From EUR 256 up to EUR 5,115
Not issuing VAT document or failure to book a VAT document	From EUR 256 up to not accrued VAT
Accrual of VAT from not registered entities	From EUR 511 up to accrual VAT amount
Delayed registration or failure to register cash machines with the tax office.	From EUR 1,535 up to EUR 5,115

6.4 Excise Duties

Non-compliance cases	Fine/Penalty
Seizure and detention of goods subject to excise offense	Under certain conditions
Delayed excise registration	From EUR 256 up to EUR 1,534 plus not accrued excise
Storage or sale of tobacco products without permission	From EUR 511 up to EUR 1534
Delayed payment of excise or delayed submission of Excise declaration	From EUR 51 up to EUR 1 023
Not accrual of excise	Double amount of not accrued excise, but not less than EUR 256

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