



## Traders in liquid fuels required to provide collateral for VAT to the Bulgarian revenue authorities

An amendment in the Bulgarian VAT Act, in force since 6 August 2016, requires certain traders in liquid fuels (e.g., gasoline, diesel, etc.) to provide collateral for the VAT for these supplies. Collateral has to be provided by traders, which meet any of the following criteria:

- exceed turnover of BGN 25 thousand (EUR 12.8 thousand) for the month from sales of liquid fuels subject to 20% Bulgarian VAT;
- exceed intra-community acquisitions of liquid fuels of BGN 25 thousand (EUR 12.8 thousand) (except when the acquired fuel will be consumed by the trader itself);
- receive liquid fuels released for consumption from a tax warehouse with value more than BGN 25 thousand (EUR 12.8 thousand) (unless collateral has to be provided on another ground).

The amount of the collateral should be at least 20% of the value of the above transactions for the previous month, but not less than BGN 50 thousand (EUR 25.6 thousand). The trader should maintain the collateral for at least one year in the form of cash, treasury bonds or a bank guarantee (unconditional and irrevocable).

The collateral has to be provided 7 days before exceeding the thresholds above. The trader should increase the amount of the collateral if the monthly turnover from the monitored transactions increases. Any traders, which have exceeded the thresholds between 1 and 5 August 2016, will have until 6 September 2016 to provide the collateral.

Failure to provide the collateral in time may be associated with material penalties (up to two times the amount of the collateral in case of a second violation).

The following traders are exempt from providing collateral:

- traders supplying liquid fuels from gas stations (or similar points of sale), which are electronically linked to the Bulgarian revenue authorities (only in respect of sales made from the linked point of sale);
- authorized tax warehouse keepers for excise duty purposes;
- traders, which supply liquid fuels for the provisioning of airplanes and vessels exempt from excise duty or for which the excise duty is refunded.

The amendment of the VAT Act leaves many practical questions unanswered. Its stated main goal is to combat VAT fraud in the trade in liquid fuels. However, it is expected that it will also cause significant difficulties to traders acting in good faith.

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