



## VAT to be charged on the sale of shares giving ownership over immovable property

A change has been proposed in the VAT treatment of the sale of shares in companies if they are related to ownership rights over immovable property. This has been introduced in the draft Bill for Amending and Supplementing the CIT Act.

As per the proposed amendment the transfer of shares or interest equivalent to shares giving the holder de jure or de facto rights of ownership over immovable property or a part thereof will be considered as a supply of goods for VAT purposes.

**The transfer of shares in such cases will be considered as a supply of goods for VAT purposes**

Currently the sale of shares is treated in all cases as a VAT exempt supply of financial services and no VAT is being charged on it. If the proposed amendment is approved by Parliament, the sale will in future be taxable at 20% when the sale of the shares also triggers the transfer of ownership over immovable property. The new rule aims at preventing situations whereby immovable property is transferred without charging VAT through the sale of the shares of the company holding it.

In addition, the draft law explicitly provides that in the above case the transfer of shares will not be considered as a supply of a financial service.

The amendment is in accordance with Directive 2006/112/EC which provides Member States with an option whether to consider the sale of shares in such cases as a supply of goods. Bulgaria has so far not implemented this option into its national legislation.

The new rules would result in a number of practical issues, regarding the calculation of the taxable amount, e.g. in cases where the immovable property is only a part of the company assets or where the company holds properties in different countries.

## Supply taxable with 20% VAT?



## A number of practical issues arise

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