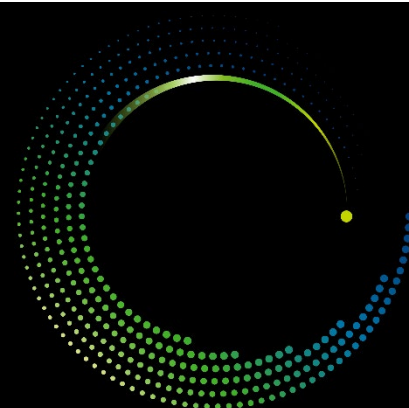


International Tax Bulgaria Highlights 2024

Updated April 2024



Recent developments

For the latest tax developments relating to Bulgaria, see [Deloitte tax@hand](#).

Investment basics

Currency: Bulgarian Lev (BGN)

Foreign exchange control: There are no foreign exchange controls, but some reporting requirements apply.

Accounting principles/financial statements: Bulgarian entities may apply national accounting standards or IFRS.

Principal business entities: These are the joint stock company, limited liability company, sole trader, and branch of a nonresident company.

Corporate taxation

Rates	
Corporate income tax rate	10%
Branch tax rate	10%
Capital gains tax rate	0%/10%

Residence: A company is considered to be resident in Bulgaria if it is: (i) incorporated under Bulgarian law and has its registered office in Bulgaria; or (ii) either a European company (SE) incorporated under Council Regulation (EC) No. 2157/2001 or a cooperative society incorporated under Council Regulation (EC) No. 1435/2003 that has its registered office in Bulgaria and is entered in a Bulgarian register.

Basis: Residents are taxed on their worldwide income; nonresidents are taxed only on Bulgarian-source income. Branches are taxed in the same way as subsidiaries.

Taxable income: Taxable income comprises accounting profits per the profit and loss account, as adjusted for tax purposes.

Rate

General

The corporate income tax rate is 10%.

Surtax

There is no surtax.

Alternative minimum tax

There is no alternative minimum tax.

Global minimum tax (Pillar Two)

Bulgaria has transposed into its domestic legislation the EU “Pillar Two” directive that is designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups and large-scale domestic groups within the EU with annual consolidated revenue of at least EUR 750 million. The IIR (income inclusion rule) applies for fiscal years beginning on or after 1 January 2024 and the UTPR (sometimes referred to as the undertaxed profit(s) rule or the undertaxed payments rule) applies for accounting periods beginning on or after 1 January 2025. Bulgaria also intends to adopt a qualified domestic top-up tax (sometimes referred to as a QDMTT), applicable for fiscal years beginning on or after 1 January 2024.

Taxation of dividends: Dividend income received by one Bulgarian company from another is not subject to taxation in the hands of the recipient, nor is the income subject to withholding tax in the hands of the payer. Dividends received from an EU/European Economic Area (EEA) tax resident company are excluded from taxable income. Nonexempt dividends are taxed as part of overall taxable profits.

Capital gains: Capital gains are included in taxable income and taxed at the corporate income tax rate. Gains on the disposal of shares listed on the Bulgarian and EU/EEA regulated stock exchanges are exempt and losses are nondeductible. Gains on the disposal of shares listed on stock exchanges in jurisdictions outside the EU/EEA that are considered equivalent to regulated stock exchanges and for which the European Commission has adopted a decision on the equivalence also are exempt and losses are nondeductible.

Losses: Tax losses may be carried forward for five years to be offset against future taxable profits. The carryback of losses is not permitted.

Foreign tax relief: A tax credit or an exemption may be available under an applicable tax treaty. If no treaty relief is available, Bulgaria grants a unilateral domestic tax credit.

Participation exemption: There is no participation exemption, but domestic dividends and dividends received from entities resident in the EU/EEA are tax exempt (see “Taxation of dividends,” above).

Holding company regime: There is no holding company regime.

Incentives: Tax incentives are available under domestic law for investments and the creation of new jobs in depressed regions, and EU grants also may be obtained.

Compliance for corporations

Tax year: The tax year is the calendar year.

Consolidated returns: Consolidated returns are not permitted; each company must file a separate return.

Filing and payment: The annual tax return and final payment of tax are due between 1 March and 30 June of the year following the tax year. Companies must make monthly or quarterly advance payments of tax, based on their expected taxable results for the current year. The advance payments must be declared between 1 March and 15 April of the current year and may be changed during the year but not later than 15 November of the current year.

Penalties: Interest is charged on late paid tax, and administrative penalties apply in certain circumstances.

Rulings: Nonbinding instructions on a particular case may be obtained from the tax authorities.

Individual taxation

Rates	
Individual income tax rate	10%
Capital gains tax rate	0%/10%

Residence: Individuals are considered to be Bulgarian tax residents if: (i) they have a permanent address in Bulgaria; (ii) they reside in Bulgaria for more than 183 days in any 12-month period; (iii) they are required to work outside Bulgaria by the state, a state organization, or a Bulgarian enterprise; or (iv) their center of vital interests is in Bulgaria. Individuals who have a permanent address in Bulgaria but whose center of vital interests is not in Bulgaria are not considered Bulgarian tax residents.

Basis: Residents are taxed on their worldwide income; nonresidents are taxed only on Bulgarian-source income.

Taxable income: Taxable income includes income from employment, income from a business or professional activity, capital gains, rental income, and investment income (e.g., dividend income, bank interest).

Rates: The standard tax rate for individuals is 10%. Dividends are taxed at 5%. Interest received on deposits with banks established within the EU/EEA is not subject to tax.

Capital gains: Capital gains arising from the sale of real property generally are taxable, but certain exemptions apply. Capital gains are taxed at the standard individual income tax rate of 10%. Gains from the disposal of shares listed on the Bulgarian and EU/EEA stock exchanges are exempt and losses are nondeductible.

Deductions and allowances: Some deductions and allowances are available in computing taxable income, depending on the type of income.

Foreign tax relief: A tax credit or an exemption may be available under an applicable tax treaty. If no treaty relief is available, Bulgaria grants a unilateral domestic tax credit.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Each individual must file a return; joint filing is not permitted.

Filing and payment: Income from employment is taxed via withholding at source. An individual who receives only employment income during the calendar year generally is not required to file an annual tax return, provided the advance tax paid is equal to the annual tax due and the individual does not have non-Bulgarian source possessions subject to reporting in the Bulgarian tax return. In all other cases, an individual must file an annual tax return by 30 April of the year following the calendar year.

Penalties: Interest is charged on late paid tax, and administrative penalties apply in certain circumstances.

Rulings: Nonbinding instructions on a particular case may be obtained from the tax authorities.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	5%	0%/5%	5%
Interest	0%	10%	10%	10%
Royalties	0%	10%	10%	10%

Dividends: Dividends paid to a nonresident are subject to a 5% withholding tax, unless the rate is reduced under an applicable tax treaty. Dividends paid to a legal entity that is tax resident in an EU/EEA member state (including Bulgaria) are exempt from withholding tax. No withholding tax applies to dividends paid to a resident company; a 5% withholding tax applies to dividends paid to a resident individual. Liquidation proceeds are treated in the same way as dividends for withholding tax purposes.

Interest: Interest paid to a nonresident is subject to a 10% withholding tax, unless the rate is reduced under an applicable tax treaty or the EU interest and royalties directive applies. Bulgaria imposes withholding tax on the gross amount paid, but upon completion of a specific procedure before the Bulgarian tax authorities, EU and Norway tax resident entities may claim a refund of a portion of the withholding tax paid on the gross income for the calendar year. No withholding tax applies to interest paid to a resident company; a 10% withholding tax applies to interest paid to a resident individual.

Royalties: Royalties paid to a nonresident are subject to a 10% withholding tax, unless the rate is reduced under an applicable tax treaty or the EU interest and royalties directive applies. Bulgaria imposes withholding tax on the gross amount paid, but upon completion of a specific procedure before the Bulgarian tax authorities, EU and Norway tax resident entities may claim a refund of a portion of the withholding tax paid on the gross income for the calendar year. No withholding tax applies to royalties paid to a resident company; a 10% withholding tax applies to payments to a resident individual (after applying a 40% statutory deduction for expenses).

Fees for technical services: Fees for technical services (i.e., fees for the assembly of fixed assets, services of a consultancy nature, and marketing research) paid to a nonresident are subject to a 10% withholding tax, unless the rate is reduced under an applicable tax treaty. Bulgaria imposes withholding tax on the gross amount paid, but upon completion of a specific procedure before the Bulgarian tax authorities, EU and Norway tax resident entities may claim a refund of a portion of the withholding tax paid on the gross income for the calendar year. No withholding tax applies to fees for technical services paid to a resident company; a 10% withholding tax applies to payments to a resident individual (after applying a 25% statutory deduction for expenses).

Branch remittance tax: There is no branch remittance tax.

Anti-avoidance rules

Transfer pricing: Mandatory transfer pricing documentation rules apply. Bulgarian companies, nonresidents that have a Bulgarian permanent establishment (PE), 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:

- BGN 38 million net book value of assets;
- BGN 76 million in net sales revenue; and/or
- An average of 250 employees for the reporting period.

Entities that carry out only domestic controlled transactions also are exempt from the obligation to prepare a local file. Regardless of whether an entity is required to prepare the mandatory transfer pricing documentation, the general requirement that the taxpayer be able to prove the market nature of its transactions with related parties during tax checks and audits applies.

The local file must be prepared for transactions that exceed the following annual monetary thresholds:

- Sales of goods: BGN 400,000;
- Loans:
 - Principal—BGN 1 million; or
 - Interest and other revenue and expenses related to the loan—BGN 50,000; and
- All other transactions: BGN 200,000.

The thresholds are calculated separately for each controlled transaction. An exception applies where two or more transactions with one or more related parties are concluded under comparable conditions.

Entities that are required to prepare a local file and that are part of multinational group also must have a master file prepared by the group's ultimate parent entity or another group member.

The local file must be prepared by 30 June of the year following the reporting year, and the master file must be available within the following 12 months, i.e., by 30 June of the second year following the reporting year.

A taxpayer that is required to prepare a local file and 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.

There currently is no procedure for issuing advance pricing agreements in Bulgaria.

Interest deduction limitations: Thin capitalization rules apply in both domestic and cross-border situations where the liabilities of a company exceed three times its equity (i.e., a 3:1 debt-to-equity ratio). In such cases, the amount of net interest expense exceeding 75% of EBIT (earnings before interest and taxes) is nondeductible. The thin capitalization rules do not apply in certain cases (e.g., financial leases or bank loans, unless provided or secured by a related party). However, where a loan is secured simultaneously by the borrower and its related party, the interest expense corresponding to the part of the collateral provided by the borrower is not subject to the thin capitalization rules. Where the market price of the collateral provided by the borrower exceeds the loan principal, the interest expense on the loan is fully excluded from the thin capitalization rules.

Bulgaria has implemented the interest deduction limitation requirements of the EU Anti-Tax Avoidance Directive (ATAD I) that apply alongside Bulgaria's thin capitalization rules. The interest limitation rules apply if net borrowing costs exceed

EUR 3 million for the year. Net borrowing costs are restricted to the extent they exceed 30% of tax-based EBITDA (earnings before interest, taxes, depreciation, and amortization). Unlike the thin capitalization rules, the interest limitation rules also apply to interest expense on bank loans and finance leases that are not guaranteed by a related party.

Neither the thin capitalization rules nor the interest limitation rules apply to credit institutions. Disallowed deductions under both sets of rules may be carried forward indefinitely.

Controlled foreign companies: Bulgaria has implemented the requirements of ATAD I for controlled foreign companies (CFCs). A Bulgarian taxpayer with a CFC must include its proportionate share of the CFC's taxable profits in its Bulgarian taxable income. A foreign company or PE is considered to be a CFC if it lacks substantive economic activity, meets certain requirements relating to the Bulgarian shareholding, and is subject to low or no taxation in the foreign jurisdiction.

Anti-hybrid rules: Rules on hybrid entities and hybrid instruments in line with ATAD II (which extends the provisions of ATAD I) apply in Bulgaria. 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 amount is deducted from the results of two entities that are subject to taxation in different jurisdictions.

The provisions apply only to hybrid mismatches: (i) between related parties, a head office and its PE, or two or more PEs of the same entity; or (ii) under a structured arrangement between unrelated parties. There is a specific definition of related entities that applies only in hybrid mismatch scenarios.

Economic substance requirements: There are no general rules in the tax legislation, but economic substance requirements exist under the rules for taxing CFCs. A foreign company/PE must perform substantive economic activities abroad with employees, equipment, assets, and premises to avoid CFC status.

Disclosure requirements: Taxable persons must disclose the overall amount of the accounting income and expenses for the year from transactions with related parties and/or with parties from jurisdictions with a preferential tax regime, as well as receivables from and payables to related parties. Taxable persons also are required to file an annual report on their activities at the time they file their income tax return.

Bulgaria has adopted the rules on country-by-country (CbC) reporting introduced by Council Directive (EU) 2016/881 on the mandatory automatic exchange of information in the field of taxation. Bulgaria also has implemented the regulations under Council Directive (EU) 2021/514 amending the directive on administrative cooperation in the field of taxation in respect of the mandatory disclosure of information by certain operators of digital platforms for the sharing and gig economy. The rules require these operators to collect and disclose to the Bulgarian tax authorities specified information for certain sellers using their platforms.

Bulgaria has transposed into its domestic legislation the EU public CbC reporting directive (Directive (EU) 2021/2101) regarding the disclosure of income tax information by certain undertakings and branches. The legislation is generally aligned with the EU directive, subject to a small number of differences related to branches and subsidiaries. The legislation enters into force on 1 January 2025 and the first reporting period is the financial year 2024. The public CbC report must be prepared in the Bulgarian language, and registered and declared in the Commercial register and the Register of Non-Profit Legal Entities.

Exit tax: Rules for exit taxation in line with ATAD I apply in Bulgaria, and the scope of exit taxation includes transfers of:

- Assets/a business from a head office in Bulgaria to a PE outside Bulgaria;

- Assets/a business from a Bulgarian PE to another part of the same enterprise located outside Bulgaria;
- Assets/a business where an entity changes its tax residence (excluding transfers of assets that continue to be effectively connected to a PE in Bulgaria); and
- A business carried out from a PE in Bulgaria to another jurisdiction.

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/business between two or more companies belonging to a multinational group. An option to defer the exit tax applies in certain circumstances.

General anti-avoidance rule: Bulgaria has strict provisions to counteract any attempts by taxpayers to avoid or evade tax that apply to transactions between both related parties and independent entities. Bulgaria's provisions are broader than the ATAD I general anti-avoidance rule.

Other: General rules apply to hidden profit distributions in respect of certain interest expense, and expenses or amounts accrued, paid, or distributed to shareholders or their related parties. A 5% dividend withholding tax plus a penalty of 20% apply to hidden profit distributions.

Value added tax

Rates	
Standard rate	20%
Reduced rate	0%/9%

Taxable transactions: VAT is imposed on the sale of goods and the provision of services.

Rates: The standard rate is 20%, with a reduced rate of 9% on hotel accommodation services, supplies of books (including in electronic form), and supplies of food and hygiene products designed for babies or young children. The 9% rate also applies to restaurant and catering services (including take-out services, other than the supply of spirits) through 31 December 2024, and to the use of sports facilities and the provision of tour operators' services (including the organization of excursions with bus transport) through 30 June 2024.

Exports and intra-Community supplies are zero-rated. Supplies of bread and flour are zero-rated through 30 June 2024.

Registration: Registration is mandatory for Bulgarian established persons with taxable turnover exceeding BGN 100,000 with respect to VAT taxable supplies with a place of supply in Bulgaria in any previous 12-month period (except when the VAT must be self-assessed by the recipient). Non-Bulgarian entities must apply for VAT registration seven days prior to their first supply in Bulgaria, irrespective of the value of that supply. Registration also is triggered by the receipt of services in Bulgaria that are provided by a taxable person not established in Bulgaria. A threshold of BGN 20,000 applies to intra-Community acquisitions for compulsory registration. Foreign taxpayers making distance sales of goods with a place of supply in Bulgaria also are required to register. Foreign taxpayers have the option to register for the One Stop Shop regime.

Registration may be on a voluntary basis, regardless of turnover. A nonresident company making supplies in Bulgaria must register for VAT through an accredited representative (except when it has a registered branch in Bulgaria or when it is established in the EU or a jurisdiction with which Bulgaria has existing instruments relating to mutual assistance).

Filing and payment: The tax period for VAT is the calendar month; VAT returns must be filed monthly by the 14th day of the following month.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security: 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%). The base for the contribution is total income, currently capped at BGN 3,750 per month, although the cap may be amended during the year. Minimum thresholds per position and industry also apply.

Payroll tax: There is no specific payroll tax but social security contributions, health insurance contributions, and income tax are deducted by employers from amounts paid to employees.

Capital duty: There is no capital duty.

Real property tax: The owner of real property is subject to a real property tax imposed at the municipal level 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. The municipality may use a different value in determining the tax base if taxpayers have violated the accounting legislation.

The owner of real property also is subject to a garbage collection fee determined by each municipality. The fee generally is a percentage of the gross book value of the real 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.

Transfer tax: 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.

Stamp duty: There is no stamp duty.

Net wealth/net worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: Inheritance tax is levied at a rate of 0.4% to 6.6%, depending on the relationship of the beneficiary to the deceased, if the beneficiary's share of the total inheritance exceeds a certain threshold. The rate is determined by each municipality. A gift tax is levied at 0.4% to 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 tax and gift tax applies for spouses and certain direct relatives.

Other: Insurance contracts covering risks in Bulgaria are subject to a 2% tax on the insurance premiums. An exemption applies for certain premiums, e.g., those under reinsurance contracts.

Tax treaties: Bulgaria has concluded around 70 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) entered into force in Bulgaria on 1 January 2023.

For further information on Bulgaria's tax treaty network, visit [Deloitte International Tax Source](#).

Tax authorities: National Revenue Agency

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